

Reporting on energy regulation issues around the world

Global Energy Regulation

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European News

UK

Gas Storage Developers Disappointed By Extra Connection Costs

UK gas storage developers have told Ofgem that they are not happy with the extra costs to connect proposed storage projects to the national gas transmission system. Ofgem issued a notice in August under the Gas Act which set out how the National Grid would be rewarded for offering entry capacity to new storage facilities. National Grid says that it is willing to accept the proposals, but that the issue should be revisited in its next price control.

Platts Commodity News, 3/10/05

Energy Regulator Ofgem Extends Current Electricity Price Controls For 1 Year

Ofgem announced it plans to extend current controls on electricity transmission prices for a year so it can set a five year price control regime for 2007-2012 for both the gas and electricity transmission networks. Under the proposals National Grid Electricity Transmission PLC will be able to invest £470 million in the transmission network next year, compared with an allowance of £250 million for 2005-2006. The regulator said that the investments in renewing the network will ensure security of supply for all customers.

AFX International Focus, 27/9/05

Scots In High Court Fee Fight

Scottish Power went to the High Court in London to contest new charges for transmission network use, introduced when the pan-Britain power trading arrangements came into play in April. ScottishPower says the new system gives generators south of the border an unfair advantage over Scottish generators. ScottishPower has also challenged the basis of National Grid's calculations in arriving at the charges.

Utility Week, 23/9/05



Ofgem To Review Supply Licences

Ofgem has decided to proceed with a review of the contents of gas and electricity supply licences. Ofgem will establish a Steering Group to coordinate the review with key stakeholders including industry and customer representatives. The decision follows a consultation which proposed a review of the contents of the supply licenses with a view to making them shorter and simpler.

Platts EU Energy, 9/9/05

National Grid Publish Winter Energy Outlook To Aid Industry Planning

NGC's analysis showed that, even in 1-in-50 cold weather, there will be sufficient gas this winter to maintain supplies to domestic and other non-daily metered customers. However, significant demand response will be required from the daily metered sector if colder than average weather is experienced, or gas deliveries are below NGC's base case levels.

Ofgem Press Release, 5/10/05; National Grid, Winter Report Outlook, 5/10/05

Austria

Survey Of Austrian Gas Market

A survey of the Austrian gas market by the Federal Competition Authority and the regulatory office E-Control indicates that the competition expected from market liberalisation has largely failed to materialise. An explanation for this finding might be that the gas market is currently dominated by few companies. The OMV Gas Ltd remains the only importer of gas and has contracts with a running time of up to 20 years.

Die Presse, 28/9/05; Presstext, 27/9/05

Eco-Electricity Report

The latest report of the regulatory office E-Control on eco-electricity indicates that Austria has exceeded the target for renewable electricity generation (wind, biomass etc) set out in the Eco-electricity Law—around 8% of total consumption instead of the 4% required under the law by 2008. The growth of renewable electricity generation comes at a cost: it has increased annual bills to final customers by 10%.

Die Presse, 9/9/05



Belgium

CBFA Approves Acquisition Of Electrabel

The Belgian Authority for the Regulation of the Financial Markets, CBFA, has announced that it will allow French utility Suez to acquire Electrabel. Suez already controls 50.1% of the shares of Electrabel and will buy the rest between 10 October and 5 November 2005. The Belgian regional governments that own stakes in Electrabel must decide between selling their shares and becoming shareholders of Suez.

Les Echos, 23/9/05

Energy Regulators To Foster Competition In Gas Market

The three regulators of the gas and electricity markets in Belgium, CREG, CWaPE (for the Walloon region) and VREG (in the Flemish region), are working together to solve the problems that gas retail competition is currently facing in Belgium. As a preliminary document, the regulators have jointly published a report evaluating the present situation of the retail gas market in the country.

www.creg.be, 21/9/05

European Union

EU Commission May Analyse Gas Natural's Acquisition of Endesa

The European Commission (EC) is analysing whether the scrutiny of Gas Natural's takeover bid for Spanish Endesa is the responsibility of the European Competition authorities or the Spanish ones. Endesa has argued that more than 33% of its European business is carried out outside of Spain, even though its 2004 annual report showed otherwise. The discrepancy comes from changes in international accounting rules and Endesa's view that its sales and purchases from the electricity pool really represent an internal transfer and should therefore be netted out, which substantially reduces the volume of Endesa's revenues in Spain. The EC has retained an independent expert to review Endesa's accounts to determine whether the utility undertakes more than 33% of its European business outside Spain.

Expansión, 28/9/05; La Gaceta, 22/9/05

European Courts Confirm Commission Decision On GDP-EDP-Eni

European Courts have confirmed the European Commission (EC) decision to veto the takeover of Gas de Portugal (GDP) by Energias de Portugal (EDP) and Italian Eni. The EC concluded that this operation would reinforce EDP's and GDP's dominant position in the Portuguese electricity and gas markets respectively. This decision will be taken into consideration, according to the EC, when analysing the proposed merger between German E.ON and Hungarian MOL.

Expansión, 22/9/05; DJ Bourse, 21/9/05



France

Only 15% Of EDF To Be Privatised

The French Economy Minister has announced that only 15% of the share capital of Électricité de France (EDF) will be privatised next autumn. However, additional public offerings cannot be ruled out, since EDF's privatisation regulations stipulate only that the French Government should retain a minimum of 70% of EDF's shares. The French Government has valued EDF at around EUR 60,000 million (US\$74,000 million).

Le Figaro, 21/9/05; *Reuters*, 7/9/05

Government Awards Wind Auction Projects

The French Government has finally awarded a contract under the offshore wind energy auction launched in February 2004. The aim of the auction was to select projects, amounting to a maximum of 500 MW in total, that would enjoy guaranteed purchase of their generation at fixed prices. Only one bid was accepted: a 105 MW offshore wind farm, which will be paid around EUR 100/MWh (US\$123/MWh).

Le Figaro, 16/9/05

Increase In Electricity Tariffs Limited To Inflation Rates

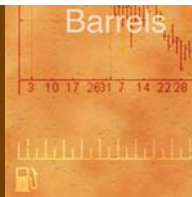
The French Government and EDF have agreed the terms of the new public service electricity supply contract for the years 2005-2007. This contract imposes a limit on possible increases in household electricity tariffs in the years 2005-2006, which is set at the rate of inflation (forecast to be around 1.5% in 2005 and 1.6% in 2006). EDF had asked for a 2.5% annual increase. Low electricity tariffs could hamper the development of electricity supply competition, following full liberalisation in 2007.

Le Monde, 16/9/05; *La Tribune*, 15/9/05

French And Austrian Regulators Consult On Congestion Management

French energy regulator, CRE, and its Austrian counterpart, E-Control, have launched a public consultation on possible auction methods to allocate capacity on the French-Italian and Austrian-Italian interconnections. The aim of the consultation is to derive a proposal for the harmonisation of cross-border congestion management for both interconnections in 2006. Comments to the consultation documents were due by 30 September.

Power in Europe, 12/9/05



Germany

E.ON Ruhrgas Threatens The Federal Cartel Office (FCO)

E.ON Ruhrgas dismissed the Federal Cartel Office's proposed new rules that would replace the current long-term supply contracts between the gas suppliers and distributors with shorter contracts and is threatening to take legal action if the FCO bans long-term contracts. The FCO is convinced that the status quo distorts new entry in the wholesale gas market. E.ON Ruhrgas' CEO, Burckhard Bergmann, believes that the proposed rules will alter market conditions to the detriment of the German gas industry and give other major European gas suppliers an easy way to gain market share without any struggle. *Frankfurter Allgemeine Zeitung, ddp.vwd Wirtschaftsdienst, 27/9/05*

Criticism Of Price Impact Of Emissions Trading

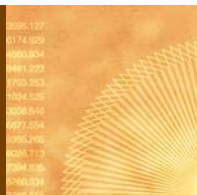
Highly ranked economists and politicians vehemently criticised the recent increase in electricity prices, caused, according to RWE's CEO Harry Roels, by high market prices of freely allocated tradable emission allowances. The head of the Federal Cartel Office, Ulf Böge, effectively threatened sanctions for generators who pass through these costs to customers. Mr Böge is questioning whether companies in a competitive environment should be able to pass through the cost of allowances, even though they were originally distributed free of charge. In other words, Mr Böge is questioning the pass-through of emissions opportunity costs, seeing it (contrary to economic theory) as a sign that competition is lacking. Moreover he said that only in incomplete markets could marginal costs completely be apportioned to customers, thereby standing economic theory on its head.

Financial Times Deutschland, 22/8/05

Minister Calls Customers To Sue Against Gas Price Increases In Class-Action Lawsuit

After the announcement of gas price increases, the German Minister for consumer protection, Renate Künast, has appealed to customers to sue the companies for the price increases in a class-action lawsuit. The Minister stressed that the price increase is not acceptable and that linking gas prices to the oil price is no longer justifiable. The Federal Minister of Economics and Labour has called upon the Federal Cartel Office to verify the appropriateness of the gas prices.

Frankfurter Allgemeine Zeitung, 17/9/05; Associated Press, Reuters 16/9/05



Customers Win Class-Action Lawsuit Brought Against Gas Price Increases

The District Court in Hamburg said in a preliminary appraisal that the gas supply company E.ON Hanse, the regional subsidiary of E.ON Group, has to disclose its entire gas price calculation. The Court states that this is the only means to find out whether the last rounds of price increases were proper and justified. The Court emphasised that the oil price increase over the same period is not a satisfactory explanation for the rise in gas prices. Since October 2004, E.ON Hanse has increased gas prices three times, by 25% in all.

Manager Magazin Online, Associated Press, Reuters 15/9/05

Ireland

Gas And Electricity Price Increases Approved

The Irish Commission for Energy Regulation (CER) has approved an average increase of 4.1% in electricity prices from January 2006, and 25% in gas prices from October 2005. The increases in electricity prices will be largest for large industrial customers (8%) and small and medium enterprises (5.2%), while domestic customers will face an increase of just 3.1%. A spokesman from CER stated that the costs of transmission and distribution were falling, but the increases were due to increasing costs in generation, particularly oil and gas prices and the costs of maintaining plant.

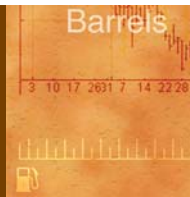
Irish Times, 10/9/05

Italy

GME Presents The Market For Emission Units Allowances

GME, the Italian Market Operator, has set out the proposed organisation of the new market for CO2 emission allowances. Emissions allowances will be traded on a continuous basis in different trading sessions. The GME will organise an order book for each year up to 2007: during trading sessions, market operators will enter their offers/bid into the order book specifying the year of the allowances, their volume and unit price. The market is expected to be launched within the first months of 2006.

GME's web site, 29/9/05



AEEG Orders Some Gas Distributors To Apply Approved Tariffs

The Italian regulator AEEG ordered some gas distributors to apply the distribution tariffs that AEEG approved last year. In March 2005 the TAR (the administrative court) partially repealed the AEEG deliberation that set distribution tariffs for the regulatory period 1 October 2004 to 31 March 2008. AEEG then decided that, until new distribution tariffs are approved according to provisions set out in the court verdict, the distribution tariffs defined in the deliberation must be used, in order to give customers some certainty over tariffs. However, several gas distributors (which distribute gas to about 5.7 million customers) have failed to adopt the tariffs set out in the deliberation and have been applying higher tariffs, thus imposing costs on customers.

AEEG's web site, 29/9/05

Sharp Increase In Electricity For Residential Customers

The increase in oil prices has caused a sharp increase in electricity tariffs, of +4.4%, for residential customers in the last quarter of the year. The increase in electricity tariffs was mitigated by the purchasing strategy of Acquirente Unico (AU - the Single Buyer) on the organised electricity market and by import capacity and by its right to buy incentivised electricity (the so-called CIP6 electricity, which is sold at a fixed price). When considering all final customers, the average increase is 5.3% (net of tax). The average national tariff (net of tax) is thus equal to 11.24 Eurocent/kWh.

AEEG's web site, 28/9/05

Netherlands

NMa Fines Energy Companies

The Dutch competition authority, NMa, has fined eight energy companies amounts varying between EUR 10,000 and EUR 90,000, for failing to abide by market rules. The NMa found that last summer these companies bought capacity to import electricity in the daily capacity auctions but did not meet the associated obligation to offer at least as much power into the Amsterdam Power Exchange. The companies affected are: Eneco Energie; NV Nuon; NV ONS Energie; ONS CAI BV; EDF Trading Limited; Endesa SA; Vattenfall Trading GmbH; and Aare Tessin AG für Elektriciteit (sic).

DTe website, 15/09/05



GTS Must Offer Flexibility Services

The Directie Toezicht Energie (DTe, a department of the Dutch competition authority, NMa, responsible for supervising energy markets) published a draft decision in which it establishes that Gasunie Trade and Supply has a position of economic power on a large part of the market for gas flexibility services. (Flexibility services allow gas suppliers to balance foreseen and unforeseen variations in gas offtake, for example due to temperature changes.) Under the Gas Law, given the state of the market, the national network operator (Gas Transport Services, GTS) must offer flexibility services. The draft method decision sets out how GTS should offer these services, so that prices and terms are reasonable and competition (market operation) is promoted.

DTe website, 14/09/05

Gas Transport Services Can Operate More Cheaply

The NMa has established that Gas Transport Services (GTS), operator of the national gas transport network, can function more efficiently. In Decision 101847-69, the NMa has therefore set the x-factor for the period 2006-2009 at 4.2% per year, applicable to total revenues.

DTe website, 08/09/05

Northern Ireland

UK Takeover Panel Reviews Terra Firma Attempt to Pull Out of Phoenix Gas Deal

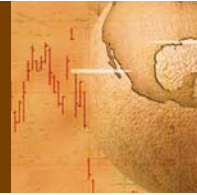
The UK Takeover Panel has requested court permission to extend until 28 November 2005 its review of the attempt by private equity firm Terra Firma to pull out of a deal to buy East Surrey Holdings, parent company of Northern Ireland gas supplier Phoenix Natural Gas. Terra Firma attempted to pull out of the deal after the Northern Ireland regulator, Ofreg, announced that in response to Terra Firma's offer it would review the pricing regime it had agreed with East Surrey last summer.

Platts, 27/9/05

Taxpayer Subsidies For Gas Consumers Requested

The Consumer Council for Northern Ireland has asked the British Government to subsidise gas bills for low income families, following price increases of almost 30%, which are likely to translate into an increase of about £200 per year for some families. The price increases for Phoenix Natural Gas were approved by Ofreg, in response to increasing wholesale gas prices.

The Irish Examiner, 22/9/05



Portugal

EDP Acquires 120 MW Of Wind Power

EDP has acquired five wind farms companies in Portugal for EUR 60 million (US\$ 78 million). The total power capacity of the projects is 120.7 MW, of which only 48.3 MW are currently in operation. EDP believes that the acquisition does not raise any concern for the competition policy authority, AdC.

Jornal de Negócios Online, 29/9/05

Government To Privatise Part of Galp And REN In 2006

The Portuguese Minister of Economy, Mr. Manuel Pinho, declared that the Portuguese energy firms Galp and REN will be ready for privatisation in 2006. The divestment plan will be gradual, particularly in the case of REN.

Jornal de Negócios Online, 29/9/05

New Energy Restructuring Plan In Portugal

The Portuguese Council of Ministers approved on 29 September a new national energy strategy, under which utilities are allowed to operate simultaneously in both the electricity and gas markets. The document sets targets in relation to security of supply, promotion of competition, environmental concerns, and energy efficiency. The plan also seeks to reduce Portugal's dependence on imported fuel.

Jornal de Negócios Online, 29/9/05

AdC Requests The EC To Analyse Endesa's Takeover

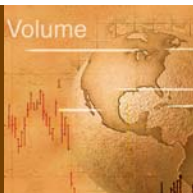
The Portuguese competition policy entity, Autoridade da Concurrence (AdC), is in favour of the EC analysing Endesa's takeover bid by Gas Natural, rather than the Spanish authorities. The AdC's concerns are related to the impact the merger might have on the Portuguese energy market. The Portuguese Minister of Economy, Mr. Manuel Pinho, has also stated that some of the assets to be divested by Endesa/Gas Natural following their merger should be sold to GALP and EDP.

Jornal de Negócios Online, 22/9/05

Electricity Tariffs To Decrease For Industrial Customers

Electricity tariffs for industrial customers will be reduced in the last quarter of the year to reflect the movement in international fuel prices, which are reviewed every three months. This tariff setting review is carried out by the electricity regulator, ERSE, which has decided to reduce HV tariffs by 0.3%, MV tariffs by 0.25%, and EHV tariffs by 0.1%. Outside mainland Portugal, the tariff reduction for HV customers is 0.56% in Azores and 0.4% in Madeira.

Jornal de Negócios Online, 16/9/05



Federal Tariff Service Proposes Bilateral Contracts

The Federal Tariff Service proposes to introduce annual bilateral contracts in the regulated segment of the electricity market, from January 2006. According to the head of the Service, Sergei Novikov, this proposal is agreed with the relevant ministries and agencies, but an exact model satisfactory to all parties has not yet been developed.

Prime-Tass 20/9/05; AK&M 20/9/05

Spain

Regulator Analyses Gas Natural's Proposed Takeover Of Endesa

The Spanish energy regulator, Comisión Nacional de Energía (CNE), is analysing the implications of Gas Natural's takeover bid on Endesa, although its decision is not binding on the Spanish Government. CNE has sent a questionnaire to affected agents, which asks them to express their opinion on the consequences of the acquisition. CNE will analyse whether the merger will threaten required investments in regulated activities, as well as the effects of the merger on competition.

Cinco Días, 30/9/05, 13/9/05; Expansión, 29/9/05, 23/9/05, 15/9/05; Jornal de Negócios Online, 16/9/05

Electricity Tariff Deficit Up To EUR 1,685 Million

According to a report by the Spanish energy regulator, CNE, the electricity tariff deficit accumulated in Spain by July 2005 amounts to EUR 1,685 million (US\$2,071 million), meaning that regulated electricity tariffs are not sufficient to cover the costs of electricity supply. The cause of the deficit is the high electricity pool prices between January and July 2005, which reached an average of EUR63/MWh (US\$77/MWh), almost twice the reference price of EUR36/MWh (US\$44/MWh) used to define the full-service tariffs at end-2004.

La Vanguardia, 27/9/05

Government Will Shortly Transpose Gas And Electricity Directives

The Spanish Industry Minister announced the intention of the Government to approve shortly the regulations that will incorporate EU Directives 2003/54 and 2003/55 (the Electricity and Gas Directives) into Spanish Law. The new regulations will guarantee the independence of the electricity system operation by creating inside Red Eléctrica (REE) two independent units for system operation and management of the transmission assets. In addition, the new regulations will create a Commission in charge of supervising energy security of supply in Spain.

La Gaceta, 14/9/05

Turkey

Tupras Auction

A consortium led by Turkey's largest conglomerate Koc Holding, which includes Royal Dutch Shell, has made the winning bid of \$4.14 billion in an auction for a 51% stake in Turkish oil refiner Tupras. Koc Holding has an 80% stake in the joint venture while Shell holds 10% and local firms Aygaz and Opet Petrolculuk have 7% and 3%, respectively. However, the Turkish Petroleum Workers' Labour Union filed a formal complaint with the Council of State alleging that the privatisation of Tupras and the related tender were based on illegal specifications as they carried no articles protecting workers, investment and production. The Union filed an additional complaint asking for the sale to be cancelled on the grounds that it is not in the country's best interests to sell the profitable Tupras to the private sector.

International Oil Daily, 13/9/05; BBC Monitoring European, 13/09/2005; Global Insight Daily Analysis, 14/9/05, Platts Oilgram News, 14/9/05

North American News

USA

Massachusetts Regulators Approve Power Price Hikes

Massachusetts utility regulators approved the first of what may be several energy price hikes. A 27.5% increase was approved for the Massachusetts Electric Co., but rate increases are expected to be even higher—up to 50%—for large businesses. The regulators are reviewing rate increase requests from several natural gas companies that, on average, would raise rates by an average of 26%.

United Press International, 1/10/05

Ohio Supreme Court Hears Case On FirstEnergy Rate Plan

The Ohio Supreme Court heard arguments that approval of a FirstEnergy Corp. rate plan last year by the Public Utilities Commission of Ohio should be overturned. The Ohio Consumers' Counsel (OCC) told the court FirstEnergy's plan violates Ohio's electric choice law and would make consumers pay too much. The consumer advocacy group claims a new "rate stabilisation charge" matches dollar-for-dollar a charge for stranded costs that was about to end. The OCC also claims some consumers who have chosen a competitive supplier will still have to pay the rate stabilisation charge—which the OCC calls "an obstacle to electric choice."

Knight Ridder/Tribune Business News, The News-Herald, Willoughby, Ohio, 29/9/05



Regulators Approve Washington's Highest Ever Gas Rates

The Utilities and Transportation Commission for Washington State has agreed gas rate increases for Puget Sound Energy and Northwest Natural Gas Co. Commission officials said natural gas rates for the utilities' customers would jump by an average of 12 to 15% next month, giving the highest rates seen so far.

Associated Press Newswires, 28/9/05

Power, Gas Bills To Rise Higher

State regulators have approved major rate increases for Progress Energy and PSNC Energy from 1 October, to cover increased fuel expenses. The N.C. Utilities Commission approved a 22% increase for PSNC and 4.4% for Progress Energy. Progress Energy's increase is only half of what the company wanted but the company has agreed to recover half its costs this year, to prevent "rate shock", and to collect the rest in later years, adding 6% annual interest to the uncollected portion.

The News & Observer, 27/9/05

Nicor Increases Delivery Charge

The Illinois Commerce Commission approved a Nicor Gas rate increase that will add nearly US\$2 a month to customers' bills. The approval allows Nicor to increase customers' delivery charge, which typically accounts for 15 to 20% of the total bill, Nicor said. The increase takes effect next month. However the Citizens Utility Board said that it will appeal the ICC's decision, arguing the company did not need to raise delivery rates.

Associated Press Newswires, 21/9/05

Regulator Recommends Utility Refund US\$128 Million

The Illinois Commerce Commission ruled that the Peoples Gas utility should refund US\$128 million to its customers (about US\$160 per customer) amid allegations the company made secret deals with Enron Corp. The commission is reviewing what Peoples Gas customers paid during the winter of 2000-2001, when natural gas prices spiked. The Citizens Utility Board argued that deals with Enron led to overcharges. Peoples Gas argued its prices were lawful and in line with utilities across the state. The company will appeal if ICC upholds the ruling.

Associated Press Newswires, 21/9/05



PSC Denies CenterPoint Increase, Tells Utility To Charge Less

The Arkansas Public Service Commission has denied a request by CenterPoint Energy to raise natural gas rates and told the utility to cut its revenue by US\$11.5 million. CenterPoint had originally sought a rate increase of US\$34 million per year but reduced its request after auditors found that it had violated state rules and kept poor records. The utility has said it will appeal against the ruling.

Associated Press Newswires, 20/9/05

FERC Begins Inquiry On Open-Access Transmission Reform

FERC approved a notice of inquiry (NOI) calling for “high-quality comments” on whether it needs to reform the pro forma open-access transmission tariff (OATT) under Order 888. In the NOI, FERC is seeking comments on enhancements to remedy discrimination or preferential applications of the pro forma OATT, and on ways to improve the clarity of the pro forma OATT in order to more easily identify violations by public utilities.

NGI's Power Market Today, 15/9/05

FERC Proposes Rule To Make Reliability Standards Mandatory

The Federal Energy Regulatory Commission (FERC) proposed rules to implement the reliability provisions of the newly enacted Energy Policy Act of 2005. The rules include proposed criteria for establishment of an electric reliability organisation (ERO) that will enforce reliability standards under the regulatory review and oversight of the commission. The North American Electric Reliability Council (NERC) is expected to serve as the ERO, although the act does not specify NERC. NERC said it will file an application to become the ERO, as soon as FERC establishes the final requirements of the ERO.

Public Power Weekly, 15/9/05

Complaint Filed Over Power Plant Payments

Connecticut and the region's electric grid operator are fighting over US\$970 million in consumer payments to nuclear and coal-fired power plants that the state says are unjustified. Attorney General Richard Blumenthal, Mary Healey, the state's consumer counsel, and lobbyists representing manufacturers and other businesses filed a complaint about the payments with the Federal Energy Regulatory Commission. ISO New England said its market rules have saved consumers US\$700 million annually because the rules have encouraged companies to build new power plants, which created more electricity and competition.

Connecticut Post, 12/9/05



Lyons Ordered To Replace Entire Gas Distribution System

The central Kansas town of Lyons has been ordered to replace all of its gas distribution lines by the Kansas Corporation Commission because the physical state of the gas network is so parlous that the town is plagued by dangerous gas leaks. The estimated cost of the work is US\$2.5 million, which the town is unable to afford. Lyons has one year to comply with the order. If it cannot pay for the upgrade itself, the city might have to sell its gas distribution system to a private company.

Associated Press Newswires, 9/9/05

Illinois Utility Fights To Buy Electricity At Auction

If Illinois government officials block its plan to buy electricity at auction beginning in 2007, says Commonwealth Edison, the company will suffer dire consequences, including declining service, higher prices for consumers, a drop in the company's credit rating, and even bankruptcy. ComEd no longer generates electricity and wishes to buy the power its customers need through auctions when the current system of regulated purchasing ends on 31 December 2006. Others in the utility industry say the plan is the cheapest and fairest way to procure power. The auction is opposed by a powerful group of politicians and consumer advocates who say that it will raise residential electrical bills by 20% or more.

Chicago Tribune, 8/9/05

Industrials Cite Affiliate Abuse Concerns In Opposing Allegheny Market-Based Rates

Responding to a combined triennial market power report filed at FERC by various Allegheny Energy affiliates, industrial customer groups based in West Virginia and Ohio are collectively asking the federal agency to reject Allegheny's request for continued market-based rate authority on the grounds that the tariff provisions governing affiliate sales have not been shown to be just and reasonable under the Federal Power Act.

NGI's Power Market Today, 7/9/05

Heating Discount

The Public Utilities Commission in New Hampshire has approved a new discount program for low income residents. Keyspan Energy Delivery and Northern Utilities customers who qualify will see a 50 percent reduction in the gas delivery portion of their bill starting 1 November. The discount does not apply to the cost of gas.

Associated Press Newswires, 2/9/05

Mexico

President Fox Announced 10 Energy Measures

President Fox announced a series of measures designed to keep energy costs down for millions of Mexicans and increase the country's energy independence. The measures include: limiting price increases for natural gas, LP gas and residential electricity; and an initiative for an amendment to the constitution to let private companies explore for and produce Mexican natural gas that is not associated with oil fields.

El Economista, 12/9/05

Central and South American News

Argentina

Liberalisation Of Gas Retail For Large Consumers

On 1 September, after a delay of one month, gas supply was liberalised in Argentina for large consumers. In the first stage, industrial consumers with monthly demand above 150,000 cubic meters will need to sign direct contracts with gas suppliers. Full-service gas tariffs have been eliminated for eligible consumers, whose new contracts with gas suppliers will result in an increase in their full-service gas prices from US\$1.40-1.49/MBTU to US\$2/MBTU. On January 2006, the eligibility threshold will fall to monthly consumption of 90,000 cubic meters. The government claims that despite the increase in prices, the industrial gas consumers will benefit from the stability of the new contracts.

El Cronista Comercial, 2/9/05

Brazil

Government Schedules Electricity Transmission Auctions

A total of 30 companies are going to participate in the electricity auctions that the Brazilian government is organising next 17 November in Rio de Janeiro's stock market. The auction will be for the building and operating concessions for 21 electricity transmission lines for a total of 3,000 km.

Expansion, 22/9/05



Government Schedules Electricity Capacity Auctions For December

The Brazilian Mines and Energy Minister, Mr. Silas Rondeau, has set a date of 16 December for an auction of the rights to build new electricity capacity (see last GERN issue). The auctions involve a total of 20,000 MW, including 14 hydro plants. Output from new plants will be sold in 15-year contracts (for thermal plants) and in 30-year contracts (for hydro plants) with delivery starting in 3 to 5 years. Some generators have criticised the auction rules. They claim that the government should explicitly set a maximum price in order to facilitate the bidding process. They have also requested delivery dates to be made more flexible. *Business News Americas, 20/9/05*

Nuclear Programme To Be Resumed

The Brazilian National Nuclear Energy Commission (CNEN) has recommended to the government that Brazil's nuclear programme should be resumed. The objective is to raise the nuclear share in Brazil's power generation from 3.7% to 5%. The CNEN recommends the completion of the nuclear plant of Angra III in south Rio de Janeiro and construction of another two large and four small nuclear plants. The nuclear programme should be completed by 2022. The estimated cost is US\$13,000 million.

Agencia EFE, 5/9/05

Preliminary Rules For Small Generators Electricity Sales

The Brazilian electricity regulator, Agência Nacional de Energia Eléctrica (ANEEL), has published the preliminary rules that will regulate the sale of electricity generated by small producers, such as biomass, mini hydro plants and cogenerators. ANEEL's aim is to foster competition among generators, first by forbidding distributors to discriminate among generators when purchasing electricity and, second, by limiting the amount of energy that a single generator can sell to a distributor to 10% of the distributor's demand.

Business News Americas, 2/9/05

Ecuador

Oil Companies Ready To Renegotiate Their Contracts

The Ecuadorian Minister of Energy, Mr. Iván Rodríguez, reported that private oil companies operating in Ecuador are willing to negotiate a modification of their contracts in order to enable increased state participation in production decisions. Mr. Rodríguez emphasised the government's willingness to take into account each contract's clauses in an objective and technical way.

Dow Jones Reuters, 8/9/05



Asia Pacific News

New Zealand

Commission Declares Intention To Control Electricity Lines Company

The Commerce Commission has announced its intention to declare control over Hawke's Bay electricity distribution company Unison Networks. This is the first time the Commission has sought to exercise this power over a distribution business since being granted it in 2001. The announcement follows an assessment showing that Unison was making an average return on investment of 12.23%, and in some regions as high as 17.36%. The Commission's estimate of the required rate of return is 7.35%.

www.comcom.govt.nz, 9/9/05

China

China Measures To Stem Oil Exports May Not Boost Domestic Supply

China's National Development and Reform Commission, in a bid to ensure supply for the domestic market, said yesterday that no more refining contracts for overseas trade will be allowed from 1 September until the end of this year. China's state oil companies have been exporting growing volumes of refined products, as their margins have suffered from rising crude-oil prices and a cap on domestic retail prices. According to the Wall Street Journal these measures are unlikely to boost domestic supply.

AFX Asia, 31/08/2005

China Introduces Competition To Power Generators As Part Of Sector Reform

China has started the reform of its electricity pricing system in northeast china. Power generators will have to compete to sell electricity to grids while prices for transmission and distribution will remain fixed. Currently prices are fixed by the National Development and Reform Commission (NDRC), which has been reluctant to pass on the cost of higher fuel prices to the end user.

AFX—Asia, 23/09/2005

India

Mumbai Consumers Can Choose Power Company

The Maharashtra Electricity Regulatory Commission has begun the process for granting parallel licences to power supply companies. Parallel licences enable consumers to choose their suppliers. The Commission has asked for revised proposals and applications for parallel licences from Tata Power Company, Reliance Energy, and Maharashtra State Electricity Distribution Company and other power supply companies in the state.

Indian Business Insight, 01/09/2005



Indian Regulator Thwarts Reliance' Attempts To Enter Transmission Sector

India's Central Electricity Regulatory Commission has rejected Reliance Energy's plan to build a privately owned transmission network in western India at a cost of about US\$620 million. If it had gained approval for its plans, Reliance would have become the first private firm to own a large-scale transmission network spanning different states. CERC gave no reasons for rejecting Reliance's application, but did say that government-owned Power Grid Corp. of India Ltd. could now invest US\$1,200 million in western India to install 30 transmission lines and 17 substations.

Platts Global Power Report, 25/08/2005

Regulator For Capping Margins On Traded Electricity

The Central Electricity Regulatory Commission (CERC) has suggested capping the margin on traded electricity at 0.04 US cents per kilowatt hour (kWh). At present, margins on traded electricity are around 0.1 US cents per kWh, but they reach as high as 0.7 US cents per kWh in certain cases. The CERC has also proposed amendments to the regulations on granting licences for inter-state trading. The regulator has issued a draft notification and invited public responses by end-September.

Business Standard, 16/09/2005

Pertamina To Apply Market Prices To More Industries

State oil-and-gas firm PT Pertamina will cut its subsidised fuel quota for industries to eight kiloliters (kl) a month—a third of the current level. A working committee of the House of Representatives' Budget Commission decided last week to cut the subsidy from an estimated US\$13,800 million to US\$11,300 million. Pertamina wants to contain the subsidy by charging market prices for some fuel sales to industry and to state power firm PLN.

The Jakarta Post, 14/09/2005

Indonesia

Indonesia's BP Migas Seeks Performance Bonds From Oil, Gas Contractors

BP Migas the oil and gas regulatory body wants energy firms with contracts for developing oil and gas blocks to guarantee their contractual commitments by issuing performance bonds. The performance bonds will protect the government against losses caused by oil and gas firms which fail to meet their contractual obligations.

AFX—Asia, 29/09/2005



Philippines

Philippines Resumes Privatisation Plans; Napocor Privatisation Target Reduced To 50% By Yearend

The government will try again in September to sell the 600MW Calaca coal-fired plant through a public auction. The government was forced to cancel the first attempt, after all but one bidder backed out. The Power Sector Assets and Liabilities Management Corporation (PSALM), the state agency overseeing the privatisation of the National Power Corporation (Napocor), said that four local and foreign investor groups were interested in bidding for Calaca. Meanwhile the Power Sector Assets and Liabilities Management Corp. (PSALM) has reduced its 2005 target for sales of National Power Corp.'s generating assets from the original 70% to 50%.

Platts Power in Asia, 18/08/2005; BusinessWorld, 12/09/2005

Singapore

Local Electricity Market To Become More Competitive

The Energy Market Authority may open the retail segment of 1.2 million small commercial and household customers to competition next year. The EMA is also planning to phase out gradually the vesting contracts which require every Genco to sell 30% of its power at a fixed price to the electricity pool. The vesting contracts mean that about 65% of market demand is currently covered by contracted supplies. The EMA plans to reduce this to 50% in 2007-2008 and 40% after that.

The Business Times Singapore, 14/09/2005

Thailand

Price Range Set For Egat's IPO; Enterprise Union Launch International Protest Against Egat Privatisation

Financial advisers for Egat Plc (the Electricity Generating Authority of Thailand) have proposed a preliminary price range of 60-70 US cents per share for the state power utility's initial public offering scheduled for early November. The advisers have also suggested raising the number of shares offered to Egat employees due to the decline in Egat's book value which followed a decision to prevent Egat realising accrued income from fuel adjustment charges. Meanwhile, the State Enterprises Relations Confederation is continuing to protest against listing Egat Plc on the stock market. SERC say that the government's attempts to corporatise the Egat were hasty and unconstitutional and without the people's participation in decision-making through public hearings.

Thai News Service, 21/09/2005; Thai News Service, 22/09/2005



Our Practice

NERA is at the forefront of the continuing transformation of the energy industries worldwide. We have pioneered in developing approaches for introducing competition in segments such as power generation (where competition is workable) and for improving the regulation of sectors (where it is not). We work with companies and governmental bodies worldwide to design competitive power markets and to develop tariffs and rules of access for regulated transmission and distribution systems for electricity and gas and transport of oil and oil products. With industry restructuring, we also help companies develop strategies for exploring new opportunities and minimising new risks, including issues related to climate change and other environmental initiatives.

We help our clients to develop new regulatory strategies and, when needed, support our clients with analysis and testimony before regulatory commissions, antitrust and competition policy agencies, and domestic and international courts. Our economists help clients to decide which lines of business to pursue; to divest assets no longer consistent with their strategy; to identify and evaluate opportunities for mergers, acquisitions and investment; and to develop bidding, trading, contracting, and marketing strategies and organisations. Our work also includes designing and conducting energy auctions, providing strategy and valuation, advice on mergers and acquisitions, the financing of energy companies, and the financial restructuring of distressed companies.

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