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Global Energy Regulation

Reporting on energy regulation around the world November 1999

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EUROPEAN NEWS

UK: Electricity Futures Market from May 2000
OM Group has signalled its intention to set up an electricity futures market from May next year, ahead of the planned October 2000 start-up for the New Electricity Trading Arrangements (NETA).
Utility Week, 26/11/99

UK: Regulator Announces New Gas Retail Price Caps
Gas and electricity regulator OFGEM published initial proposals for regulation of the domestic gas tariffs of British Gas Trading (BGT), the former monopoly supplier of gas in Britain. OFGEM intends to remove controls on tariffs for customers paying by direct debit, arguing that competition is now sufficiently established in this area. However, the regulator proposes to retain a common price cap for standard, pre-payment and prompt-pay customers for one more year, by which time it expects competition to be sufficiently developed for these tariffs too. OFGEM claims its tariff proposals will yield a 5% reduction in customers' bills. OFGEM's document also suggests that BGT may not be allowed to apply a correction factor for past cost under-recovery to its 2000/01 tariffs.
OFGEM Press Release, 25/11/99

UK: Gas and Electricity Licence Reform Proposals Published Energy regulator, OFGEM has initiated a consultation on proposals to change gas and electricity licences. The changes include: the introduction of a separate electricity distribution licence; an end to the distinction between "public electricity supplier" and "second-tier" electricity supply licences; and the introduction of standard conditions for each type of electricity licence, as in gas.
OFGEM Press Release, 24/11/99

UK: Northern Electric's New Customer Registrations Restricted Northern Electric and Northern Electric and Gas have agreed to OFGEM proposals that they limit their new customer registrations to 6500 a week. The move follows the

Graham Shuttleworth, General Editor
Kristina Sepetys, US Editor
Greg Houston and Rachel Goodyer, Australian and New Zealand Editors

regulator's investigation in August into billing problems faced by the companies' customers. Over the next twelve months, the companies will also provide the regulator with weekly reports on progress in billing, and will review customer complaints on a monthly basis. They have also agreed to appoint, if necessary, an auditor to report to the regulator on their ability to bill customers. The restriction on customer registrations may be reviewed in February.
OFGEM Press Release, 18/11/99

UK: Utilities Bill Announced in Queen's Speech
The Government has announced its intention to pass a new Utilities Bill in the next session of Parliament. If enacted, the Bill will give regulators a new primary duty to uphold consumers' interests, and powers to levy unlimited fines on utility companies for licence violations. The Bill will also enable the New Electricity Trading Arrangements (NETA) to be implemented.
Financial Times, 18/11/99

UK: National Power Undertakes Further Divestment National Power has entered into conditional agreements to sell 2.6 GW of its generating capacity in England and Wales. The 2 GW coal-fired Eggborough plant is being sold to nuclear generator British Energy, while the 650 MW gas-fired Killingholme plant is being sold to NRG Energy. The two plants together contributed around 4% of electricity output in England and Wales in 1998/99. If the sales go ahead, they will represent a further significant reduction in National Power's generating capacity (to 10 GW), following the sale of the 4 GW Drax coal-fired station to AES.
National Power Press Release, 17/11/99
(http://www.national-power.com/investor/intres99/entryscreen.html)

UK: Shippers Voice Concerns about Gas Market Developments Gas shippers have expressed their concerns about the performance of the On-the-Day Commodity Market (OCM). In an open letter to the regulator, they highlight concerns with the liquidity of the market and dissatisfaction with the recently introduced capacity auctions. The shippers' letter came only days after gas regulator Callum McCarthy declared that the new gas trading arrangements had created "a wholesale market in gas which is flexible, deep and liquid".
Utility Week, 12/11/99

UK: Regulator Proposes Further Sell-Off of Gas Storage Capacity Energy regulator OFGEM is proposing that Transco (the British pipeline operator) should auction-off its surplus Liquified Natural Gas (LNG) storage capacity. Since only 27% or so of this capacity is currently used for system support, OFGEM regards the LNG facility as essentially similar to other storage capacity, such as that at Rough

and Hornsea, which was auctioned earlier this year. However, Transco will be entitled to purchase system support services at the current regulated price until the end of 2001/02.
OFGEM Press Release, 11/11/99

UK: Government to Investigate Ways to Help Consumers Switch Supplier Trade and Industry Minister Stephen Byers has initiated an investigation into additional measures "to help consumers feel comfortable about deciding whether to switch" their gas and electricity suppliers. To date, 5 million gas consumers (out of 19 million) and 4 million electricity consumers (out of 26 million) have switched their supplier. Gas and electricity supply markets in Great Britain have been fully open to competition since May 1998 and May 1999 respectively.
DTI Press Release, 10/11/99

UK: Government Approves Sale of Drax Power Station, Rejects New Stations The UK Government has approved National Power's sale of the 4 GW Drax coal-fired power station to AES, the US electricity company. National Power undertook to sell the plant in exchange for approval of its acquisition of Midlands Electricity's (retail) supply business. Meanwhile, proposals for two new gas-fired power stations – a 560 MW combined heat and power plant at Rhosgoch, and a 1200 MW development by Enron on the Isle of Grain – have failed to win Government approval. Despite bringing the environmental benefits of a CHP facility, the Rhosgoch project was rejected because it did not meet the efficiency criteria set out in the Government's Energy Sources White Paper.
Department of Trade and Industry Press Releases, 9/11/99

UK: Changes to Climate Change Levy Proposals The Government has announced that "new" renewable energy sources and "good quality" combined heat and power projects will be exempted from the proposed Climate Change Levy. Energy intensive industries signing energy efficiency agreements that meet the Government's criteria will also be entitled to an 80 per cent discount on the proposed levy. The Levy rates will be 0.15 pence (0.24 Euro-cents) per kWh for gas and coal and 0.43 pence (0.68 Euro-cents) per kWh for electricity.
Government Pre-Budget Report
(http://www.official-documents.co.uk), 9/11/99

UK: Planned Northern Ireland Interconnector Capacity Increased The capacity of Northern Ireland Electricity's planned electricity interconnector with Scotland is to increase from 250 to 500 MW. As a result, a total of 375 MW will be made available to suppliers wishing to compete for customers in Northern Ireland.
Utility Week, 5/11/99

Republic of Ireland: CER Consults Public on the Interconnector with Northern Ireland The Irish Commission for Electricity Regulation (CER) has released a consultation paper outlining thoughts on Ireland/Northern Ireland interconnector trading. The consultation paper asks for views on options for rationing the limited capacity of the interconnector. The paper proposes three options: (1) allocating available capacity between market participants, (2) treating the electricity markets in Ireland and Northern Ireland as separate zones with separate market prices and using a short term fee for crossing the interconnector, and (3) treating the whole of Ireland as a single zone and requiring TSOs to limit trade across the interconnector through counter-trading. The consultation paper also asks for views about the structure of the transmission tariffs in Ireland and Northern Ireland, and their effect on trade across the interconnector.

Commission for Electricity Regulation, 25/11/99

Republic of Ireland: Consultation on "Best New Entrant Pricing" Irish Electricity Regulator, the CER, published a consultation paper on the costs of establishing a “Best New Entrant” (BNE) in the Republic of Ireland’s electricity market. Calculation of this cost will be used mainly to set the “spill” and “top-up” tariffs, once the transitional electricity trading arrangements are put in place in the Republic of Ireland.

Commission for Electricity Regulation, 17/11/99

EC Launches Infraction Proceeding against Luxembourg and France The European Commission has decided to launch an infraction proceeding against Luxembourg and France, for their delay in applying the 1996 directive on the internal electricity market. The European energy commissioner, Loyola de Palacio, asked for an urgent procedure to be launched, allowing both countries only two weeks to respond. Despite the EC’s decision, the French Minister of Economics, Christian Sautter, stated that the transposition of the European directive will not occur before February or March. The Spanish Minister of Industry stated that he would withdraw EdF’s licence to participate in the Spanish wholesale market. In addition, the Commission may take additional action by blocking EDF’s entry into Germany. On Tuesday 23 November, Baden-Württemberg officially decided to sell its 25% stake in EnBW, the fourth largest electricity company in Germany, to EDF. Before being finalised, however, the sale will have to receive the green light from the European competition authorities. An EC spokesperson said member states were perfectly entitled to take measures against others that do not liberalise their markets if their legislation so permits, as in the case of Germany, but not the UK.

La Gaceta, 25/11/99; El País, 23/11/99; Expansión 23/11/99; Les Echos, 25/11/99, 24/11/99, 19/11/99

EC Criticises the Implementation of Gas Market Liberalisation

The current gas liberalisation process does not satisfy the EC. In a report issued on November 22, competition authorities list the obstacles, which need to be eliminated for the creation of a real internal natural gas market. In spite of the EC directive, the liberalisation has not been very effective. The Commission highlighted the heterogeneity of rules in different member states, technical differences and the difficulty of managing international exchanges.
Expansión, 25/11/99

Italian Competition Authority Submits Advice on Adoption of EC Gas Directive The Italian Competition Authority has advised the government and Parliament as to the criteria the government should adopt in implementing EU directive 98/30/EC on common rules for the natural gas market. The Authority states that the purpose of the associated Italian law should be *to regulate corporate activities connected with the use of natural monopolies* (main and local transport networks). The law should not segment demand on the basis of 'eligibility' thresholds and should abolish restrictions on competition in other parts of the supply chain. Although main and local transport networks are both natural monopolies, says the Authority, technological and economic conditions do not justify any restrictions on competition in raw material supply, the use of gas storage facilities, or the sale of gas on the primary and secondary distribution market.
http://www.agcm.it/eng/tema04.htm, 10/11/99

Italian Energy Authority Introduces New Rules for Electricity Imports The Italian Energy Authority, Autorita' per l'Energia Elettrica e il Gas, has issued new rules regulating electricity imports in Italy, which were previously monopolised by ENEL. The new rules establish that 35% of total imported electricity will be allocated to the free market, which includes big industrial companies. The remaining 65% will be allocated to the "tied market" (mercato vincolato), which serves small industrial customers and households. The Authority has also issued rules for allocating available capacity. The Authority invited interested parties to submit their views on the new rules by 18 November 1999.
http://www.autorita.energia.it/com_stampa/import.html, 5/11/99

Italian Energy Authority Introduces New Rules on Competition for Large Customers The Italian Energy Authority, Autorita' per l'Energia Elettrica e il Gas, issued new rules allowing large consumers of electricity ("clienti idonei") to switch rapidly from ENEL or their current electricity supplier. The new rules allow customers to terminate their supply contract unilaterally with just one month's notice. The new rules apply only to annual contracts, which represent more than 99% of the total.
http://www.autorita.energia.it/com_stampa/cs_recesso.html, 3/11/99

Spain: Government to Shield Energy Companies Against Take-Overs by Foreign State-Owned Companies The Partido Popular presented an amendment to the *Ley de Acompañamiento de los Presupuestos* to stop foreign state-owned companies from taking control of Spanish energy companies. The text of the amendment will prevent foreign state-owned companies from exercising decision-making rights associated with shares when their holding exceeds 3 per cent of the total. Foreign companies that wish to exercise those rights will have to obtain permission from the government.
Expansión, 30/11/99

Spain: Fenosa Lodges Complaint at Spanish National Energy Commission against EdF The Spanish National Energy Commission (Comisión Nacional de la Energía – CNE) is investigating a complaint from Unión Fenosa against Electricité de France (EdF). Fenosa has accused EdF of blocking electricity that Fenosa sought to import from Switzerland. Over the last few months, Endesa and Fenosa have been importing electricity from Switzerland into Spain, through EdF's grid. However, on a number of occasions EdF has refused Fenosa access to its grid. EdF claims that there was insufficient capacity at those times, but Fenosa believes there was no justification for the refusals.
Expansión, 29/11/99

Spain: Gas Natural May Be Broken Up Spanish electricity companies have asked the government to introduce measures allowing them to acquire a stake in Gas Natural. One possibility is the break up of Gas Natural. The break up would allow each successor company to contract with suppliers abroad, which would lead to a major liberalisation of the gas market.
La Gaceta, 17/11/99; Cinco Días, 16/11/99.

Spain: The Spanish Chemical Industry Demands Faster Gas Liberalisation The *Federación Empresarial de la Industria Química Española* (FEIQUE) asked the Ministry of Industry and Energy to accelerate the gas liberalisation process to catch up with the liberalisation of the Spanish electricity sector. FEIQUE stated that the existence of a single operator of gas transport and regasification hinders the liberalisation process and leads to higher gas prices.
La Gaceta, 15/11/99

Spain: Competition Defence Tribunal Investigates Liberalisation of Airport Fuel Supply
The Competition Defence Tribunal is drafting a report on the hydrocarbon market in Spain, which identifies sectors where liberalisation could reduce fuel costs. Airport fuel supply is under

special scrutiny since the Tribunal considers it to be heavily controlled by the Compañía Logística de Hidrocarburos (CLH), in spite of the current bidding procedures.
Cinco Días, 2/11/99

Netherlands: APX Asked to Set Up Gas Exchange APX, the Amsterdam Power Exchange, has been asked by the Minister of Economic Affairs to prepare to introduce a gas exchange and has already started making the necessary arrangements. APX currently runs a day-ahead market for power and plans to introduce a bilateral trading facility for power as well as a futures market for power.
Het Financieele Dagblad, 23/11/99; Energie Nederland, 23/11/99

Netherlands: HerkStröter Commission Issues Conclusions on Stranded Costs The Herkströter Commission, appointed by the Dutch Government, has finally issued its conclusions on the treatment of stranded costs in the liberalised Dutch electricity sector. It proposes that a large part of the costs will be borne by the four main Dutch generation companies, using the following distribution rule: EPON 29.5%, EPZ 28.5%, EZH 19.5%, and UNA 22.5%. These costs include negative values of out-of-the-market contracts for electricity and gas imports. The Commission concluded that only some costs (at most 1.3 billion Dutch guilders, or US$600 million) should be passed on to final customers in the form of a surcharge on network tariffs, including costs associated with an experimental coal gasification plant and various CHP programmes. The Minister of Economic Affairs welcomed the Commission's advice, but the generators are unhappy with it and have submitted alternative proposals. Final negotiations will now be held between the Minister and the sector.

The Herkströter Commission also recommended that all shares in TenneT, operator of the high voltage network, should be sold at market value and that the Dutch State should not acquire any shares in TenneT in the process. The Government currently plans to acquire a stake in TenneT of 50 per cent plus one share, in return for allowing a stranded costs surcharge on network tariffs.
Energie Nederland, 23/11/99; Het Financieele Dagblad, 19/11/99;
http://info.minez.nl, 18/11/99

Netherlands: Fast Introduction of Retail Competition Now Likely in Electricity The Dutch Minister of Economic Affairs has announced that she intends to review the timetable for introducing retail competition in the Dutch electricity sector. The initial intention was to liberalise the commercial sector in 2002 and to enact full liberalisation by 2007. The Minister will now look into the possibility of liberalising the commercial sector before 2002 and the remainder

of the market by 2003 at the latest. The results of the investigation are expected to come out early next year.
Power in Europe, 22/11/99; Het Financieele Dagblad, 16/11/99; http://info.minez.nl, 15/11/99

Netherlands: PNEM/MEGA Concerned about Tariff Proposals
In a letter to the Minister of Economic Affairs, provincial shareholders of PNEM/MEGA, the largest electric utility operating in the Netherlands, have complained about the effect on the company's value of the tariff proposals of DTe, the Dutch electricity sector regulator, and the Ministry of Economic Affairs. The shareholders believe that the proposals will reduce PNEM/MEGA's value by 1.5 billion Dutch guilders (US$685 million). This is equivalent to a 50 per cent fall in the book value of the electricity network. The shareholders argue that the reduction is unfair, given PNEM/MEGA's high level of efficiency. They maintain that it derives from the decision to base tariffs for the year 2000 on the tariffs that applied in 1996, without allowing for increases in costs since 1996, as required by law.
Het Financieele Dagblad, 16/11/99

Netherlands: DTe Determines Parts of Technical Code DTe has determined the contents of parts of the Technical Code. The Technical Code covers network access arrangements and various technical agreements between network operators and retail suppliers. DTe has the power to determine the Technical Code under Article 26 of the Electricity Law 1998. The parts of the Technical Code that DTe has now finalised include arrangements for cross border trading, "programmaverantwoordelijkheid" (responsibility for the programme or schedule of power flows), co-operation between network operators, and division of network operation areas.
http://www.dte.nl, 15/11/99

German Federal Cartel Office Opposes Electricity Mergers
A spokesman for Germany's Federal Cartel Office (FCO) announced that, in the current situation, a merger between RWE/VWE and Veba/Viag would not be acceptable from the point of view of competition policy. He stressed that, in order for the mergers to go ahead, factors that dampen competition in the German electricity market at present, such as Third Party Access and cross-ownership, would have to be solved.
Utility Europe, 12/99

Germany: Obstacles to the Development of Free Competition
The German federal cartel office is to investigate Stadtwerke München, a local utility, after complaints by electricity suppliers that the company could be in breach of Germany's energy laws. The Munich utility, like many local utilities in Germany, demands that

households install expensive meters before they may take supply from competitors over electricity distribution system.
Ft.com – World News/Europe

Scandinavia: Ex-Monopolies Accused of Restricting Electricity Trade on Interconnector

The former electricity monopolies, Elsam in Denmark and Statkraft in Norway, stand accused by market operators of blocking access to the cable between Norway and Denmark. The two utilities hold the right to use the cable, but have in the last three months given other traders access to part of the cable. In practice, access has been blocked, with the effect of limiting trade between Norway and Denmark. The two companies maintain that there must be a significant price difference between each end of the cable before they grant access. When the cable was first opened in summer, significant price differences occurred in some periods, with low prices in southern Norway and high prices in western Denmark – but the cable was not always fully used. Eltra, which is responsible for the electricity market in western Denmark, and Nord Pool, the electricity stock exchange, both want the problem resolved as quickly as possible.
Børsen, 29/11/99

Norway: Abolition of Electricity Contracts System PIL, the organisation representing Norway's power intensive industry, has decided to abolish the policy of providing subsidised power to heavy power users. Industrial consumers will, from now on, have to negotiate in the market for the power they need. The proposed change will hit small companies hardest. Larger groups such as Norske Skov and Norsk Hydro already have experience in dealing with Norway's liberalised power market.
Power in Europe, 8/11/99

Norway: SDØE to Be Split into Three Parts The Norwegian oil- and energy ministry is expected to suggest splitting in three the oil reserves held by SDØE ("Statens Directe Økonomiske Engasjement"). One part will be given to Statoil before its privatisation, another part is to be sold (to half-state owned Norsk Hydro, among others) and the third part will be retained by the Norwegian state. The discussion now amounts to how large the three parts are going to be. The Norwegian parliament will consult on the proposal and reach a decision around March 2000.
http://www.dn.no, 4/11/99

Sweden: The On-going Discussion about the Closure of Barsebäck I

The Swedish government's planned closure of Sydkraft's nuclear reactor, Barsebäck I, by November 30th continues to cause controversy. Stockholm City Court has now ruled against Sydkraft's

appeal for a stay of execution for the closure of Barsebäck I. According to the court, it would only have halted the closure if it thought that the European Commission would be likely to rule against the Swedish government's decision to close the reactor. Sydkraft now has little time to mount an appeal before the end of the month.
Power in Europe, 8/11/99, 25/10/99

Sweden: Stora Enso Plans to Divest Power Assets The Swedish forest products group, Stora Enso, is planning to divest itself of its power assets, retaining only electricity plant directly related to its packaging and paper production. The group is one of the largest Nordic electricity consumers, using around five per cent of the total Nordic production. The move is seen as a response to competitive pressures in the north and increasing deregulation on the continent.
Power in Europe, 25/10/99

French Government Publishes First Draft of Law on Gas Sector Liberalisation The French Government has published an initial draft of the law on liberalisation of the Gas Sector. It contains provision for the gas and electricity sectors to be regulated by a single regulatory authority, whose president will be Jean Syrota, the ex-head of Cogema.

In most respects, the draft law does not go beyond what is required under the 1998 European directive. Only large industrial companies will be permitted to purchase gas from a provider other than GDF. They will represent no more than 20% of consumption in August 2000, a threshold that the Directive will raise to 28% in August 2003 and 33% in August 2008. The government also confirmed its intention to sell to GDF and TotalFina Elf the pipelines that they currently use as concessionaires.
Les Echos, 19/11/99

NORTH AMERICAN NEWS

Natural Gas PBR Plan Approved in Illinois The Illinois Commerce Commission (ICC) has approved Nicor Gas's Performance Based Rate (PBR) plan for natural gas costs. Under the PBR plan, the company's actual gas costs will be compared to a market-based benchmark. The difference between the actual costs and the benchmark will be shared between Nicor Gas and its 1.9 million customers in Illinois. If Nicor Gas accepts the PBR plan, as approved by the ICC, the plan will become effective on January 1, 2000, and will be reviewed by the ICC in two years.
PRNewswire, 24/11/99

Tuscon Electric Power Deregulation Pact Approved The Arizona Corporation Commission has approved a plan that will enable customers in the service territory of Tuscon Electric Power Co. to choose their own power suppliers. This agreement also freezes electric rates for 8 years and allows the utility to recover its stranded costs. Competitive service for generation should begin, on a limited basis, in January. Tuscon Electric will continue to provide all customers with transmission and distribution.
Reuters, 22/11/99

California ISO Begins Auction of Transmission Service Rights The California Independent System Operator (ISO) has held its first auction of transmission service rights. Some have been sold for more than their target price. In one small case, the bid price was nearly four times the target. A total of 9689 MW were auctioned and approximately $41 million was put up for the transmission rights. In February 2000, the ISO will open up transmission to those holding the financial rights from the first auction. At that time, a daily physical auction will begin.
The Electricity Daily, 22/11/99

PB Amoco and Alaskan Government Reach Agreement The Alaskan government has tentatively agreed to allow BP Amoco PLC to merge with Atlantic Richfield Co., in return for measures to reduce the merging companies' dominance (70% market share) of Alaska's oil production. BP Amoco will sell 13 percent of its oil production from Alaska's North Slope. BP also agreed to divest a similar stake in the Trans-Alaska pipeline and 620,000 acres of state and federal oil leases in the region. BP will also purchase oil from small producers, using a pre-agreed pricing method, and BP will sell some of its tankers. BP Amoco believes that the asset sales will have minimum impact on the predicted worldwide savings from the merger of $1 billion. Public hearings on the merger continue, and the deal awaits approval by the Federal Trade Commission (FTC).
CBS Market Watch, 19/11/99; Associated Press, 5/11/99

Connecticut Sues Five Utilities over Pollution Adding to legal pressure facing several Midwest utilities over modifications made to their plants, Connecticut Attorney General Richard Blumenthal announced that the state would sue utilities in five Midwestern states over air emissions. This latest lawsuit follows a similar suit begun in September by New York Attorney General Eliot Spitzer and the ongoing enforcement action by the Environmental Protection Agency (EPA). All of the actions allege that some utilities made modifications to their power plants that violated the requirements of the Clean Air Act new source review.
Megawatt Daily, 18/11/99

FERC Mulls over Utility Rules to Manage U.S. Power Grid
The U.S. Federal Energy Regulatory Commission (FERC) is analyzing thousands of pages of suggestions on how to set up regional transmission organizations (RTOs), and could decide by the end of next month whether membership of an RTO will be mandatory for utilities. RTOs are regional systems that manage the nation's electric power lines and ensure that utilities have access to the transmission grid. Keenly aware of the states' efforts to deregulate electricity, FERC has proposed requiring all utilities to file plans by October 2000 for joining an RTO. Since the October deadline for comments on its proposed rules for RTOs, agency officials have been mulling over complaints and suggestions filed by more than 400 companies, trade groups and consumer groups. Their submissions disagreed on a number of issues including who should be in charge of the RTOs, and how large a role one company could play.
Reuters, 17/11/99

American Electric Power May Pay Virginia Customers to Leave American Electric Power's (AEP) rates are so low, the Virginia State Corporation Commission (SCC) wants the company to issue a credit to customers who switch to a competitor. Under the state's Electric Utility Restructuring Act of 1999, the SCC is organizing pilot programs to gather information before retail consumer choice is fully realized. AEP has proposed such a pilot program, which requires SCC approval. Because AEP's regulated rates are lower than the price of electricity sold in a competitive market, competitors are unlikely to enter the market in AEP's service territory. The SCC argues that, in order for the pilot program to work, AEP must provide an incentive for their customers to switch to a competitor. The hearing examiner will issue a report on the proceeding on an unspecified date. Post-hearing briefs are due on 22 December 1999 and the case will go before the full commission for a decision.
Megawatt Daily, 16/11/99

FERC Approves 3 Mergers; Enron's PGE Sale Reflects Change in Market The Federal Energy Regulatory Commission "conditionally approved" the merger of Dominion Resources and Consolidated Natural Gas. Energy East continued its expansion in the Northeast with a $96 million agreement to take over Berkshire Energy. NiSource, having been "invited to enter the process established by the Columbia board," extended its tender offer for all common shares of Columbia Energy Group to 10 December 1999.

On the other hand, Enron agreed last week to sell Portland General Electric, which it bought only three years ago, to Sierra Pacific

Resources for just over $2 billion. The Enron deal is notable since the Texas company will get almost exactly what it originally paid to acquire PGE.
Utility Spotlight, 15/11/99

Internet-Based Power Contracts Emerge Just as it has made huge inroads into other types of business-to-business commerce, the Internet is playing a large and rapidly growing role in the electricity market. On-line electric sales will exceed $1 billion this year, and could reach $100 billion within five years.
The Boston Globe, 14/11/99

US Environmental Protection Agency (EPA) Investigates Oil Refineries The US Environmental Protection Agency (EPA) is investigating possible violations of federal air pollution regulations on the part of the national oil refineries. There are two issues. Authorities are concerned that refineries have been under-reporting their emissions of pollutants. They also suspect some refineries of installing new refining units that increase emissions without offsetting emissions elsewhere, as legally required. Facilities found in violation of the Clean Air Act are subject to fines as high as $27,000 per day. So far, the investigations have identified 17 refineries that have been emitting more pollution than their monitoring programs reported, in the worst cases, by a factor of four.
Washington Post, 11/11/99

Washington D.C.: Potomac Electric Power Company to Sell Power Plants Potomac Electric Power Co. (Pepco) has reached a deal with the D.C. Public Service Commission that would allow it to sell six power plants. The sale would lower electric bills for its District customers. Residential customers in the city would see a 7 percent rate cut phased in beginning 1 January and ending one month after the sale closed. The cut would reduce the average monthly residential electric bill of $48 by $3.50. Commercial customers would see a 6.5 percent rate cut over the same period. Customers would also share in the proceeds, if the sale exceeds the plants' book value of $2 billion. If the Commission approves the plan, Pepco could auction off its power plants — three in Maryland, two in the District and one in Alexandria — next year. The District-based utility serves nearly 220,000 customers in the District of Columbia and 472,000 in the Maryland suburbs.
The Washington Times, 10/11/99

FERC Approves Takeover of Consolidated Natural Gas by Dominion Resources The US Federal Energy Regulatory Commission (FERC) has given conditional approval for the $6.4 billion acquisition of Consolidated Natural Gas Co. by Dominion Resources Inc. Concerned that the merger may hinder competition in the

electricity generation sector, the FERC has asked the two companies to submit analysis of their merger's impact on this market before they will grant final approval. This acquisition would give rise to the largest fully integrated natural gas and electric company in the US. The combined entity would serve roughly 4 million electric and natural gas customers in five states, possess 20,000 MW of electric generating capacity, and operate North America's largest natural gas storage system. The company would also become one of the largest independent oil and natural gas exploration and production companies in North America, with more than 3 trillion feet of reserves in the US and Canada.
Reuters, 10/11/99

Enron and Sierra Pacific Enter into Purchase and Sale Agreement for Portland General Electric Enron Corp, one of the world's largest electricity, gas and communications companies, has announced that it will sell its wholly owned electric utility subsidiary, Portland General Electric (PGE), to Sierra Pacific Resources, for $3.1 billion, including cash and the assumption of debt. This transaction should close in the second half of 2000. Sierra Pacific Resources is a holding company whose subsidiaries serve 843,000 electric customers, 105,000 natural gas customers, and 67,000 water customers in Nevada and California. PGE serves more than 700,000 retail customers in northwest Oregon. Together, Sierra Pacific and PGE will have more than $9 billion in assets and 1.7 million customers in three states. Sierra Pacific Resources wishes to expand its regulated utility businesses, and the acquisition of PGE promotes this goal.
PRNewswire, 8/11/99; Reuters, 8/11/99

Midcoast Energy Resources, Inc. to Acquire Kansas Pipeline Company and Others In its most significant acquisition to date, Midcoast Energy Resources, Inc. will purchase Kansas Pipeline Company, MarGasCo Partnership, and other related companies, in a $190 million deal. Kansas Pipeline Company owns and operates a 1120-mile interstate gas pipeline, and MarGasCo markets natural gas off the KPC interstate pipeline system. As a result of this acquisition, the total mileage of pipeline under Midcoast's ownership will increase by 41 percent. Midcoast owns more than 75 pipelines which span nine states and Canada. Midcoast transports, gathers, processes, and markets natural gas and other petroleum products through these pipelines.
Business Wire, 8/11/99

NY Gas Distribution Company, KeySpan, to Buy Eastern Enterprises The 4th largest natural gas distribution company in the US, KeySpan Corp., which distributes gas to 1.6 million customers in NY, has announced a plan to buy the Massachusetts-based natural

gas distributor, Eastern Enterprises. KeySpan will pay $64 per share, roughly $1.7 billion in cash, and assume $800,000 in debt. This price represents a 24% premium over the Eastern Enterprise closing price at the time of the negotiation. The transaction should be complete in nine to twelve months, but it hinges on the Securities and Exchange Commission, Eastern Enterprises shareholders, and the New Hampshire Public Utilities Commission. KeySpan is expecting an annual pre-tax cost savings of $30 million as a result of the deal.
Reuters, 4/11/99

Seven US Electric Utility Companies Sued for Air Pollution
In an unprecedented move, the US Justice Department has filed lawsuits against seven major US electric utility companies, charging that their power plants illegally released massive amounts of air pollutants for years. The actions, taken on behalf of the federal Environmental Protection Agency (EPA), said the companies or their subsidiaries "violated the Clean Air Act by making major modifications to many of their plants without installing the equipment required to control smog, acid rain and soot." The companies targeted are American Electric Power, Cinergy, FirstEnergy, Illinois Power, Southern Indiana Gas and Electric Company, Southern Company and Tampa Electric Company. Officials said the federal government would seek significant civil penalties from all these violators. Under the Clean Air Act, civil penalties can reach up to $25,000 dollars for each day of violation at each plant prior to 30 January 1997, and $27,500 dollars for each day thereafter.
AFP, 3/11/99

Natives of Nova Scotia, Canada Demand Compensation from Pipeline Company The Mi'kmaq Indians have blocked the startup of the Maritimes & Northeast natural gas pipeline, a major US-Canada trans-border pipeline. They demand nearly C$150 million for the pipeline's crossing of their native land in Nova Scotia. Owners of the Maritimes & Northeast natural gas pipeline have offered only a fraction of that sum, and this disagreement could halt the opening of the pipeline. The Maritimes & Northeast pipeline is built to carry gas to New England from the C$3.7 billion Sable project, off the Nova Scotia coast. The Canadian National Energy Board (NEB) will not allow the line to start pumping gas until the dispute with the natives is settled. Other partners on the line, which is already built and being filled with gas, include US corporations, Mobil and Duke Energy. The NEB will reopen its two-year old review of the pipeline, and they seek new testimony from interested parties.
Reuters, 29/10/99

CENTRAL AND SOUTH AMERICAN NEWS

The Venezuelan Draft Constitution Contradicts the Electricity Law The Vice-President of the Venezuelan Chamber of Electricity Industry (Caveinel), Carlos Pérez Mibelli, declared that the new Draft of the Venezuelan Constitution contradicts the Venezuelan Electricity Law. According with Mr Pérez, the Draft Constitution reserves to the State all electricity service, but this contradicts the Electricity Law, which opens up to competition electricity generation and marketing activities.
El Universal, 11/11/99

Brazil's Three Regulators to Share Resources Brazil's three government regulatory agencies, the National Electric Energy Agency (Aneel), the National Telecommunications Agency (Anatel), and the National Petroleum Agency (ANP), have devised way to collaborate on infrastructure resources, and thus cut costs. Telecommunications companies will, for example, be able to use data transmission networks currently used by gas distributors. The plan is still subject to approval by the three regulatory agencies, and the details should be announced by the end of November.
Reuters, 19/11/99

ASIA-PACIFIC NEWS

Australia: Renewable Energy Policy to Be Phased In The Federal Government has announced it will introduce legislation designed to meet the Prime Minister's commitment to increase the sale of renewable energy to electricity retailers and large purchasers (liable parties) by two per cent. Self-generators and small grid operators will be exempt from the measure. The target is set at 9,500 GWh and penalties have been capped at A$40 (US$25) per MWh for liable parties who fail to meet their purchase obligations. The measure is expected to commence on 1 January 2001. The measure will be implemented using a system of tradeable certificates.
http://www.environment.gov.au, 29/11/99

Australia: Call for a National Approach to Energy Dispute Resolution Australia's three energy ombudsmen have called for a national approach to dispute resolution and complaint handling across the electricity and gas industries. The energy ombudsmen of Tasmania, Victoria and New South Wales recently launched a National Energy Ombudsman Network. Queensland and South Australia may join in the near future.
The Australian Financial Review, 22/11/99

Australia: Pacific Power Loses Case over Hedging Contract Damages The Victorian Supreme Court has ruled against the state-owned generator, Pacific-Power, in a damages claim. Pacific Power had tried to extract itself from the contracts which were financial instruments and involved the supply of notional volumes of electricity after movements in wholesale electricity prices exposed it to huge losses on the deals. The government-owned utility argued that it had not reached final agreement on the contracts and did not intend to be bound until the parties had signed and exchanged a confirmation document. The court ruled that the contracts, which had a total value of A$619 million (US$395 million) and last for up to eight years, had been concluded and were legally binding.
The Australian Financial Review, 19/11/99

Probity Issues Raised in South Australian Privatisation The South Australian Auditor-General has voiced concern about some aspects of the process being undertaken to privatise (via long-term leases) the electricity businesses in South Australia. His primary concern was the need for an appropriate evaluation procedure to be in place before final bids are received on 6 December. The government has indicated that it will work with the Auditor-General and attempt to resolve all of his major concerns.
South Australian Treasurer Ministerial Statements, 17/11/99, 16/11/99

Australian Government Says No to Greenhouse Penalties The Australian Commonwealth Government is reported to oppose the imposition of penalties on countries which fail to meet their greenhouse gas emission targets, as set out in the Kyoto Protocol (which has yet to be ratified). Australia is in the company of Japan and Canada, but the US is in favour of the penalties. The penalties were discussed at the recent UN Framework Convention on Climate Change's Fifth Conference of the Parties in Bonn.
The Australian Financial Review, 5/11/99

Draft Determination for South Australian Government's Vesting Contracts The Australian Competition and Consumer Commission has issued its draft determination on electricity vesting contracts in South Australia (SA). The draft determination proposes unconditional authorisation. The vesting contracts involve a portfolio of contracts between the SA franchise customer retailer and the three SA generators. In most cases, the contracts end on 31 December 2002 or earlier in the event of new generation coming on line. Full retail competition in South Australia is scheduled for 1 January 2003.
ACCC Media Release, 4/11/99

Australia: New Industry Regulator for Northern Territory Following the announcement of a progressive roll-out of electricity competition in the Northern Territory, it is intended to establish an independent regulator. The regulator will be known as the Utilities

Commission and will license suppliers and administer an electricity-network access code being developed by the Northern Territory Government. The Commission will also regulate prices and service standards. Only large electricity customers will be eligible for competitive electricity supply under the current plans.
The Australian Financial Review, 1/11/99

Australia: Authorisation of the "Settlements Residue" Auctions The Australian Competition and Consumer Commission (ACCC) has released its draft determination with respect to the auctioning of portions of the settlements residue by the National Electricity Market Management Company (NEMMCO). (The settlements residue arises as a result of price differentials between two connected regions in the national electricity market.) The draft determination proposes to grant authorisation conditional upon a number of amendments being made to the existing arrangements. NEMMCO has been holding auctions of settlements residue in accordance with the interim authorisation granted by the ACCC in June 1999.
ACCC Media Release, 1/11/99

Australia: Tasmanian Electricity Regulator Issues Draft Guidelines The Tasmanian Electricity Regulator has issued draft guidelines on ringfencing and model regulatory accounts for electricity transmission and the role of system controller.
http://www/electricityregulator.tas.gov.au, 11/99

South Australian Government Appoints New Regulator The South Australian Independent Industry Regulator, Mr Lew Owens, has been appointed. Mr Owens will take up his appointment on 1 January 2000 for a period of five years. The South Australian Treasurer stressed the independence of this new post, with only the Supreme Court having the authority to remove Mr Owens. The establishment of the new regulator coincides with the privatisation of electricity assets owned by the South Australian government.
South Australian Treasury Media Release, 28/10/99

Australia: Draft Determination on Access Arrangements for Parmelia Pipeline The Office of Gas Access Regulation in Western Australia has released a draft decision concerning the third party access arrangements to the Parmelia Pipeline. The Office has decided not to approve the access arrangement in its current form. The regulator has proposed a number of conditions to be met, including: amendment of reference tariffs, fees, charges and penalties; changes in the services offered; and new access arrangements.
http://www.offgar.wa.gov.au/, 27/10/99

New Zealand's New Government Releases Energy Statement New Zealand elected a new government on 27

November, and it has already signalled a possible change in policy. The new government will set up an inquiry into whether there is a need for regulation of electricity distribution and transmission companies and if so, the appropriate regulatory response. The inquiry will also consider the prospects for, and barriers to, the development of effective competition, particularly at the domestic retail level.

The government has also indicated that it will consider re-amalgamating the three government-owned generating companies that were previously part of ECNZ (the Electricity Corporation of New Zealand), and that it will not privatise either these businesses or TransPower, the transmission business.

http://www.labour.org.nz, 29/11/99

Bangladesh: Dilemma over Reform Programme Many fear that the Government's plan for a wide-ranging reform process will lead to an operational crisis, which will imbalance the system as a whole. Initially the plan was to start by reforming distribution, but the reform is now to tackle generation, transmission and distribution simultaneously. A World Bank power sector mission visited Dhaka in February/March 1999 as preparation for an International Development Association (IDA) Adaptable Program Loan (APL). The main objective of the loan was to support the reform process through the privatisation of unbundled utilities, starting with distribution.

FT Power in Asia, 1/11/99

India: Harayana May Backtrack on Electricity Reforms The new government of Harayana is giving signs that it might roll back the power reforms initiated by the previous government. The reforms have unbundled the vertically integrated estate monopoly into separate companies for generation, transmission and distribution and have created an independent power authority. The new government, headed by Om Prakash Chautala, opposed the power reform bill when in opposition.

FT Power in Asia, 1/11/99

New Government Renews Hope for Indonesian Reform The election of President Abdurraham Wahid has renewed hope that the contractual disputes between PLN the state electricity utility and 26 IPPs may be settled. The contracts were signed in the 1990s before the devaluation and economic downturn of the Indonesian economy. PLN is now incapable of meeting its obligations. Last year, the government drafted a policy paper announcing the imminent restructuring of PLN. According World Bank energy specialist Mohammad Farhandi, it would be extremely difficult to go ahead with the reform process with the PPA issue “hanging over the market”.

FT Power in Asia, 15/11/99

Korea: Kepco to Create Five Gencos by January Korea Electric Power Co., the state-owned power monopoly, plans to create five generating companies by January as part of its unbundling and privatisation process. Each of the generating companies will have an approximate capacity of 7500 MW, a sixth genco comprising 17,716 MW of nuclear capacity will be set up but will not be for sale. The government will only sell 49% of the shares of the five gencos, keeping a controlling 51% "for the time being" because of labour union objections.
FT Power in Asia, 15/11/99

Philippines: Power Prices to Fall after Deregulation The Congress in Manila is currently considering legislation to reform the electric power sector. The reform, which is expected to be passed by the end of the year, will introduce competition in generation and distribution, and will create a pool market for wholesale power. The legislation considered also entails the long-delayed privatisation of the state power company, NAPOCOR.

The aim of the reform is to remove inefficiencies and cross subsidies in the sector and to help make Philippine power prices comparable with those in other Asian countries. Consumption rates in the Philippines are a third of those in Thailand and a tenth of those in Singapore.
FT.COM Word News / Asia Pacific, 4/11/99

China: Retail Competition to Be Introduced Around 2010
The chief operations officer of the State Power Corporation, Jiao Yi'an, has stated that retail competition might be introduced in China around 2010. Retail competition is the last step in the gradual restructuring of the Chinese power sector. The first step involves separation of the governmental and enterprise functions of the power companies, and is due for completion by early 2000. Once this separation is complete, firms will be unbundled and competition will be introduced in generation. This phase will be implemented through a series of trial projects. In local trials already underway, bidders have offered power around 20% less than the average price that had pertained previously.
Global Private Power, November 23 1999

Sri Lanka: Seeking New Regulatory Framework The state owned utility Ceylon Electricity Board is seeking to establish a new regulatory framework and assess tariff structure. The aim of the reform is to corporatise, unbundle and (possibly) privatise the CEB.
Global Private Power, 23/11/99

Thailand: New Plan for PTT Sell-Of The secretary general of the National Energy Power Office (Nepo), Piyasvasti Amranand, unveiled a new approach for privatising Petroleum Authority of Thailand

(PTT), the state-owned gas and oil firm. The privatisation of PTT, part of the overall restructuring of the country's gas supply industry, has faced legal problems. Under the new approach, future subsidiaries and business units of PTT will be partially privatised, while the core structure of the parent PTT will remain as a state owned enterprise.
International Gas Report, 12/11/99

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