

Global Energy Regulation



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EUROPE

UK

Ofgem Proposes Change To Suppliers' Tariff Structure

The British energy regulator, Ofgem, has announced reforms to the tariffs that suppliers charge domestic customers, with the aim of increasing comparability between tariffs. Ofgem will set a fixed component for a standard tariff that will apply to all suppliers at the same level. Suppliers will be able to set a single price per unit of electricity consumed. Suppliers will be able to offer alternatives in the form of fixed prices or discounted deals, but only for fixed contract lengths. At the end of a fixed-length contract, customers will revert to their supplier's standard tariff.

Ofgem website, 01/12/11

Government Plans To Legislate For A Capacity Market

The Department of Energy and Climate Change (DECC) released a Technical Update and Impact Assessment as part of its pack of measures to reform the electricity market in Britain. As part of the proposed measures, the government has announced that it has decided to legislate for a capacity market to ensure security of supply. The government has also announced that National Grid, the Transmission System Operator (TSO), will be responsible for administering the capacity mechanism and the Contracts for Difference designed to support renewable generators.

DECC website, 15/12/11

Ofgem Announces Plan For Regular Reports On Retail Margins

Ofgem announced that it will increase the frequency of its reports on retail energy margins. Since February 2009, Ofgem has published reports investigating energy prices and suppliers' margins on an approximately quarterly basis. Under the new plans Ofgem will publish these reports weekly. Ofgem projected that margins on dual fuel customers would fall by around 30% over the next six months.

Ofgem website, 19/12/11



Ofgem Proposes Changes To Transmission Charging

Ofgem proposed changes to the transmission charging arrangements in Great Britain as part of its Project Transmit review. The current locational transmission charges charge more to generators located further from the areas of high electricity demand for use of the transmission network. Ofgem's proposals retain locational transmission charges and reject a uniform use of system charge. However, the proposals will reduce transmission charges for intermittent generators on the grounds that they do not use the transmission network at all times. Ofgem calculates that transmission charges payable by Scottish wind farms could fall by up to 60%.

Ofgem website, 20/12/11

Ofgem Fines Gas Distribution Networks

Ofgem announced its intention to fine Northern Gas Network (NGN) and National Grid Gas (NGG) for failure to attend to gas escapes sufficiently quickly. Both NGN and NGG are Gas Distribution Networks (GDNs). The gas transporter licence conditions require GDNs to attend to 97% of uncontrolled gas escapes within one hour and 97% of controlled gas escapes within two hours. NGN and NGG managed to attend to between 91.6% and 96.8% of escapes within these time frames, depending on where the escape occurred. Ofgem fined NGN £900,000 (US\$1.4 million) and NGG £4.3 million (US\$6.7 million).

Ofgem website, 21/12/11

High Court Issues Judgement Against DECC Review Of Solar FITs

The High Court has issued a judgement against DECC's second consultation on Feed-In Tariffs (FITs) for small scale solar installations. DECC launched its first consultation earlier in 2011 due to the high level of demand for subsidies under the scheme. Following the first consultation, DECC concluded that FITs should fall from April 2012 onwards for solar installations registered after that date. DECC's second consultation, launched in October 2011, proposed to bring forward the date at which installations would no longer be eligible for the current FIT to 12 December 2011, two weeks before the end of the consultation period. The High Court declared the proposals to be unlawful on the basis of a general presumption against retrospective legislation, except in the case of obvious parliamentary intent. The ruling gives Friends of the Earth and two solar companies the right to challenge DECC's consultation in court. DECC has announced its decision to appeal the ruling.

DECC website, 21/12/11; Shepherd and Wedderburn e-bulletin, 23/12/11;

Herbert Smith - administrative and public law e-bulletin, 05/01/12



Austria

Ökostrom 2011 Report: “Positive And Dynamic Developments For Green Electricity”

The Austrian Ministry of Economy, Family & Youth (BMWFI) and E-Control presented the “Ökostrom 2011” report, which sets out the progress of renewable energy in Austria. The Minister for Economy and Energy, Reinhold Mitterlehner, said at the release that Austria was likely to surpass the goal of 15% subsidised renewable energy in 2015 and was well on track to meet the 2020 target of 34% of all energy from renewable resources. Currently, 30.8% of energy comes from renewable resources. At the same time E-Control noted that balancing costs were not increasing, despite the significant increase in renewable energy generation.

BMWFI, 23/12/11

Stable Development In Austrian Electricity Network Tariffs

E-Control issued a press release stating that electricity network tariffs were to be reduced by 0.5% as of 1 January 2012. This reflects a drop in required revenues of around €8 million. E-Control notes that this reduction is possible due to efficiency enhancements, despite significant new investments in the network.

E-Control, 22/12/11

Many Austrian Gas Network Tariffs To Drop Slightly Despite Increase In Investment

Gas network tariffs are to be adjusted as of 1 January 2012 through an amendment to the gas system tariff decree (“Gas-Systemnutzungstarife-Verordnung”). E-Control noted that gas network tariffs will fall, despite difficult circumstances, noting that the sector-specific cost index increased by 2.8%. E-Control states that the tariff reduction is on average about 1%, less than “many other years”. Volumes used in the determination, which are set using a three-year average for the latest accessible data, increased slightly compared to the previous year.

E-Control, 22/12/11



Austria Assesses Smart Metering Decree

Following a proposal of the Austrian economics and energy minister, a five-week consultation has started on a smart metering decree (“Intelligente Messgeräte-Einführungsverordnung”). The decree sets out the framework for introducing smart electricity meters in Austria. The decree aims for a stepwise introduction of smart meters reaching 95% by the end of 2018, which is higher than the 80% by 2020 required by EU regulations. The decree would also create new roles for E-Control, including monitoring the introduction of smart meters. *Bundesministerium für Wirtschaft, Familie und Jugend website, 16/12/11; E-Control website, 16/12/11*

Belgium

Regulator Approves Cross-Border Capacity Allocation Methods And French-Belgian Congestion Methodology

The federal Belgian energy regulator, the Commission de Régulation de l'Electricité et du Gaz (CREG), approved the proposal submitted by Elia, the electricity Transmission System Operator (TSO), to use explicit auctions for allocating annual and monthly cross-border capacities with France and the Netherlands. This proposal represents the first set of auction rules common to the regions of Central West Europe, Central South Europe, and Switzerland. CREG also approved Elia's proposed methodology for managing congestion and allocating capacity on the French-Belgian interconnector. CREG said the proposal focused on the distribution of cross-border capacity across different time periods. CREG expressed its satisfaction that Elia had taken into account the principles and recommendations that CREG had advocated earlier, in particular by offering additional capacity on an annual basis at annual auctions, by organising a consultation with market participants, and providing a justification for the proposed distribution. CREG took these decisions on 10 November 2011.

Commission de Régulation de l'Electricité et du Gaz, 14/12/11

Regulator Rejects Access Contract Modifications

The federal Belgian energy regulator, the Commission de Régulation de l'Electricité et du Gaz (CREG), rejected a proposal submitted by Elia to adopt network access contracts as well as contracts for access responsible parties. CREG refused to approve the proposed amendments on the grounds that they related to issues addressed in the 2012-2015 tariff proposal, which was still subject to review by CREG at the time of the decision. CREG took its decision on 10 November 2011.

Commission de Régulation de l'Electricité et du Gaz, 14/12/11



Regulator Approves Gas Storage Contracts

The federal Belgian energy regulator, the Commission de Régulation de l'Electricité et du Gaz (CREG), approved the standard storage contract, the storage access regulation, and Fluxys's storage programme. CREG found that the proposals, submitted by Fluxys on 8 November 2011, largely reflected the comments and recommendations of its decision of 27 October 2011. CREG therefore concluded that the model in the submitted documents allowed the market to access gas storage services in a balanced and transparent matter. CREG had taken its decision on 24 November 2011.

Commission de Régulation de l'Electricité et du Gaz website, 14/12/11

Regulator Approves Distribution tariffs

The federal Belgian energy regulator, the Commission de Régulation de l'Electricité et du Gaz (CREG), approved the electricity distribution tariffs of Tecteo and the gas distribution tariffs of Tecteo, Ideg, Igh, Interlux, Sedilec, et Simogel. These tariffs enter into force on 1 January 2012.

Commission de Régulation de l'Electricité et du Gaz website, 22/12/11

Regulator Approves Fluxys Tariffs

The Belgian federal energy regulator, the Commission de Régulation de l'Electricité et du Gaz (CREG), approved the tariffs for connection, use of network, storage, and additional services proposed by Fluxys, the Belgian gas Transmission System Operator and storage operator. In November, the CREG had rejected Fluxys's first tariff proposal. The new tariffs will apply from 1 January 2012 for the regulatory period 2012-2015.

Commission de Régulation de l'Electricité et du Gaz, 22/12/11

Regulator Approves Electricity Transmission Tariffs

The federal Belgian energy regulator, the Commission de Régulation de l'Electricité et du Gaz (CREG), approved a revised proposal for electricity transmission tariffs for the regulatory period 2012-2015. In November 2011, CREG rejected the original proposal submitted by Elia, the electricity Transmission System Operator. In December, Elia re-submitted a proposal responding to the 26 points that the CREG had criticised.

Commission de Régulation de l'Electricité et du Gaz, 22/12/11



Bulgaria

Bulgarian Government Sells Stake In Electricity Distributors

The Bulgarian government sold its 33% stake in two electricity distribution companies controlled by Austria's EVN on 21 December, raising around US\$53 million. The Bulgarian government also intends to sell further stakes in other electricity and gas utilities.

Reuters, 13/12/11; Focus Information Agency, 23/12/11

European Union

European Commission Gives Extra €500 Million For Nuclear Decommissioning In Eastern Europe

The European Commission (EC) has committed €500 million (US\$669 million) towards the decommissioning of old nuclear reactors in Eastern Europe. Specifically, the EC has earmarked €185 million (US\$240 million) to be given to Bulgaria for decommissioning the Kozloduy nuclear plant by 2020, €210 million (US\$270 million) for Lithuania for decommissioning the Ignalina plant by 2017, and the remaining funds for Slovakia for decommissioning the Bohunice nuclear plant by 2017. These funds are additional to the nearly €2,900 million (US\$3,800 million) already allocated to these three countries by the European Union between 2007 and 2013.

Power Engineering International, 24/11/11; European Commission website, 02/12/11

European Commission Publishes Energy Roadmap 2050

The European Commission published its Energy Roadmap 2050, whereby the EU commits to reducing greenhouse gas emissions by 80-95% compared to their 1990 levels by 2050. In addition, the document explores how this goal can be achieved by proposing seven different scenarios, which differ in the energy mix, the share of renewables, and the importance given to energy efficiency and technologies such as Carbon Capture and Storage (CCS). The scenarios include a high energy efficiency scenario, a delayed CCS scenario, a low nuclear scenario, a diversified supply technologies scenario, high Renewable Energy Sources scenario, and two current policy scenarios.

Europa Press, 15/12/11; IHS Global Insight Daily Analysis, 16/12/11



European Regulation On Integrity And Transparency In Wholesale Energy Markets (REMIT) Comes Into Force

As of 28 December 2011, the European Regulation on (wholesale) Energy Market Integrity and Transparency (REMIT) came into force. The regulation prohibits insider dealing and market manipulation in wholesale electricity and gas markets. REMIT imposes three new obligations on players active in the wholesale markets.

NMa website, 22/12/11

France

Regulator Decides On Balancing Rules

The two French gas Transmission System Operators (GRTgaz et TIGF) operate three balancing zones (GRTgaz Nord, GRTgaz Sud, and TIGF) with different balancing rules. The French energy regulator, the Commission de Régulation de l'Énergie (CRE), had asked the two TSOs to submit proposals for the future development of their gas balancing mechanisms. Following submission of these proposals in September, the regulator conducted a public consultation and has now published its conclusions with a view to arriving at a single set of balancing rules in line with European regulation. The CRE approved the proposals of GRTgaz and TIGF, but also made a number of demands and recommendations.

Commission de Régulation de l'Énergie website, 01/12/11

Regulator Approves Open Season

GRTgaz and Fluxys launched the binding phase of the open season to build a new interconnection between France and Belgium at Veurne, which would allow inter alia the export of gas from the LNG terminal in Dunkerque to Belgium. Prior to the launch, the French energy regulator, the Commission de Régulation de l'Énergie (CRE), approved this phase of the open season and said that the procedures were in line with the “guidelines for good practice on open season procedures” published by ERGEG in terms of transparency and non-discrimination.

Commission de Régulation de l'Énergie website, 01/12/11, 13/12/11



Regulator Approves Capacity Allocation Rules on French-Swiss Interconnector

RTE, the French electricity Transmission System Operator, submitted to the French energy regulator, CRE, a proposal for new rules to allocate capacity on the French-Swiss interconnector as well as import/export rules. CRE approved RTE's proposals and also made recommendations for the future, notably to extend the target model for intra-day exchanges to all French interconnection points, such as the interconnection with Belgium.

Commission de Régulation de l'Énergie website, 1/12/11

Regulator Approves Open Season To Extend Fos Tonkin LNG Terminal Beyond October 2014

In April 2011 LNG terminal operator Elengy launched an open season for capacity at the Fos Tonkin LNG terminal as part of the project to continue terminal operations beyond October 2014. Elengy had defined two capacity scenarios, but demand was not sufficient to satisfy either of them and Elengy then decided to enter into negotiations with the only shipper that had submitted a binding offer (under the project name "horizon 2035 adapted"). In a decision, the French energy regulator, CRE, (i) verified that the open season was conducted in line with the procedure it had previously approved; (ii) defined the principles for offering entry capacity from the terminal to the network after 2014; and (iii) defined the principles for remunerating investments within the "horizon 2035 adapted" project.

Commission de Régulation de l'Énergie website, 13/12/11

Regulator Takes Further Decisions On ARENH Regime

Under the "ARENH" regime, alternative energy suppliers can buy nuclear energy from EDF at regulated prices. This new regime started on 1 July 2011. The French energy regulator, Commission de Régulation de l'Énergie (CRE), has now taken two further decisions necessary to implement the regime. First, CRE defined the method for calculating the precise electricity consumption of a number of customer categories, which determines ex post each supplier's allowance of ARENH electricity. Second, CRE defined the electricity prices to be paid by suppliers on the volumes of ARENH electricity taken in excess of their allowances.

Commission de Régulation de l'Énergie website, 15/12/11



Regulator Publishes Public Service Charges

The French energy regulator, CRE, estimated that electricity public service charges in 2012 will be €4,300 million, of which €2,200 million are related to renewable energy. Other than the cost of renewables, the public service charges reflect mostly the additional costs of electricity production in French overseas territories and Corsica. The “contribution to electricity public service” (CSPE) paid by consumers would have to be €13.7/MWh to cover the public service costs of 2012 and the carry-over from 2010, but the French budget set the CSPE at €9/MWh until 30 June 2012 and at €10.5/MWh thereafter. Therefore, EDF will have to bear a shortfall of about €1,300 million during 2012, to be recovered through the CSPE in future years.

Commission de Régulation de l'Énergie website, 16/12/11

Government Reviews Regulated Gas Prices Of GDF Suez

The Conseil d'État, France's administrative court, suspended a decree of 29 September 2011, which froze regulated gas tariffs for small customers, and gave the government one month to review its decision. Application of a regulatory formula used to estimate the supply costs of GDF Suez would have led to an increase in prices of 8.8% to 10%. On 16 December the government asked the energy regulator, the Commission de Régulation de l'Énergie (CRE), for its opinion on a new tariff proposal. This tariff proposal changes the regulatory formula to take into account some of CRE's previous recommendations: (1) an increase in the scope of the sources of supply to LNG, (2) inclusion of some European supply contracts that are entirely indexed to gas prices, and (3) an increase in gas market indexation to 26% (from 9.5% in the previous proposal). CRE said that the new formula better reflected GDF Suez's upstream European supply costs than the old formula (but also said it had limited time and information to reach its conclusions). CRE approved the new draft decree with the exception of article 4, which risked leading to a tariff freeze until July 2012. The new formula increases tariffs by 4.4% from 1 January 2012. The new decree was published in the Journal Officiel on 23 December 2011. In separate decrees, the government also reset GDF Suez's regulated gas prices for large customers, which the CRE approved in all cases.

Les Echos, 12/12/11; Ministère de l'Économie, des Finances et de l'Industrie website, 13/12/11; Commission de Régulation de l'Énergie website, 20/12/11;

Journal Officiel de la République Française, 23/12/11



Germany

Regulator Approves “Scenario Framework”

The Bundesnetzagentur (BNetzA), the federal networks regulator, presented the “scenario framework” of future developments in the energy sector. The BNetzA said this scenario framework created a reliable basis for the national network development plan, which the Transmission System Operators (TSOs) must present for the first time in 2012.

Bundesnetzagentur website, 07/12/11

Competition Authority Approves RWE Acquisition Of Minority Stake In Municipal Utility

The Bundeskartellamt (BKartA), the German competition authority, approved RWE’s acquisition of a minority stake (24%) in municipal utility Stadtwerke Unna GmbH (SWU). BKartA said it had investigated whether the merger would lead to a strengthening of RWE’s market position. BKartA explained that in general it had been particularly sceptical of energy producers using shareholdings in municipal utilities to foreclose the market to other upstream suppliers. BKartA found that, following liberalisation, procurement behaviour had changed substantially. Despite RWE already having a (time-limited) minority holding in the company, SWU had a few years ago cancelled the long-term supply contract with RWE that covered all of its energy needs and was pursuing a market-orientated procurement strategy.

Bundeskartellamt website, 09/12/11

Government Approves Draft Amendment To CHP Law

The German government approved an amendment to the draft CHP Law (KWKG) submitted by the economics minister. The draft amendment extends the support for highly efficient CHP plants with the goal of CHP plants reaching a share in electricity generation of 25% by 2020, up from 15% at present. The economics minister said the support was being “optimised”. The cap on CHP support of €750 million per year was unchanged, but the draft amendment extended the support to heat networks.

Bundesministerium für Wirtschaft und Technologie website, 14/12/11



Government Approves Change To Incentive Regulation

The German government has approved the draft decree amending the incentive regulation decree (ARegV). The government said the amendment would improve the conditions for investing in energy networks. The amendment would eliminate the two-year time delay before investment costs were passed through to consumers, allowing network operators to start recovering investment costs immediately. The amendment will need the approval of the Bundesrat, Germany's upper house, at the beginning of 2012.

Bundesministerium für Wirtschaft und Technologie website, 14/12/11

Competition Authority Finds Electricity Market Exposed to Competition Under Art. 30 Of European Directive 2004/17/EC

The German energy industry association (BDEW) sent the German competition authority, the Bundeskartellamt (BKartA), a draft request to the European Commission to exempt the German electricity generation and wholesale market from European directive 2004/17/EC on procurement procedures. Such an exemption can be granted under article 30 of that directive if a sector is exposed to direct competition. The BKartA said that although three, or possibly four, generators had a dominant position, the wholesale market for conventional power plants was exposed to direct competition in the sense of article 30 of 2004/17/EC. The BKartA therefore recommended that the construction, purchasing and operation of conventional power plants be exempted from the procurement procedures. BKartA did not reach the same conclusion for renewable generators selling their output under the terms of the German Renewable Energies Law (EEG). The BKartA had taken this decision on 25 July 2011.

Bundeskartellamt website, 21/12/11

Netherlands

Regional Network Tariffs Rise By An Average Of 8.9 Percent

From January 2012 the tariffs of regional electricity and gas network operators will rise by an average of 8.9%. This rise reflects tariff decisions for the period 2011-2013, which the Dutch Competition Authority (NMa) published today. Consumers and businesses pay these tariffs as a component within their energy bills. For an average household, the tariff increase will raise their annual energy bill by approximately €23.

NMa website, 02/12/11



Market Consultation On Transparency in North-West Europe

The Dutch Competition Authority (NMa) has called on Dutch market participants to respond before 20 January 2012 to the market consultation on the transparency of transmission system operators.

NMa website, 12/12/11

NMa Dismisses Objections To The Fifth Electricity Regulatory Period

The Dutch Competition Authority (NMa) published 11 decisions on objections lodged against decisions on x-factors for the fifth electricity regulatory period (2011-2013) and on regional electricity network tariffs for 2011. These decisions dismiss all 41 objections to the proposed x-factors and tariffs. The NMa will therefore leave the original decisions unchanged.

NMa website, 14/12/11

TenneT Tariffs For Transmission And System Services Remain Stable For 2012

The transportation tariffs of national electricity grid operator TenneT remain stable for 2012, under the tariff decisions of the Dutch Competition Authority (NMa) published on 16 December. These tariff decisions reflect the revenue effects of many other decisions, and also set the volume parameters for 2012.

NMa website, 16/12/11

NMa Fines Energy Provider Greenchoice €7.2 Million

Energy supplier Greenchoice failed for years to send a final statement to consumers who terminated their supply agreement, or sent it too late. Most of these cases concerned consumers who were due to receive a refund. As a result, NMa has fined Greenchoice €7.2 million. All aggrieved consumers have now received their final statement and any moneys due to them. Greenchoice, in consultation with the NMa, is taking steps to prevent a recurrence of this problem.

NMa website, 16/12/11



Poland

Polish Energy Regulator URE Approves Tariff Increases For Four Electricity Vendors And Two Electricity Distribution System Operators

The Polish energy regulator URE approved electricity tariff increases for Group G (i.e., household) customers submitted by the four main power vendors (Energia Obrot, Enea, PGE, and Tauron Sprzedaz) and for two distribution system operators (Vattenfall and RWE). The average price increase starting in 2012 for households is 5.1%, which is in line with Poland's inflation, measured at 4.8% in November. URE delayed its decision to increase natural gas prices for the Polish natural gas utility PGNiG, which means PGNiG's prices will not increase on 1 January 2012. In response to URE's delays, PGNiG's CEO has resigned, with the resignation effective 31 December 2011.

PAP Market Insider, 16/12/11; Dow Jones Business News, 19/12/11; Poland Today, 19/12/11; BBC Monitoring European, 19/12/11

Portugal

China's Three Gorges Corporation Wins Auction For The State's 21% Stake In EDP

The Portuguese government has announced that China's Three Gorges Corporation—a firm controlled by the Chinese government—won the bidding for its 21% stake in Energias de Portugal SA (EDP). The winning bid amounted €2,690 million (US\$3,510 million) and beat rival bids from E.On (Germany's largest utility), Eletrobras (Brazil's state-controlled power company), and Cemig (another Brazilian contender). The Portuguese government also said that the Three Gorges Corporation will invest up to €2,000 million (US\$2,590 million) in buying minority stakes in Portuguese wind farms.

Financial Times, 22/11/12; Agência Lusa, 22/11/12

Three Companies Win The Approval To Submit Bids For REN

Three foreign companies—State Grid Corporation of China, Oman Oil, and Brookfield Management—received approval to bid for part of the Portuguese Government's stake in the country's electricity transmission operator, Redes Energéticas Nacionais (REN). The government is expected to sell up to 40% of REN in 2012 as part of austerity measures agreed upon with the European Union and the International Monetary Fund in exchange for the bailout the country received last April. Bidders may bid for a minimum of 5% of REN and a maximum of 25% and more than one bid may be accepted. An 11% stake will be sold to the public through institutional investors.

Reuters, 07/12/11; El País, 16/12/11



Romania

Romania Announces Plan For Electricity Market Coupling

Transelectrica and ANRE, the Romanian grid operator and regulator, announced that they intend to create a fully integrated electricity market with the Czech Republic, Slovakia, and Hungary. The project follows EU directives requiring national governments to integrate their electricity markets by 2015. In line with measures employed in other EU countries, market coupling will harmonise day-ahead markets across the block.

Platts European Daily Electricity Markets, 20/12/11;

InPR – U2c Communications, 28/12/11

Russia

Electricity Law Amendments

The president signed amendments to the electricity law giving FSK, the Federal Grid Company, a preferential right to purchase electricity transmission assets. The law also sets out procedures for exercising this right. The law expands the list of government's powers and clarifies the regulatory regime for zones excluded from the competitive wholesale market, including the regulation of imports and exports of electricity. The amendments also changed the regulatory standards for official information on market prices, refined sanctions applied to wholesale market entities, and revised the mandate and governance of the Market Council.

President's website, AK&M Information Agency, ITAR-TASS, 05/12/11

RUSAL Is To Buy A CHP To Make BAZ Competitive

The government facilitated a number of complex transactions to save the smelter at Bogoslovsk Aluminium (BAZ). The aluminium smelter is one of the RUSAL's assets, which began to make losses after its electricity prices almost doubled compared to other factories in the region. RUSAL will be allowed to buy the nearby 140-MW Bogoslovsk CHP from IES Holding. At the same time, the IDGC holding company will pass over ownership of the transmission line connecting the CHP plant and BAZ to the Federal Grid Company (FSK). This arrangement will allow RUSAL to have a direct transmission contract with FSK and will lower the cost of electricity for BAZ.

RUSAL Press Release, AK&M Information Agency, ITAR-TASS, 08/12/11



Russian Utility Tariffs

Prime Minister Putin reported that the government's plan to curb utility tariff increases in 2011 has been successfully implemented. With the 15% cap on utility tariff increases, the actual growth in 2011 was only 13% on average across the country. The tariffs will stay unchanged for the first half of 2012 and will only start rising again from 1 July 2012, when increases will be capped by annual inflation of about 6%. The prime minister emphasised that this was not a political decision and had no connection to the March 2012 presidential elections.

Ros Business Consulting, ITAR-TASS, 15/12/11

Spain

The Balearic Islands Receive Electricity From The Peninsula For The First Time

The Balearic Islands of Mallorca and Menorca are now electrically connected to the Iberian Peninsula through a 244-km, 400-MW submarine interconnection cable. The Balearic system will be part of the peninsular electricity system, once the infrastructure has passed certain technical tests and the necessary changes to the Balearic transmission grid have been carried out. This interconnection is expected to provide 25% of the electricity consumed in the islands, which will improve their security, reliability, and cost of supply. In addition, Red Eléctrica de España, the Transmission System Operator in Spain, has awarded the Norwegian company Nexans the contract for installation works on one of two submarine cables that will connect the islands of Mallorca and Ibiza. This electricity interconnection cable will have a length of 123 km and is expected to be operational in 2014.

Europa Press, 17/12/11; Red Eléctrica de España, 20/12/11

Spanish Nuclear Plants Pass Stress Tests

The Spanish Nuclear Safety Council (CSN) approved the final report on nuclear safety for the eight nuclear plants located in Spain. According to the report, which was submitted to Brussels for review, Spanish nuclear plants fulfil the safety conditions that the European Union imposed as a result of the Fukushima events last March. Even though the stress tests were passed by all of the eight plants, the CSN imposed some additional safety measures. These measures include the creation in Madrid of a common support centre for nuclear plants with the capacity to react to an emergency in less than 24 hours, in addition to a specific support centre at each nuclear plant.

El Mundo, 22/12/2011; El Confidencial, 22/12/11



Switzerland

Government Defines Energy Strategy 2050

The Swiss government has taken a number of decisions providing more details of its “Energy Strategy 2050”. The decisions relate to energy efficiency, renewable energy, fossil generators, networks, and research. For example, the government decided how the Swiss feed-in tariff support mechanism would develop and that CCGTs would have to offset all of their emissions, although there might be room for flexibility if CCGTs are necessary for network stability. The government also announced that it wanted to define a national strategy on energy networks. The ministry responsible for energy (Eidgenössisches Departement für Umwelt, Verkehr, Energie und Kommunikation, UVEK) will submit a report to the government on the necessary measures, effects, costs, and financing options associated with these decisions by spring 2012, and will draft a decree by mid-2012.

Bundesamt für Energie website, 01/12/11

Turkey

Discussions On Western Line Gas Imports From Russia Continue

In mid-December, a spokesman at Turkey’s energy ministry said the Turkish state-owned gas company, Botas, could continue to import Russian gas on the Western Line if the private sector were not in a position to take over the contract. The spokesman said that two companies had signed memorandums of understanding with Gazprom, but that these were insufficient for import licenses to be issued. “They need to sign binding supply-purchase agreements”. Botas announced in the autumn 2011 that it would not continue its 25-year agreement with Gazprom dating from 1986, for gas imports of six bcm/year, but that it would instead offer private companies the chance to import gas through the pipeline.

IHS Global Insight, 13/12/11; Platts, 26/12/11; European Spot Gas Market 28/12/11



NORTH AMERICAN NEWS

US

FERC Approves CAISO's Flexible Ramping Constraint Proposal

FERC approved the Flexible Ramping Constraint (FRC) proposed by California ISO (CAISO). Under the FRC, CAISO will procure upward ramping capability from generation and proxy demand resources to ensure sufficient flexibility between the 15-minute real-time unit commitment and the five-minute real-time dispatch. Until CAISO develops a bid-based market procurement mechanism for these resources, they will be paid based on the marginal unit's opportunity cost for providing ramping capabilities and the MW capacity that the unit has been awarded. Prior to implementation of the FRC, CAISO resorted to regulation capacity and dispatching operating reserves during ramping shortages. The CAISO has observed an increased need for flexible ramping service as more renewables are integrated into the system. FERC stated that some important issues remain unsolved.

FERC website, 12/12/11; SNLEnergy, 13/12/11

Atmos Energy Fined For Illegal Pipeline Use

FERC has fined Atmos Energy US\$6.3 million for illegal pipeline use. Atmos and its subsidiaries, Atmos Energy Marketing and Trans Louisiana Gas Pipeline, broke commission rules by "flipping" pipeline capacity and breaking the shipper-must-have-title regulations. The term flipping refers to a series of short-term releases of discounted capacity to affiliated shippers on an alternating basis to avoid competitive bidding requirements. The company must also pay US\$5.6 million plus interest in disgorgement of unjust profits.

Gas Daily, 13/12/11; Inside F.E.R.C., 19/12/11

FERC Provides Clarifications To Demand Response Compensation Rules

The Federal Energy Regulatory Commission (FERC) issued Order No. 745-A addressing the rehearing of Order No. 745 on compensating demand response in the wholesale energy markets. Order 745 required RTOs and ISOs to compensate demand response resources for their demand reductions in day-ahead and real-time energy markets at the locational marginal price. Order No. 745-A establishes minor modifications to the initial order by requiring the new compensation rules to be applied only in hours where a net benefit test determines that dispatching demand response resources is cost-effective. The new order also provides guidelines for performing a net benefit test for RTO and ISO compliance filings.

FERC website, 15/12/11; SNLEnergy, 19/12/11



The Pennsylvania PUC Issued A Final Order On State Utilities' Default Service Plans

On 15 December 2011, the Pennsylvania Public Utilities Commission (PaPUC) issued an Order with final recommendations for the state's electric distribution companies (EDCs) in regard to development of the upcoming Default Service Plans (DSPs). A DSP establishes the process by which utilities or EDCs ensure energy supply to customers who choose not to switch to a competitive retailer, or an Electric Generation Supplier (EGS). These plans are scheduled to expire on 31 May 2013. The PaPUC's Order is part of an ongoing investigation into the state's competitive retail electricity market. The PaPUC's recommendations ask EDCs to file plans that will limit or reduce reliance on long-term energy contracts in their DSP energy portfolios, and to include opt-in retail auctions in their upcoming DSPs. EGSs would be allowed to bid into these auctions to provide electricity to residential and/or small commercial customers who have signed up for this option. Additionally, the PaPUC recommends that EDCs specifically contract for energy supply with an EGS, to satisfy their statutory requirement of offering optional time-of-use rates to customers.

Pennsylvania Public Utilities website, 15/12/11; SNLEnergy, 16/12/11

Cal-PUC Approves Self-Generation Incentive Program Budget And Customer Charge For Energy Efficiency Programs

The California Public Utilities Commission (CPUC) approved a budget for the state's Self-Generation Incentive Program (SGIP) for 2012. The SGIP provides incentives ranging from 50 cents to US\$2.25 per watt to businesses and individuals who supply a portion of their electricity needs through qualifying technologies such as wind turbines and advanced energy storage systems. The CPUC also approved a new electric program investment charge that will replace the former public goods charge. This customer charge will support energy efficiency, research, development, and demonstration and renewable energy programs throughout 2012.

California Public Utilities Commission website, 15/12/11; SNLEnergy, 16/12/11

Encana Battles US Environmental Watchdog

Encana Corp. has challenged the US Environmental Protection Agency over its study into the technique and use of hydraulic fracturing, or fracking, to extract natural gas from shale reservoirs. Fracking is a controversial technique which involves blasting water, sand and chemicals at high pressure into wells, in order to create fractures in the deep sub-surface rock formations and to allow the



trapped natural gas to escape through these fractures, and be collected at the surface. The three-year study concludes that the use of fracking at Encana's Wyoming natural gas fields has contaminated the local water supply. Encana has countered that the EPA made critical mistakes and misjudgements in the design and methodology of the study and its execution. They argue that the water quality in the area of Wyoming where the study was carried out was already demonstrably poor, and was not further contaminated by the gas extraction activities of Encana. Encana will continue to refute the report's claims as part of the public comment process.

The Globe and Mail, 13/12/11; The Globe and Mail, 21/12/11

CENTRAL & SOUTH AMERICAN NEWS

Brazil

Brazil Approves Its 10-Year Expansion Plan 2020

The Brazilian Government approved the country's 10-year Energy Expansion Plan 2020 (PDE 2020). This plan presents the government's forecasts on energy demand, which is expected to grow from 237.7 million tonnes of oil equivalent (toe) in 2010 to 372 million toe in 2020, representing an average annual growth rate of 5.3%. The PDE 2020 also sets out a baseline scenario for the construction of new generation facilities needed to meet load at the level of security of supply set by the National Energy Policy. The Plan also points out that, within this 10-year horizon, total investment in electricity supply will amount BRL 236,000 million (US\$127,000 million), much of which relates to plants already authorized. In addition, the production of oil and natural gas is expected to be expanded dramatically, almost tripling the production of 2010.

Ministério de Minas e Energia, 28/12/11; AE Cojuntura e Finanças, 28/12/11

Colombia

Energy And Gas Regulator Awards Contracts For 575 MW In Auction

Colombia's energy and gas regulator, CREG, awarded new contracts to five power projects for a total capacity of 575 MW in the reliability power auction held this month. In the auction, 20-year contracts were awarded to three hydro and two thermoelectric plants to supply power at a price of US\$15.70/MWh. The auction's opening price was US\$28/MWh.

Business News America, 27/12/11; Revista Energética, 21/12/2011, 29/12/2011



Peru

Government To Approve The Construction Of A Gas Pipeline In The Southern Part Of The Country

The Peruvian Congress has approved a draft bill that promotes the construction of a natural gas pipeline and the creation of a petrochemical industrial pole in the South Andean region. Under the initiative, Peruvian lawmakers seek to strengthen the position of the state oil company Petroperu, so it can control the projects through strategic alliances with other firms. The construction of the proposed natural gas transmission system, which should begin in 2012, would require an investment of US\$2,500 million and would be operational in 2014. *Peru21.com, 12/12/11; Business News Americas, 16/12/11*

ASIA PACIFIC NEWS

Australia

The AEMC Releases Final Report On The Impact Of The RET On Energy Markets

On 9 December 2011, the Australian Energy Market Commission (AEMC) released an updated Interim Report and Final Report on the impact on energy markets of the enhanced Renewable Energy Target (RET). The reports focus on the impact on electricity prices for retail customers, the level of emissions, and the security and reliability of the electricity supply based on outcomes modelled out to 2020.

AEMC website, 09/12/11

SCER Inaugural Meeting

The Standing Council on Energy Resources (SCER), which includes the Energy and Resources Ministers from each Australian jurisdiction and New Zealand, held its inaugural meeting in Melbourne on 9 December 2011 to discuss upstream and downstream energy issues. The meeting provided Ministers with the opportunity to consider issues of national significance and discuss how jurisdictions will work together to pursue and monitor those issues. The key strategic issues discussed included: regulatory frameworks for coal seam gas; energy market resilience; network regulation; and gas market developments.

Department of Resources, Energy and Tourism website, 09/12/11



The Australian Government Releases Draft Energy White Paper

On 13 December 2011, the Australian government released a Draft Energy White Paper, which provides a review of Australia's future energy needs and identifies four priority actions to enhance Australia's energy potential. These priority actions are: strengthening the resilience of Australia's energy policy framework; reinvigorating the energy market reform agenda; developing Australia's critical energy resources (particularly gas); and accelerating clean energy outcomes. The government has asked for submissions from interested parties by 16 March 2012.

Department of Resources, Energy and Tourism website, 13/12/11

AEMO Publishes 2011 NTNDP

The Australian Energy Market Operator (AEMO) published its 2011 National Transmission Network Development Plan (NTNDP) on 14 December 2011, which highlights the increasing importance of integrated national planning for delivering a low carbon future. In doing so, AEMO considers how large scale investment in wind generation and other forms of renewable generation can best be implemented in a cost-effective national electricity market.

AEMO website, 14/12/11

The AEMC Releases Consultant Reports On Power Of Choice Review

On 21 December 2011, the Australian Energy Market Commission (AEMC) published three consultant reports related to its Power of Choice Review, which is looking at ways to encourage electricity market participants to invest more efficiently and to ensure that energy services will be met by the lowest cost combination of demand-side and supply-side options. The consultant reports relate to: opportunities for demand-side participation (DSP) given the current nature of electricity use in the market, a stock-take and analysis of current DSP options across the market, and investigations into the efficiency of current price signals. The reports will inform and provide input into the AEMC's directions paper, which is scheduled to be published in February 2012.

AEMC website, 21/12/11



The AEMC Publishes Final Rule Change On Network Payments To Embedded Generators

The Australian Energy Market Commission (AEMC) published a final rule change on 22 December 2011, which requires Transmission Network Service Providers to consider Transmission Use of System payments when negotiating a network support payment with an embedded generator. The rule is based on the principle that there should be an efficient level of compensation for embedded generators for the benefits they provide in terms of reduced need to augment the transmission network.

AEMC website, 22/12/11

China

Power Rate Increases Expected In Hong Kong

Hong Kong's two electricity companies, Power Assets Holdings and CLP Holdings, announced they would increase tariffs in 2012 to fund higher fuel expenses. The largest of the suppliers, CLP, initially said it would increase the tariff by an average of 9.2%, although this was later revised to 7.4%. Power Assets said it would increase tariffs by 6.3%. The structure of Power Asset's proposal was, however, also revised subsequently, such that a majority of customers would not be affected.

Reuters, 13/12/11; Hong Kong Government News, 21/12/11; Scmp.com, 29/12/11

China To Approve Nuclear Projects After Revising Safety Rules

An official at the China Nuclear Energy Association said regulators may be able to approve new nuclear projects within six months. He said "Technically, all conditions would be met after the State Council approves this new safety regulation". China halted approvals to new nuclear plants and started a national safety check of both existing nuclear power stations and those that are under construction following the incident in Japan at the Fukushima Daiichi in connection with the earthquake and tsunami on 11 March 2011.

China Energy, 14/12/11; Asia News International, 14/12/11; China Daily, 14/12/11

China Three Gorges Buys Stake In Portuguese EDP

Portugal's state asset manager Parpublica announced it would sell its 21.35% stake in the Portuguese electric utility EDP to the China Three Gorges Corporation at a price of €3.45 per share. Lower bids were received from EON, Eletrobas, and Cemig. The deal is still subject to completion.

ADPNews Portugal, 23/12/11; Reuters.com, 23/12/11



India

NTPC Signs Solar Power Purchase Agreement For 50 MW

The state-run National Thermal Power Corporation (NTPC) signed a long-term power purchase agreement (PPA) with Madhya Pradesh Power Trading Co. (MP Tradeco) to supply electricity from a 50 MW solar plant, from 2013. The solar plant will be the largest in the country. NTPC will bundle the power from this plant with electricity generated from coal-fired plants to make it affordable. NTPC intends to raise installed capacity using renewable energy sources to 500 MW, for which purpose it has formed joint ventures with the Asian Development Bank (ADB) and Japan's Kyuden International Corporation (Kyushu).

The Times of India, 30/12/11; Domain – B, 30/12/11

Government Directive Allows Industries To Purchase Power From Generators – Discoms Fear Further Losses

In a recent government directive, large (>1 MW) industrial consumers were given permission to purchase electricity directly from generators, further to complaints that Indian industrial consumers face “abnormally high” tariff rates. Distribution companies fear severe profit losses, as a third of their revenue comes from consumers using more than 1 MW. Maharashtra State Electricity Distribution Company warned that smaller retail consumers may have to bear large tariff hikes in the event that the industrial consumers migrate to other suppliers. A number of Indian state regulators are planning stakeholder meetings to discuss the matter.

The Economic Times - Kolkata Edition, 06/01/12; ET Bureau, 06/01/11

APTransco To Buy 2000 MW Capacity Up To 2016

APTransco, the electricity transmission company of the Government of Andhra Pradesh, will spend Rs 1,083 crore (US\$205 million) by May to mitigate the electricity shortages faced by consumers. APTransco is also intending to buy 1000 MW of capacity in the short term (May 2012), and 2000 MW capacity every year by 2016, with annual expenditure capped at Rs 6000 crore (US\$1,140 million). To avoid production losses, APTransco and the distribution companies may sell electricity at a high cost during specific hours, under the new Expensive Power Purchase Charge (EPPC) scheme proposed by AP power utilities. The Andhra Pradesh electricity regulator has yet to take a decision on the proposal.

The Hindu, 09/01/12, Business Line, 09/01/12



Indonesia

Indonesia To Increase LNG Export Price

Indonesia said it would renegotiate the price of LNG exports from Tangguh to China. China is currently paying US\$3.5 per million British thermal units (MMBTU) based on a ceiling price of the Japan Crude Cocktail (JCC). In the meantime, the domestic gas price in Indonesia is US\$5 per MMBTU.

The Indonesian Upstream Oil and Gas Regulatory Body (BPMigas) expects to achieve a price of US\$5-7 per MMBTU for LNG supplied from Tangguh, stating that China should pay more than the average domestic gas price.

Indonesiatoday.com, 03/01/12; Platts, 05/01/12

Indonesia To Restrict Subsidized Fuel Use

The Indonesian government announced it is moving forward with a plan to limit the use of subsidised fuels. A representative said that legislation would be effective from April, which would no longer allow the use of subsidised gasoline in private cars in Java and Bali. The move is expected to be expanded to other regions and fuels later.

Thejakartaglobe 5/1/11, Asia Pulse, 21/12/11, 22/12/11

Philippines

Napocor To Privatize Remaining 12 Off-Grid Areas

The Philippines National Power Corp (Napocor) said it is now focussing on privatising power sources in the remaining 12 off-grid areas which have not already been privatised, starting with Mindoro and Palawan. Of the 14 off-grid areas originally under Napocor, two have already been privatised (Bantayan Island and Masbate). At least one buyer, the generation company DMCI Power Corp, has so far stated it would be interested in buying some of the remaining off-grid power assets.

philstar.com, 03/1/12; Manilatimes.net, 03/01/12; Bworldonline.com, 26/12/11; BusinessWorld, 27 /12/11



Vietnam

Coal Price For Electricity Production May Increase By 20 Percent In 2012

The Vietnamese Ministry of Finance announced several measures to manage and regulate prices of commodities such as coal, electricity, and petroleum. In particular, the ministry said it would increase the coal price for electricity production, which equals only about 57-63% of the current market prices. The low prices have been criticized for preferential treatment of electricity intensive industries such as steel and cement producers. According to the Minister of Finance, Vuong Dinh Hue, these two industries alone consumed 11% of total commercial electricity output in 2010. Many of the companies in these industries are foreign.

VE News, 5/12/11; VE News, 26/12/11; Vietnambusiness.asia, 27/12/11



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NERA is at the forefront of the continuing transformation of energy industries worldwide. Our experts have developed 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.

NERA helps 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 and 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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