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EUROPEAN NEWS

Great Britain: Gas Transmission Company Reduces Transmission Charges after Over-Recovery of Revenue

In September 1999, British Gas (BG) Transco held the first primary auctions of entry capacity to National Transmission System (NTS). A second set of auctions took place in March this year, for entry capacity for the six months from April. In the second auction, prices at the major beach terminals were significantly higher than prices in the first auctions. As a result, Transco over–recovered its target revenue allowance by £86 million (approx US$ 134.4 million). Following extensive consultation, BG Transco has now put forward proposals to rebate the over-recovery. Under the proposals, both NTS commodity and entry charges for the period 1 May 2000 to 30 September 2000 will be reduced by 42 per cent at each terminal. Consequently, reserve prices in BG Transco's daily capacity auction will fall by 42 per cent. Energy regulator OFGEM has accepted what it calls a "one-off" solution to the over-recovery.
OFGEM Press Release, 28/4/00

Great Britain: Regulator Recommends Tighter "Ring-Fencing" in Electricity Licence Regulatory "ring-fences" for electricity distribution licences should be improved says energy regulator OFGEM. At present, Public Electricity Suppliers (PESs) have a single licence covering both distribution and supply. Under the Utilities Bill, distribution will be separated from supply. OFGEM has recommended draft "ring-fence" conditions for the new distribution licences to be issued under the Bill. Distribution licence holders would be prevented from undertaking any other significant activities beyond their licensed activities without OFGEM's consent. The regulator believes it is inappropriate to apply "ring-fencing" conditions to supply companies.
OFGEM Press Release, 27/4/00

Great Britain: Regulator Consults on Grid Company's Incentives under New Trading Arrangements Energy regulator OFGEM issued a consultation document on the financial

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

incentives that the National Grid Company (NGC) should face, as operator of the electricity system in England and Wales, after introduction of the New Electricity Trading Arrangement (NETA) later this year. The proposed incentive scheme is similar to existing arrangements. NGC is given a cost target for the financial year: if NGC reduces costs below this target, it can retain a proportion of the savings; if NGC exceeds the target, it must pay a proportion of the extra costs. OFGEM has also proposed that the costs of transmission losses and system operation are charged to generators and suppliers, instead of suppliers bearing all of these costs, as occurs under the current arrangements. OFGEM plans to publish initial proposals on the NETA incentive schemes, with target cost levels, in June for further consultation. Final proposals are due to be published in September.
OFGEM Press Release, 26/4/00

Great Britain: Regulator Consults on Balancing and Settlement under New Electricity Trading Arrangements Energy regulator OFGEM and the Department of Trade and Industry have issued consultation papers on two aspects of the governance arrangements for the New Trading Arrangements (NETA). One paper deals with the election of members to the Balancing and Settlement Code (BSC) Panel, formed to oversee and amend the new industry code. The Panel is to be elected from industry and consumer representatives. As well as a chairman selected by OFGEM, the Panel will have five or six industry members; two consumers; two independent members (appointed by the chairman) and one from the National Grid Company (who will not be able to vote on changes to the code). The second paper covers the funding arrangements for Balancing and Settlement Code Company (BSCCo) that will administer the code. The primary role of BSCCo will be to facilitate the effective delivery and, implementation, operation and development of the new trading arrangements.
OFGEM Press Release, 25/4/00

Great Britain: LNG Storage Goes to Auction Energy Regulator OFGEM announced that BG Transco's liquefied natural gas (LNG) storage capacity could now be sold to gas shippers by auction. To date the price of capacity in the five sites has been subject to OFGEM price control. The auction closed in the week ending Friday 28 April. Capacity will be allocated for the start of the storage year on Monday 1 May.
OFGEM Press Release, 18/4/00

Great Britain: Regulator Consults on Sale of Electricity Metering Businesses OFGEM, the energy regulator in England and Wales, published a consultation paper covering the issues associated with Public Electricity Suppliers (PESs) wishing to sell their metering businesses. OFGEM is concerned that contracts tying

the buyer to the seller of the assets may limit competition in data services. The consultation was prompted by the recent announcements by PowerGen and TXU Europe of their intention to sell their metering businesses. Sales that include the stock of metering assets (as is the case with PowerGen) require OFGEM approval before they can proceed. The metering market was opened to competition earlier this month.
OFGEM Press Release, 14/4/00

Great Britain: Regulator Reports Developments in Competition in Electricity Generation As requested by the Government's 1998 White Paper (entitled "Conclusions of the Review of Energy Sources for Power Generation"), energy regulator OFGEM has published its report to the Secretary of State on developments in competition in electricity generation. The White Paper specified six main areas of interest including reform of the trading arrangements in England and Wales and the introduction of competition in electricity supply for all customers. OFGEM's report concluded that considerable progress had been made in developing competition in the last year. The report was prepared following consultation with industry, customers and other interested parties.
OFGEM Press Release, 14/4/00

Great Britain: Regulator's Statement on Electricity Futures Prices is Followed by Price Spikes OFGEM, the energy regulator, issued a statement following its surveillance of prices in the electricity futures market. OFGEM concluded that the decisions of generators to withdraw plant did not constitute market abuse. Instead, OFGEM attributes price increases to the present pooling arrangements, and in particular the formula used to derive capacity payments. The regulator expects the existing problems with capacity payments to be resolved with the introduction of the new trading arrangements later this year. The day after OFGEM's statement, average bulk power prices hit a peak of £164/MWh (approx US$ 256/MWh).
Utility Week, 14/4/00; OFGEM Press Release, 6/4/00

Great Britain: PowerGen/National Power/London Electricity Agree to Generation Licence Modification Three more generators have agreed to energy regulator OFGEM's proposals to insert a "market abuse" condition into their generation licence. PowerGen initially rejected the proposals in February, but revised its position after OFGEM wrote to the power company clarifying its position on a number of issues. Similarly, National Power accepted new licences including the term, following discussions with the regulator clarifying a number of areas of the application of the clause. London Electricity (LE) accepted the licence modification proposed as part of OFGEM's consultation on its purchase of Sutton Bridge Power Ltd. PowerGen, National Power and London Electricity join TXU, Magnox, and Edison Mission Energy in accepting the proposed changes.

The market abuse clause took effect in the licences of five generators on 12 April. OFGEM intends to revise the licence of LE subject to the statutory 28-day consultation period inviting views on the modification. OFGEM announced that it would refer the two remaining generators, British Energy and AES, to the Competition Commission if they fail to accept the proposed "good behaviour" condition.
OFGEM Press Releases, 12/4/00, 7/4/00, 6/4/00

New Supply Price Controls for Northern Ireland Electricity
The conclusion of the supply price review of Northern Ireland Electricity (NIE) by the energy regulator OFREG sees the introduction of new controls set to reduce domestic and commercial bills by £16 million (approx US$ 25 million) over the next five years. OFREG announced new incentives on NIE to cut prices even further, including incentive payments to NIE for reducing domestic power bills and for introducing electric vehicles in the province.
Utility Week, 28/4/00

France: Paris Bourse Investigates Feasibility of European Power Exchange ParisBourse has begun a feasibility study for the creation of a European Power Exchange with EDF, Electrabel of Belgium, Totalfina Elf, BNP-Paribas and Société Générale. The Bourse aims to decide by the end of June whether to launch an exchange. Industry analysts have suggested that it may be two to three years before conditions are right to open an exchange in France, pointing to the current lack of clear rules regarding such important areas as access to the network in France.
Les Echos, 14/04/00; Wall Street Journal, 14/04/00

The German Bundeskartellamt Warns Companies The German Bundeskartellamt has warned companies not to make excessive charges for customers who want to switch suppliers because it would inhibit competition in the electricity market.

At the same time the government announced that it might consider implementing a mandatory code, if the four industry and consumer associations (Verbände) cannot agree on a gas network code soon.
World Gas Intelligence, 30/3/00

Italian Energy Authority Publishes Proposals for the Reform of Gas Tariffs The Italian Energy Authority, Autorità per l'energia elettrica e il gas, has published its proposal for the reform of gas tariffs. The proposal for the reform, which involves more than 16 million domestic users as well as industrial users whose consumption is less than 200,000 cube metres, is consistent with the draft decree for the liberalisation of the gas market, which will be approved by 22 May.

According to the Authority the new tariff system will favour the introduction of competition and will increase the degree of freedom in the choice of the gas supplier. The document is available on the Internet site of the Authority (www.autorita.energia.it).
http://www.autorita.energia.it/com_stampa/cs_260400.htm

Italian Energy Authority Approves Directive on the Required Qualities of Gas Distributors The Italian Energy Authority, Autorità per l'energia elettrica e il gas, has approved a directive which establishes quality requirements for the distribution of gas. The requirements, which apply to all gas distributors, are compulsory and identical across the whole national territory. The directive, which will be published in the Gazzetta Ufficiale, is already available on the Authority's web site (www.autorita.energia.it).
http://www.autorita.energia.it/com_stampa/cs_140400.htm

Netherlands: New Gas Law Approved The Dutch parliament has approved a new gas law introducing liberalisation. According to the Law, the Dutch gas market will be fully deregulated by 2004, three years earlier than the original planned.
International Gas Report, 14/4/00; Power in Europe, 14/4/00

Republic of Ireland: Regulator Consults on Allocation of Capacity in the Natural Gas Network for the Generation of Electricity The Commission for Electricity Regulation (CER) issued a consultation document on the process of allocating scarce capacity for electricity generation in the Irish natural gas network. The consultation is intended to identify a process for allocating scarce gas transmission capacity to prospective power producers that accords with the principles set out in the Gas (Amendment) Bill 2000 and the associated Regulations. The document proposes to award capacity rights on the basis of a "first-to-commission" approach. Under this approach the CER would award capacity rights to the generating stations that have the earliest date for commissioning. The consultation document also proposes a procedure for evaluating the applications and outlines the terms and conditions that the successful applicants will be obliged to follow.
CER, 27/4/00

Republic of Ireland: Treatment of Transmission and Distribution Losses The Commission for Electricity Regulation (CER) has published a paper setting out the treatment of electricity transmission and distribution losses. According to this paper, transmission losses are allocated to generators using transmission loss adjustment factors which are site specific. In the case of the distribution losses, the distribution loss factors apply to both consumption and generation. The distribution loss factors for consumption differ in respect of the voltage level at which customers are connected but otherwise are not site specific.
CER, 5/4/00

Spain: The Government Prepares a Reform of the Natural Gas Sector The Government will include in its liberalisation plan a package of measures to increase competition in the distribution of natural gas. The reform will have four components: (1) reduction in the access tariffs for use of the network, (2) separation of Enagas (Gas Natural's gas transmission company) and the introduction of new shareholders, (3) ensuring the neutrality of Gas Natural in contracts signed with the backing of the State, and (4) reducing the 10-year moratorium on new players' ability to build gas infrastructure.

It would seem that Gas Natural is willing to sell a part of Enagas. This is a Government requirement to increase competition in gas. Such a sale could be announced at Gas Natural's Annual General Meeting on 9 May. However, the fair value of Enagas remains a sticking point. Gas Natural values Enagas at Euro 3 billion (approx US$ 2.67 million), approximately 36 per cent of Gas Natural's market value. Potential buyers argue that the price of Enagas should be significantly lower, given that Gas Natural paid the equivalent of Euro 390 million (approx US$ 347.8 million) when it bought Enagas from the state in two tranches in 1994 and 1997. It is envisaged that Gas Natural could sell between 50-60 per cent of Enagas.
Expansión, 28/4/00; Cinco Días, 26/4/00

Spain: Brussels Delays Approval of the CTC Again The new spokesperson for the EC's Competition Commissioner, Mario Monti, announced that the decision over the Spanish Competition Transition Costs (CTCs) has not yet been taken. The spokesperson explained that there are two problems outstanding: the coal mining subsidies and the treatment of electricity imports. In spite of this, the spokesperson said she believed the decision would be taken in a few weeks, possibly in May.

The technical report presented by the Competition Directorate on the Spanish CTCs concluded that both the amount and the allocation of the CTCs are acceptable and justified. The Spanish Government had recalculated the CTCs following the comments of the Directorate

and had reached a figure for the gross CTCs of 2196 billion pesetas (approx US$ 11.76 billion). The Commissioner later stated that Brussels would approve most of the 1300 billion pesetas (approx US$ 7 billion) that the companies expected to receive as CTC compensation.
La Gaceta, 18/4/00; Cinco Días, 18/4/00; ABC, 17/4/00

Spain: CNE Approves Unión Fenosa's Plan to Acquire Hidrocantábrico's Regulated Businesses The CNE approved Union Fenosa's plan to acquire Hidrocantábrico's regulated businesses (transportation and distribution, including retail to tariff customers). The CNE has yet to issue its opinion on Fenosa's plan to acquire Hidrocantábrico's competitive businesses (generation and retail to qualified customers). This report will be analysed by the Competition Defence authorities before they issue their own opinion on the proposed acquisition.
Expansión, 18/4/00

Spain: National Commission for the Electricity System to Open an Investigation into High Wholesale Electric Spot Market Prices For several weeks, the wholesale spot electricity market price exceeded the 6 Ptas/kWh level (0.032 US$/kWh) that the Government had assumed to be the competitive price when calculating stranded costs (the "CTC"). This led the National Commission for the Electricity System (CNSE - Comisión Nacional del Sistema Eléctrico) to launch an investigation into the causes of the increase. Any excess over 6 Ptas/kWh in the revenues of the generators will be deducted from their outstanding entitlement to receive the CTC.
ABC, 5/4/00

Spain: The National Energy Commission Takes over the Functions of the National Commission for the Electricity System The National Commission for the Electricity System (CNSE - Comisión Nacional del Sistema Eléctrico) was dissolved on 8 April, as foreseen in the Hydrocarbons Law. All its functions and powers were transferred to the National Energy Commission (CNE - Comisión Nacional de la Energía) that was created by the Hydrocarbons Law.
ABC, 5/4/00

Spain: An Ecotax in Spain Would Increase the Cost of Electricity and Gas by 3 per cent or 4 per cent Spain has for many years used its veto to block the imposition of a "green fiscal reform". However, the Spanish government will not oppose the removal of veto powers and the adoption of a system of qualified majority for decision-taking. That would leave the door open to the imposition of ecotaxes. These ecotaxes would increase the Spanish

electricity bill by 3.84 per cent and the gas bill by 3.20 per cent. This would have an inflationary impact but would increase annual tax receipts by about 200 billion pesetas (US$ 1.07 billion) in Spain.
Expansión, 1/4/00

Sweden: Households Starting To Make Use Of Opened Market
Swedish households are reportedly starting to switch electricity suppliers or renegotiate their rates with their original supplier. Although the majority of Swedish households prefer to wait for savings to filter through from incumbent suppliers, the rate of change has reportedly quickened. This is further fuelled by the reduction of the required notice period from six months down to only one month. A survey undertaken for the Swedish electricity company, Elbolaget, estimates that around 43 per cent of domestic users have either renegotiated their rates using advertised reductions to force a decrease or switched their supplier. In addition to prices that are often more than 20 per cent lower than at pre-liberalised times, retailers are offering other inducements such as free gifts and insurance. As a result, consumers are confused by the plethora of deals comprising a variety of rates.
Power in Europe, 14/4/00

NORTH AMERICAN NEWS

USA: New Mexico Supreme Court Overturns PNM Gas Rate Order The New Mexico Supreme Court has overturned a US$6.9 million rate reduction imposed on Public Service Company of New Mexico's (PNM) natural gas utility. The rate reduction was initially passed by the New Mexico Public Utilities Commission in 1997. The court asserted that certain disallowances ordered by the PUC overly restricted PNM's ability to earn a fair rate of return. This is the second PUC gas rate decision to be overturned by the New Mexico Supreme Court in recent weeks, and it is one of several PUC cases that PNM has appealed and won. PNM operates a combined electric and gas utility, servicing roughly 1.3 million customers in New Mexico.
PRNewswire, 25/4/00

USA: Southwestern Public Service Announces "Transition to Competition" Plan Southwestern Public Service Company (SPS) has declared that it will lower electricity prices to most of its Texas customers by 7 per cent and that, in 2001, it will sell at least two-thirds of its electric-power generating capacity to competitors. These actions will be part of SPS's "Transition to Competition" plan, which the PUC of Texas is requiring SPS to address as part of the approval process for the proposed merger between SPS-parent company, New Century Energies, and Northern States Power Company.
PRNewswire, 19/4/00

USA: Florida Power & Light to Lower Rates to Wholesale Customers As part of a settlement agreement filed with the Federal Energy Regulatory Commission (FERC) and covering issues that have been pending since their 1993 rate case filing, Florida Power & Light Company (FPL), which serves 3.8 million customers in Florida, has announced that it will lower rates to wholesale customers. FPL plans to adopt new fixed rates, rather than formula rates. They also plan to refund roughly US$65 million to wholesale customers, related to services provided between 1994 and the close of 1999. The settlement is still pending approval by FERC.
PRNewswire, 18/4/00

USA: Participation in Nicor Gas Customer Choice Program Increases Since the 1998 inception of Nicor Gas's Customer Select program, by which customers may choose their natural gas supplier, nearly 30 per cent of eligible customers have participated in the program, making it the largest program of its kind in the Midwest US. Nicor Gas serves over 1.9 million customers in northern Illinois.
PRNewswire, 17/4/00

USA: Ohio Consumers' Counsel and First Energy Corp. Reach Agreement to Achieve Competitive Electric Market for Ohio Consumers As a result of negotiations regarding FirstEnergy's transition gas filing last December, the Ohio Consumers' Counsel, the staff of the Public Utilities Commission of Ohio (PUCO), FirstEnergy Corp, and interested parties filed a stipulated agreement with the PUCO that will give FirstEnergy's customers rate benefits and increased incentives to switch to a new energy supplier beginning 1 January 2001. FirstEnergy will be obligated to make 1120 MW its of generating capacity available through until 2005 to marketers, brokers, and aggregators. The plan will also include a shopping incentive for residential customers until 2003 and a 5 per cent rate reduction in the generation portion of the electric bill.
PRNewswire, 17/4/00

USA: MAPP, MAIN Approve Memorandum of Understanding
The Mid-Continent Area Power Pool (MAPP) Executive Committee approved the execution of the Memorandum of Understanding (MOU) with the Mid-America Interconnected Network (MAIN) to merge the reliability functions of the two organizations. Some of the main responsibilities will include NERC/NAERO committee coordination, standards compliance and auditing, planning and operating reserve requirements, and establishing a sanctions procedure to enforce compliance with reliability standards. The next step in the merger process is to develop definitive agreements for the implementation of the MOU. Definitive agreements are expected to be completed by July 2000. The goal is to have the new organization operational by November 2000. The Mid-Continent Area Power Pool (MAPP) is an

association of more than 90 electric utilities and other electric industry participants. Its three functions are to: ensure that electricity is transmitted in a reliable fashion throughout the region, help facilitate the voluntary wholesale buying and selling of bulk power, and oversee transmission service within and adjacent to the MAPP region to make sure service is provided in a comparable and efficient manner.
Business Wire, 13/4/00

USA: PG&E Corporation Selects Buyer to Purchase Retail Energy Services Commodity Portfolio PG&E Corporation announced that it will sell the stock of its PG&E Energy Services unit to Enron Energy Services Operations, Inc., the retail energy services unit of Enron Corporation, for approximately US$85 million, subject to adjustments for working capital. Through this transaction, Enron will acquire PG&E Energy Services' retail electric and gas commodities business.
Business Wire, 13/4/00

USA: Large Energy Companies Forming Internet Trading Platform Six of the largest gas and electricity marketers in the US today announced they have formed a new independent energy trading consortium which will own and operate an Internet-based, business-to-business, over-the-counter energy trading platform. The new trading platform is expected to be in operation by the end of the year and will be open to all wholesale energy industry participants. The consortium's members are American Electric Power, Aquila Energy, a subsidiary of UtiliCorp United, Duke Energy, El Paso Energy, Reliant Energy and Southern Company Energy Marketing, a unit of Southern Company. Each is among the top 10 US marketers in either gas or electricity, or both. The platform is expected to deliver a number of benefits to users compared to the smaller platforms, single dealer systems and phone brokers currently used for energy trading.
Business Wire, 13/4/00

USA: NY Utilities Alarmed at Run-Up of Reserve Power Prices in NYISO Several New York utilities have expressed alarm at the dramatic increase in reserve prices from the New York Independent System Operator and have asked the Federal Energy Regulatory Commission to take action, warning that the competitive market is threatened. The problem revolves around reserve power, an ancillary service that buyers take as insurance against generation failures or other interruptions in purchased supplies. Utilities in New York have divested most of their power plants, so they are dependent upon the wholesale market, and must buy reserves from providers through NYISO.
Electric Utility Week, 10/4/00

USA: New England Power Panel Calls For Probe of Pricing Practices A committee overseeing the New England power grid and wholesale electric trading markets approved a proposal by Central Maine Power to investigate the feasibility of abolishing one market. Generators and traders are suspected of conspiring to drive up prices in this market during January. However, grid participants changed the Central Maine proposal to delete any deadline, instead asking only for an investigation into whether and how soon the controversial market could be abolished. The Augusta utility had initially moved to have the so-called "installed-capacity market" wiped out by 1 June or as soon as possible, after being a victim of what officials called "really weird and very curious" power-price spikes in January that smacked of market manipulation.

At the same time, ISO-New England, the Holyoke agency that runs the grid, formally cut to zero the January clearing prices for the installed-capacity market from an unspecified much higher price. The agency said "anomalous conduct" by unnamed generators and traders apparently caused the price spike, which potentially would have been passed on to homeowners and business customers. January trading in installed capacity raised suspicions of ISO officials when, after seven months with ample supply never triggering payment of installed capacity bounties, a sudden supply squeeze — apparently orchestrated by power producers who have not been named — drove prices through the roof. After decades in which grid managers directed power plants to generate power under a regulated scheme guaranteeing fixed profits, the ISO last year phased in a competitive market in which plants bid for the call to produce power each hour. Many industry officials have said the installed-capacity controversy shows the new market is still susceptible to manipulation by a small number of generators and strong oversight from the ISO is needed. But others, including many big generators, contend the real problem is the ISO has not deregulated the market fast enough.
The Boston Globe , 8/4/00

USA: Direct Access Marks Two Full Years At the two-year anniversary of direct access in California, the trends for customers taking non-utility electric supplies appear set in stone. Each month shows a gradual increase in total numbers but relatively small changes to market penetration as measured within various customer classes. Courtesy of renewable energy subsidies, the "green power" market remains the most robust component of direct access for residential consumers, with some analysts saying that as many as 80per cent of households taking direct access are signed up for some form of green product. As of the end of February, a total of 219,023 direct-access customers were reported by California's three regulated utility distribution companies. Residential direct access edged up to 162,996

accounts, 1.9 per cent of the 8.8 million household meters in place and 2.2 per cent of energy consumed. At the other end of the spectrum, about 20 per cent of industrial customers and 33.3 per cent of industrial load is now signed to direct access. While each category of customers saw marginal increases over the previous month, agricultural users bumped up the most, with nearly 4 per cent of the class and 10 per cent of load procured competitively.
California Energy Markets, 3/4/00

USA: Despite Deregulation, New Jersey Residents Tend to Keep Electric Company New Jersey consumers are in no rush to dump their power company. As of 16 March, only 63,757 residential customers, or about 2 per cent of the market, had chosen an alternative supplier for electricity, according to the state Board of Public Utilities. Suppliers are first going after large industrial and commercial customers, which have the highest energy use. Whether they have a new supplier or not, ratepayers are benefiting from deregulation. The law that deregulated New Jersey's energy industry gave residents a 5 per cent discount on their electricity bills regardless of whether they switched
Asbury Park Press, 31/3/00

Mexico: Reform of Electricity Sector Will Not Occur until after Political Transition Mexico's Secretary of Energy, Luis Tellez, has announced that the reform of the Mexican Electricity sector to allow for greater private investment will not occur before the political transition this year. The heavy political agenda will not permit discussion of reform. The issue is politically sensitive, and no party wishes to discuss it.
El Universal/Infolatina via NewsEdge Corporation, 14/4/00

Private Participation in Energy Sector Increases in Mexico Mexico's Energy Regulation Commission has announced that it granted 78 concessions for natural gas distribution in 1999, amounting to more that US$2 billion of private investment. They have also announced that permits granted for private generation of electricity in the same year amounted to US$5.5 billion of investment. Private participation in power generation rose from 3.3 to 42 per cent of national production during 1999.
El Universal/Infolatina via NewsEdge Corporation, 13/4/00

TXU's Withdrawal from Mexico Emphasizes Issues with Energy Sector Investment Experts assert that TXU's retraction from Mexico City's gas market brings to light the obstacles facing investors in Mexico's energy sector and suggests that the nation will have to make more effort to attract such investment to its energy industry. Uncertain about the future of the energy sector, which remains largely in state hands, Dallas US-based TXU sold its stake in Mexico

City's gas distribution system last week to Spain's Gas Natural SDG SA and Hidroelectrica del Cantabrico.
Reuters, 5/4/00

CENTRAL AND SOUTH AMERICAN NEWS

Argentina- Uruguay Gas Pipeline to be Completed in 2001
The delayed gas pipeline from Buenos Aires, Argentina to Montevideo, Uruguay is expected to be finished in mid-2001. The construction of the pipeline was postponed because of delays in granting the permits.
International Gas Report, 14/4/00

Ecuador: Privatisation of Power Distribution Companies
Ecuador's privatisation agency, Conam, announced its plan to sell 51 per cent stakes in 18 electricity distribution companies. In addition, the Government of Ecuador plans to offer stakes in six thermal and hydroelectric generating plans around the end of the year.
Global Private Power, 18/4/00

Brazilian Regulator Okays Thermal Plant Project in Minas Gerais ANEEL, the Brazilian energy regulator, has given its approval for Cemig's UTE Pocos de Caldas thermal plant project, in the state of Minas Gerais. The project will have a capacity of 500MW, and it will cost US$250 million. It will be owned by an association of Cemig, Texaco, ABB Alstom Power, and Petrobras. The project should be completed in 2003.
Individual.com, 26/4/00.

ASIA-PACIFIC NEWS

Australia: Final Decision on Victoria/NSW Gas Interconnect
The Australian Competition and Consumer Commission (ACCC) has approved the application made by GPU GasNet to incorporate the Victoria/NSW gas interconnect assets into the asset base of the principal transmission system access arrangements. The ACCC has concluded that the investment, which cost approximately A$42.6 million (US$25 million), is prudent and that it generates system-wide benefits in the form of system security benefits and competition benefits. The competition benefits include the possibility of competition between gas sourced from the Cooper Basin and Bass Strait. Tariffs have been revised according to the increased asset base and all users will pay an additional 3 Aus cents (2 US cents) per gigajoule for gas transported from May 2000.
ACCC Media Release, 28/4/00

Australia: Review of Electricity Access Charges, Western Australia The Coordinator of Energy for Western Australia has announced a review of Western Power's charges to third parties for access to its electricity transmission and distribution system. The review is being undertaken under the direction of the Electricity Access Steering Committee with a separate working group, drawn from the Office of Energy and Western Power, responsible for facilitating the process. The review will examine the current pricing arrangements with the view to improving the efficiency of the wires business, improving transportation services and lowering prices for large energy users. The review will not affect domestic and small business users as they remain franchise customers of Western Power.
Office of Energy, Western Australia, Media Release, 7/4/00

Australia: Review of National Electricity Code Technical Standards The National Electricity Code Administrator (NECA) has launched a review of the technical standards in chapter 5 of the National Electricity Code (Code). The review will address technical standards relating to generators, customers and market network service providers. The exception being those standards relating to network performance requirements, which will be the subject of a separate Reliability Panel review. In the case of generation, the review is aimed at ensuring a level playing field between incumbent and new entrant generators, and remote and embedded generation.
http://www.neca.com.au 3/4/00

Australia: Structure of Electricity Market Participant Fees Reviewed The National Electricity Market Management Company (NEMMCO) has released its final report and determination of the structure of electricity market participant fees. The new fee structure will apply from 1 July 2000 to 30 June 2003. Both NEMCO and NECA (the National Electricity Code Administrator) consider their costs to be predominantly fixed and, in large part, common to most of their activities. Consequently, NEMMCO has adopted a structure of participant fees which includes a substantial proportion of fixed fees charged to generators, market network service providers (MNSPs) and market customers. Where variable costs can be identified, the intention is to pass these costs to the code participant with a causal relationship with these costs. Over this fee structure period, NEMMCO and NECA's recovery of establishment costs will be moving towards a 50:50 split between generators (and MNSPs) and market customers.
http://www.nemmco.com.au/nem_resources/marketfc/fees2.htm 31/3/00

Philippines: Power Industry Reform Bill Passed in the House The House of Representatives passed the reform bill that will privatise the National Power Corp, Napocor, and liberalise the power industry. The bill, which faces considerable opposition from labour and other

activist groups, must now get through the Senate. Under the new legislation, Napocor is to be broken up into various subsidiaries, which will then be sold through public auctions. The transmission system will be controlled by the government through a National Transmission Company. The legislation divides the industry into three sectors - power generation, transmission and distribution- and mandates a three-year phase-out of cross-ownership between these sectors to protect against the creation of a monopoly.
Power in Asia, 25/4/00

Japan: Power Market Liberalisation Moves Ahead The first tranche of consumers became contestable in Japan´s partially liberalised retail market on 21 March. The group of consumers now able to choose their own supplier comprises large energy users, which account for about 30 per cent of total national electricity demand. Most of the new entrants into the market are expected to target large commercial users, which face considerably higher charges than large consumers in the manufacturing sector. Meanwhile, most of the incumbent power companies have announced that they are cancelling or delaying some of their investments in new generating capacity. This is not only because new plants will face competition from new entrants but also because they will have to compete with other regional power companies, which are now allowed to sell power outside their traditional service areas.
Global Private Power, 18/4/00

India: NTPC Income Fears over Tariff Reform The National Thermal Power (NTPC) faces a steep cut in its return on equity, following application of an ‘availability-based tariff’ (ABT) fixed by the Central Electricity Regulatory Commission (CERC). The corporation claims that the new tariff will cut its return by half and make its new power projects uneconomical. The corporation has asked the regulatory authority to reconsider its case and a hearing will be held soon. The ABT prescribes plant availability at 80 per cent from April this year and 85 per cent from April 2001 for the recovery of the fixed charges and return on investment. Under the previous tariff, the corporation had been allowed a 68.49 per cent plant load factor (PLF) with an 0.7 per cent incentive for every percentage point increase in the PLF for cost recovery. The NTPC is arguing that the 80 - 85 per cent PLF criteria is difficult to achieve as most of the NTPC plants are old and cannot be run at these standards. Meanwhile, the CERC is also preparing to revise the rate of return and depreciation allowable to the power generating companies.
Power in Asia, 25/4/00

Thailand: Retail Rates to Rise Pressured by higher fuel costs, retail power tariffs in Thailand will rise 2.33 per cent in the four-month period beginning in April. An official body resolved to raise the automatic tariff adjustment clause technically known as Ft, one of the three components in the kingdom's power tariff pricing. The increase in Ft reflects higher costs in various fuels spurred by higher world oil prices during the period November 1999 to March 2000, on which the new Ft factor is based. According to the National Energy Policy Office, the hike should not have any significant impact on residential consumers, who constitute 65 per cent of the total number of power users in the country.
Power in Asia, 25/4/00

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