n/e/r/a
*Consulting Economists*
NATIONAL ECONOMIC RESEARCH ASSOCIATES, INC.
A MARSH & McLENNAN COMPANY

# Global Energy Regulation

*Reporting on energy regulation around the world* July 1999

IN THIS ISSUE



## EUROPEAN NEWS

***UK Gas Regulator Proposes Separate Price Controls for Metering*** Gas regulator OFGEM is proposing separate price controls for metering and meter reading, to apply to gas pipeline operator Transco from April 2000. The regulator sees this development as necessary to prevent cross-subsidies between Transco's transportation and metering activities, and to facilitate greater competition in metering services. Though it does not propose physical separation of the metering businesses at this stage, OFGEM adds that it "will be difficult for Transco to avoid obtaining unfair competitive advantage in the absence of separation".
OFGEM Document: "Securing effective competition in gas metering and meter reading services", 13/7/99

***British Gas Trading "Dual Fuel" Service Not Predatory, Says OFGEM*** Preliminary analysis by UK gas regulator OFGEM has led it to conclude that the so-called 'dual fuel' (combined gas and electricity) deals offered by former gas supply monopolist British Gas Trading (BGT) are not predatory. OFGEM also found no evidence that BGT's offers of complementary products (credit cards, home insurance, etc) were unfair. However, it did express concerns about BGT's advertising tactics, and its conduct of customer transfers (still the subject of an investigation under the Competition Act 1980).
OFGEM Press Release, 8/7/99

***Transco Proposes Complex Auction for Gas Pipeline Capacity at Entry Points*** Transco, the operator of Britain's gas pipelines and part of BG Group, has proposed a variant of the English auction for allocating capacity at points of entry into its transmission system. The auction will start up as soon as the new gas trading arrangements come into operation in October 1999. The scheme is intended to prevent excessive nominations by gas shippers, when there is a transmission constraint.

Transco is proposing a complex kind of auction known as "Ausubel II". The auctioneer sets a price and accepts bids for the available

*Graham Shuttleworth, General Editor*
*Charles Augustine and Kristina Sepetys, US Editors*
*Greg Houston and Ann Whitfield, Australian and New Zealand Editors*

capacity. The auctioneer checks whether removing *any individual bid* would allow the remaining bids to be satisfied, with some capacity left over. If so, the bidder associated with this individual bid is awarded *the capacity left over*, at the current auction price. The auctioneer then raises the price and initiates another round of bidding. Transco believes that this approach will allocate capacity more efficiently than other schemes - and so shippers will require less secondary trading to assemble their desired portfolio. However, Transco is retaining the option of a simple sealed-bid auction, in case the Ausubel II system is not operational in time.
OFGEM press release, 1/7/99

***Spanish Competition Defence Tribunal Fines Enher 120 000 Euros*** The Spanish Competition Defence Tribunal has fined Enher, and the Endesa Group, 20 million pesetas (120 000 Euros) for breach of competition legislation. In 1996, a small local utility embedded within the Enher network requested an increase in supply to serve its customers. Enher requested a guarantee and imposed a surcharge on the tariffs to the local utility. A year later Enher awarded the increase but then immediately cancelled it. The Tribunal concluded that Enher, who was the local utility's only supplier and its competitor, had abused its dominant position.
Expansión, 29/7/99

***Spain: Stranded Costs Are State Aids, Says the EC*** The EC's Director-General for Energy, Pablo Benavides, announced that the proposed payment of 1.3 trillion pesetas to Spanish utilities to cover the Costs of Transition to Competition ("CTCs" or "stranded costs") is a state aid and not compensation for increased competition in the Spanish electricity market. Mr Benavides also stated that the EC will set limits to the period over which the CTCs can be recovered through surcharges in the tariff.

Mr Benavides said the process of evaluation will take months but he believes that, when evaluating the CTCs, the Competition Directorate will bear in mind "the situation of the market, the pace of the liberalisation process, and the sacrifice required of the utilities".

The Competition Directorate, under the direction of Karel Van Miert until September, will evaluate both the recovery mechanism and its duration, and whether they provide competitive advantages to the Spanish utilities. However, Van Miert's successor will take the final decision. The planned process of securitisating the CTCs will be kept on hold until the amount and recovery term are approved by the EC.
Cinco Días, 9/7/99; El País, 9/7/99

***Germany: BEWAG Will Be Forced to Open Its Network to Competitors for Access*** The Berlin electricity company will be forced by the German federal antitrust authority to open its network to competitors. Bewag has so far rejected requests by competitors for access to its lines, claiming that its network capacity is limited.
Frankfurter Allgemeine Zeitung, 30/7/99

***German Energy Prices Diverge*** Prices for German energy are diverging: the latest price comparison by the association of energy producers reveals that the difference between the cheapest energy producer (Pesag/Paderborn) and most expensive (Stadtwerke Kassel) has climbed to 5.6 Pfennig/kWh. A year ago, the difference between the cheapest and most expensive energy producers was only 3.54 Pfennig/kWh. The differences must be seen against a background of falling prices.
Frankfurter Allgemeine, 28/7/99

***Competition for Private Customers in Hamburg*** Hamburg became the first city in Germany to facilitate competition in the retail energy market for private households, when local utility HEW published prices for access to the network. Braunschweiger Versorgungs AG, one of about 1,000 companies in the German electricity market, has already started to compete in Hamburg.
Frankfurter Allgemeine, 22/7/99

***European Commission Opens Enquiry into German Wholesale Prices for Wind Energy*** The European Commission agreed with the claim by Preussen Elektra that high guaranteed wholesale prices for wind energy cannot be justified in a deregulated European energy market. The value of wind energy supplied to northern German electricity companies is in the region of DM500m.
Frankfurter Allgemeine, 21/7/99

***Germany: EnBW Allows Third Party Access; Regulatory Proceedings Dropped*** The German cartel office (Bundeskartellamt) abandoned its proceedings against EnBW Transportnetze AG after the South German utility allowed Aare Tessin AG/Switzerland to use its network to supply electricity to the municipality of Waldshut-Tiengen. EnBW originally argued that it could refuse to transmit electricity for the Swiss utility because its power delivery contract with the municipality lasted until 2006.
Frankfurter Allgemeine Zeitung, 13/7/99

***Italian Government Asks for Smooth Electricity Price Control Adjustments*** Sergio Mattarella, Vice Prime Minister of the Italian government, encouraged the Italian Authority for Gas and Electricity (Autorita' per il gas e l'energia elettrica) not to cut electricity tariffs too severely. Mr Mattarella believes that excessive price cuts will discourage investment in the industry and slow down the adoption of

new technologies. Mattarella is also concerned that drastic electricity price cuts might have a negative effect on the value of Enel, whose privatisation will take place soon.
Il Sole 24 Ore, 22/7/99

***The French Government Referred to EU Tribunal by Commissioner*** The Interior Market Commissioner, Mario Monti, has referred the French government to the EU Justice Tribunal. The Commissioner believes that special powers established by the French government to control Elf Aquitaine (privatised in 1993) contradict current EU legislation on the free movement of capital and the right to free establishment. The Commissioner believes that these powers create uncertainty for investors.
Expansión, 29/7/99

***France: Jean Syrota to Head New Regulatory Authority for Electricity*** Jean Syrota will leave his current post as head of the nuclear fuels company, Cogema, to set up France's new Electricity Regulatory Authority. He is expected to become its President when it is established in a few months. His position at Cogema will be taken by Anne Lauvergeon.
Les Echos, 24 /7/99

***UK Government Warns France on Electricity Liberalisation***
The UK Government has warned the French authorities that it may take retaliatory action unless liberalisation of the French electricity market is accelerated. The UK Government may invoke the reciprocity clause in the EU electricity directive, which allows Member States to limit access to their market by suppliers from states with a lesser degree of liberalisation. France has so far failed fully to implement the Directive. Legislation is due to be adopted in the Autumn.
Financial Times, 23/7/99

***Netherlands: TenneT Intends to Expand Import Capacity***
TenneT, operator of the high voltage network in the Netherlands, intends to expand total capacity for electricity imports from 3,500 to 5,000 MW. The plans have been welcomed by the Amsterdam Power Exchange (APX), which has access to only 250 MW of import capacity under the current arrangements. Trades on APX between participants in Holland and abroad have already been restricted on a number of occasions, due to the limit on import capacity.
Het Financieele Dagblad, 22/7/99; Energie Nederland, 20/7/99, 29/6/99

***Netherlands: New Electricity Law Enters into Force*** The amended Electricity Law 1998 entered into full force on 1 July 1999. The old Law of 1989 was repealed on the same date. The two Laws had co-existed over the past months, while amendments to the Electricity Law 1998 were being passed though Parliament and the Senate. New regulations on the treatment of stranded costs in the

Dutch power sector have not yet taken effect, as an especially appointed Commission is still considering the issues.
Energie Nederland, 20/7/99

***Netherlands: Network Operators Propose New Tariff Structures and Technical Codes*** On 4 July 1999, network operators submitted their joint proposals for a tariff code and a technical code to DTe, the electricity sector regulator. Network operators had to submit these proposals to DTe in accordance with Article 25 of the Electricity Act 1998. The proposed tariff code sets out the structure of the connection, transport and system components of network tariffs. It specifies that 25 per cent of transport tariffs should be paid by generators, once neighbouring countries have also made arrangements for generators to pay for transport. (Currently, generators pay nothing for transport over the networks.) The technical code relates to network access arrangements and various technical agreements between network operators and suppliers. The final form of the tariff and technical codes will be decided by DTe.
Energie Nederland, 20/7/99; http://www.dte.nl, 9/7/99

***Netherlands: Reliant Energy Threatens to Pay Less for UNA***
Reliant Energy of the US is threatening to pay less for Dutch generator UNA, because of delays in Government decisions about stranded costs in the Dutch power sector. The Government has not yet made up its mind on the level of stranded costs and who should be responsible for bearing them. Minister Jorritsma of Economic Affairs has to decide whether or not to approve the UNA deal by 3 September. She has indicated that she will only approve the deal if Reliant Energy guarantees that it can bear any stranded costs that may be imposed on it, once the Government has reached its final conclusions on the stranded costs issue.
Energie Nederland, 20/7/99; Het Financieele Dagblad, 1/7/99

***Netherlands: DTe Publishes Consultation Paper on Price Cap Regulation*** DTe, the Dutch electricity sector regulator, published a consultation paper on price cap regulation on 19 July. The paper covers three main topics: (1) CPI-X methodology; (2) valuation, depreciation and return; and (3) benchmarking methodology. The consultation applies to both network tariffs and retail supply tariffs. The deadline for submissions is 13 September 1999, and a public hearing will be held on 7 September 1999.
http://www.dte.nl, 19/7/99

***Sweden: Sydkraft Continues Fight Against Closure of Nuclear Reactor*** Despite the recent ruling by the Supreme Administrative Court, Sydkraft continues fighting the government-enforced closure of its nuclear reactor, Barseback I. Sydkraft plans to pursue its case before the European Commission and to appeal

against the Court's decision that the government has the right to order the closure. The precedent-setting decision could entitle the government to close Barseback II and 10 other Swedish reactors. Barseback's closure was ordered partly because of political pressure from Denmark – the plant is 30 km across the strait from Copenhagen.
Power in Europe, 19/7/99

***Norway: No Action Against Statkraft*** Norway's office of fair trading (Konkurransetilsynet) will not take action over Statkraft's purchase last year of a 26 per cent stake in BKK (Bergenshalvøens Kommunale Kraftselskap). Earlier this year the authority warned that it might have to intervene in the matter. It has now decided that the deal does not give the utilities an unacceptably strong position in the single Nordic electricity market.
Power in Europe, 19/7/99

## NORTH AMERICAN NEWS

***Eastern Enterprises Acquires EnergyNorth*** Holding company Eastern Enterprises (Massachusetts) announced it was acquiring EnergyNorth Inc. in a $202 million deal that will extend its operations into Vermont and New Hampshire. Eastern Enterprises is the parent of Boston Gas, the largest distribution company in New England, serving 580,000 customers in Massachusetts. EnergyNorth serves 70,000 natural gas distribution customers in southern New Hampshire and delivers propane to 15,000 customers in New Hampshire and 10,000 customers in Vermont.
Journal Inquirer, 16/7/99; BusinessWire, 15/7/99; Reuters, 15/7/99

***...and Colonial Gas Company*** The Massachusetts Department of Telecommunications and Energy (DTE) approved the merger and rate plan of Eastern Enterprises and Colonial Gas Company. The deal, valued at $495 million, had been announced in October 1998. Colonial is a local distribution company serving 155,000 customers north-west of Boston and on Cape Cod. Much of Colonial's service territory is contiguous to Boston Gas's service territory. The merger, expected to close August 31, 1999, must still be approved by the Securities and Exchange Commission. The DTE also approved the rate plan proposed by Eastern Enterprises/Colonial, including a 2.2% price reduction and a ten-year freeze in base rates. Following the EnergyNorth and Colonial deals, Eastern Enterprises will serve over 800,000 natural gas distribution customers in Massachusetts and New Hampshire.

***Oklahoma Regulator Approves Gas Market Reforms*** The Oklahoma Corporation Commission (OCC) approved Oklahoma Natural Gas Company's (ONGC) plan to remove ONGC's storage and gathering assets from regulation and to use a competitive bidding process to purchase gas supply for its captive customers. The plan is described as a first step toward the eventual unbundling of natural gas distribution service to introduce competitive retail choice to all ONGC customers. Later this year ONGC will present a similar plan for transmission services. In addition, ONGC will give customers a $5 million credit on September bills.
PRNewswire, 15/7/99

***Heat Wave Tests Restructuring US Electricity Sector*** A persistent July heat wave led to record high demand for electricity in northeastern, midatlantic and some midwestern states—and a welter of conflicting claims about whether or not the new markets are working. The heat is blamed for over 70 deaths. Major changes in electricity market structures implemented over the past few years were tested in meeting the crisis. The power pool ISO New England (serving Maine, Massachusetts, Vermont, New Hampshire, Connecticut and Rhode Island) used a record 22,523 MW and declared a "power watch" asking customers to reduce their electricity usage. The PJM Interconnection (serving New Jersey, Delaware, Pennsylvania, Maryland and Virginia), and the New York Power Pool also set records. Interruptible customers were shut off and voltage reductions and rolling blackouts were implemented in several states. New York City and State officials are threatening to sue Con Edison after a 19-hour blackout on 7 July.
New York Times, 10/7/99, 8/7/99; PRNewswire, 9/7/99, 7/7/99, 6/7/99, 5/7/99; BusinessWire, 7/7/99, 6/7/99, 5/7/99; Reuters, 9/7/99, 7/7/99, 6/7/99; WSJ, 7/7/99.

***NYMEX Proposes New Electricity Derivative*** The New York Mercantile Exchange (NYMEX) will apply to the Commodity Futures Trading Commission for approval to create an electricity futures contract. The new contract will offer delivery of 432 MWh of electricity at the Washington-Oregon border, at the rate of 1 MW per hour for 16 hours a day for 28 days. This will be NYMEX's sixth electricity futures contract. Some observers wondered whether the slowly developing trade in electricity futures justifies another type of contract.
Bloomberg, 9/7/99

***CL&P to Sell Power Plants for 5 Times Book Value to Finance Stranded Costs*** Connecticut Light and Power Company (1.1 million customers) has agreed to sell its non-nuclear power plants to NRG Energy and Northeast Generation Company for approximately $1.3 billion, more than five times their book value of $240 million. NRG Energy is a wholly-owned subsidiary of Minnesota utility Northern

States Power, whilst Northeast Generation Company is a subsidiary of Northeast Utilities. The $1.06 billion that CL&P receives above book value will be used to pay off the utility's $3.3 billion stranded cost burden. The sale includes 2,235 MW of fossil generation capacity and 1,329 MW of hydropower. Connecticut will begin phasing in competitive power supply in 2000. Connecticut's 1998 electric restructuring law requires CL&P and other investor owned utilities in the state to create separate generation and wires businesses. The sales must be approved by federal, Connecticut, and Massachusetts regulators.
AP, 7/7/99

***Ohio Power Deregulation Bill Becomes Law*** On 6 July 1999, Ohio became the most recent US state to enact a law restructuring the state's electric power industry, as Governor Bob Taft signed legislation which will give consumers choice of a power provider beginning 1 January 2001. In addition, the law gives residential customers a 5 percent discount in the rates they pay for generation. Ohio is served by five investor-owned electric utilities, including American Electric Power, CINergy, FirstEnergy, DPL, and Allegheny Energy.
Reuters, 6/7/99

***Energy East Acquires CTG Resources for $355 Million*** Holding company Energy East (New York, Connecticut and Maine) continued its strategic acquisition of energy delivery companies as it announced a merger which will make CTG a wholly owned subsidiary of Energy East. CTG Resources is a holding company whose major subsidiary is Connecticut Natural Gas (CNG), a local gas distribution company providing natural gas service to approximately 142,000 customers. Energy East's largest subsidiary, New York State Electric & Gas Corporation (NYSEG), delivers electricity (820,000 customers) and natural gas (240,000 customers) in upstate New York. Other recent Energy East acquisitions include gas distributor Southern Connecticut Gas (April 1999) and electricity distributor Central Maine Power (June 1999). The merger must be approved by CTG's shareholders as well as federal and Connecticut regulators.
PRNewswire, 30/6/99

## CENTRAL AND SOUTH AMERICAN NEWS

***Mexican Gas Distributors Unhappy with New LPG Regulation*** Distributors of Liquid Petroleum Gas (LPG) declared that the new regulation on distribution, transportation and marketing of LPG published in June by the Energy Secretariat (Secretaría de Energía) is not the same regulation as was agreed with the industry.

In addition, they claim that the new regulation does not state clearly when the new 30 year distribution and transportation permits will take effect. The distributors also complained that, even though the new regulation legalises the free import of LPG, current market conditions do not permit it.
El Economista, 22/7/99

***Alternative Proposal for Reform of the Mexican Electricity Market*** The Mexican electricity workers union (Sindicato Mexicano de Electricistas, SME) announced that it would prepare an alternative proposal for the restructuring of the electricity industry. The SME provided no details as to when the proposal will be ready or how it will differ from the proposed reform elaborated by the Energy Secretariat (Secretaría de Energía).
El Economista, 15/7/99

***Venezuelan Electricity Industry Takes Against the Draft Electricity Law*** The Venezuelan Chamber of the Electricity Industry (Caveinel) believes that the draft Electricity Law will not encourage either an opening up of the electricity market, or private investment in the sector. The Chamber disagrees with the level of the companies' contributions to the National Electricity Commission, the limits on development of thermoelectric capacity, State ownership of hydroelectric capacity on the Caroní river, and the level of penalties for failure to supply.
El Universal Digital, 20/7/99

## ASIA-PACIFIC NEWS

***Australia: ACCC Grants Interim Authorisation to NSW Vesting Contracts*** The Australian Competition and Consumer Commission (ACCC) has granted interim authorisation for the third tranche of NSW vesting contracts. These contracts, between NSW generators and retailers, cover electricity purchased on behalf of franchise customers. They are designed to expose the businesses gradually to more competition, to hedge retailers' sales to their franchise customers, and to stabilise net revenues for generators and retailers.
ACCC Media Release, 27/7/99

***Australia: Government Ends Oil Price Involvement*** The Australian government has pulled out of oil price regulation. The national competition regulator has ceased to publish daily wholesale pricing benchmarks. This move comes one year after the Australian Competition and Consumer Commission officially ended its price surveillance of oil and diesel products, as part of the Federal Government's package of reforms to deregulate the oil industry.
The Australian Financial Review, 23/7/99

***Reliability Panel Recommends Higher VoLL in the National Electricity Market***

The Reliability Panel has presented its report and recommendations to the National Electricity Code Administrator (NECA), following its first annual review of the Value of Lost Load (VoLL) in the national electricity market. Its report recommends an increase in VoLL, from its current level of A$5,000 per MWh, to A$20,000 per MWh by April 2002. The VoLL acts as a price ceiling in the wholesale spot electricity market. The increase will occur in two steps, in September 2001 and April 2002, to allow the market to develop appropriate risk management and insurance mechanisms, and to allow scope for enhanced demand-side participation. The timing also reflects the timetable for expiry of the current vesting contracts and tariff arrangements. The Panel proposes that VoLL should in future be set for three years in advance.

NECA Media Release, 23/7/99

***Australia: NECA Releases Final Recommendations for Electricity Network Pricing*** The National Electricity Code Administrator (NECA) has published its final report in the pricing review for electricity transmission and distribution. This major review, which was required under the National Electricity Code (the Code), has been running for over 18 months. The review considered possible revisions to the Code methodology for allocating transmission and distribution revenues to network customers, given a total revenue requirement. NECA has now submitted its proposals, embodied in proposed changes to the Code, to the Australian Competition and Consumer Commission (ACCC). The ACCC must approve the changes as part of the access arrangements for electricity networks. The Code applies to all distribution and transmission networks in the National Electricity Market.

NECA has proposed that consumers pay for the existing transmission and distribution networks, using a “refined” version of the CRNP methodology (cost reflective network pricing) which allows more price flexibility. Both customers and generators would pay for new investments in transmission, on the basis of the “benefits derived”.

*Transmission and Distribution Pricing Review, Final Report*, National Electricity Code Administrator, 7/99

***"Settlement Residue" Auction in Australia*** NEMMCO (National Electricity Market Management Company) has successfully completed the first round of Settlements Residue Auctions, which sold off financial rights to revenue from interconnectors within the national electricity market. They give the holder the right to residues that arise as a result of price differentials between different regions, a form of financial transmission rights. All auctions were oversubscribed and cleared above the reserve prices. These auctions are intended to improve

the efficiency of the national electricity market by promoting inter-regional trade.
NEMMCO media release, 22/7/99

***NECA Warns National Market Generators Against Manipulation of Bidding System*** The National Electricity Code Administrator has written to all generators in the national electricity market saying that it will act if evidence emerges of manipulation of the process for "rebidding" in the market. The potential for manipulation became clear on 4 February 1999, when extreme conditions prevailed in both the Victorian and South Australian regions. There were significant variations in price forecasts and failures to comply with despatch instructions, leading to the alarm being raised by NEMMCO and to involuntary load shedding in South Australia. NECA has conducted an investigation into those events and sent a confidential report to the ACCC. However, the ACCC reported that they are satisfied there was no breach of the Code on this occasion.
NECA Media Release, 6/7/99

***IPART Rejects Albury Gas Company Ltd's Proposal for Third Party Access in NSW*** IPART, the NSW regulator, has rejected the access arrangements proposed by Albury Gas Company Limited, a small gas network business in NSW. The Tribunal has proposed a rate of return on assets of 7.75% - which it says is consistent with other gas utilities - and an asset base of A$22m. This is the second access arrangement considered by IPART under the National Gas Code. It is still considering the access arrangements proposed by the Australian Gas Light Company (AGL), the largest gas distributor in NSW.
IPART AGC Draft Decision, 2/7/99

***ACCC Grants Interim Authorisation for Transmission Derogation, NSW*** On 30 June 1999 the Australian Competition and Consumer Commission (ACCC) granted an interim authorisation to extend IPART's existing revenue and pricing determination for TransGrid (the NSW transmission business) until 31 January 2000. Thereafter, the ACCC's transmission decision will apply. The interim authorisation is a derogation from the National Electricity Code, and protects TransGrid from being found in breach of the Trade Practices Act.
ACCC website; www.accc.gov.au, 30/6/99

***IPART Completes Electricity Price Review, New South Wales***
The Independent Pricing and Regulatory Tribunal of NSW (IPART) has published recommended "CPI-X" paths for the revenues and prices of the six NSW distribution businesses and TransGrid (the NSW transmission business). IPART states that its recommendations will deliver 16 per cent real price reductions in average electricity

distribution charges over five years. The recommendations will now be considered by the NSW Government.

IPART revised the regulatory asset bases for the businesses. Proposed revenues include a real pre-tax rate of return of 7.5 per cent for TransGrid and for four of the distributors, and 7.75 per cent for the other two distributors. IPART proposes that revenues should follow a "glide path" to phase out gains and losses from the previous regulatory period over the next five years.
*Pricing for Electricity Networks and Retail Supply, Report*, Independent Pricing and Regulatory Tribunal of NSW, 30/6/99

***Electricity Retailers Seek Connection Charge Probe, New Zealand*** Several retail electricity companies may seek Commerce Commission intervention to stop what they claim is an abuse of monopoly assets by large power lines companies. The retailers want the Commission to check whether interconnection arrangements offered by United Networks and Orion are anti-competitive. Between them, United and Orion own lines transmitting power to about 540,000 customers in north Auckland, Wellington, Christchurch and Tauranga. The retail power companies - including big players like recently-privatised Contact Energy and state-owned Meridian Energy and Genesis Power - are concerned that the cost of the interconnection arrangements will force them to stop supplying some customers on the United and Orion networks.
The New Zealand Herald, 22/7/99

***Parties Look Closely at Details of Power Bill, New Zealand***
Plans by energy minister Max Bradford to regulate power lines companies (networks) still hang in the balance, with most parties yet to back proposals hammered out in a select committee. The Government itself will not support the Commerce (Controlled Goods or Services) Amendment Bill in it current form, since the committee's proposals extend its coverage beyond lines companies. "The Government will not be extending the price-control regime planned for lines companies to retail companies," Mr Bradford said after the release of the commerce select committee report. The select committee is concerned about protection of smaller customers against practices such as charging fees to consumers who switch retailers, and for final meter readings.
The New Zealand Herald, 13/7/99

***India: More States to Adopt Independent Power Regulators***
The Indian states of Tamil Nadu and Karnataka are about to have independent power sector regulators. In Tamil Nadu, a regulatory commission has already been created, but is still to start functioning. In Karnataka, an Electricity Reform Bill passed on 9 July 1999 includes provisions for setting up a power sector regulator. The two states

join seven other states in India which have already set up independent power sector regulators, namely Orissa, Haryana, Andhra Pradesh, Uttar Pradesh, Gujarat, West Bengal and Arunachal Pradesh.
Power in Asia, 26/7/99

### *Bangladesh: Provisions for Powerful Gas Regulator Under Draft Gas Act*

The final draft of a Gas Act for Bangladesh, currently under review by the Bangladeshi energy ministry, provides for a powerful and independent Gas Regulatory Commission. The Commission will consist of a chairman and four members. Its key objectives will be to "promote and safeguard competition and fair and efficient market conduct", and "to regulate conduct in the sector and prevent misuse of monopoly power". Gas operators in gas transmission, processing and distribution will be required to hold licenses issued by the Commission.
International Gas Report, 9/7/99

CONTACTS

*National Economic Research Associates*
*15 Stratford Place*
*London W1N 9AF*
*United Kingdom*
*Tel: +44 (171) 629 6787*
*Fax: +44 (171) 493 5937*
*Contact: Graham Shuttleworth, David Hough*

*National Economic Research Associates*
*One Main Street*
*Cambridge, Massachusetts 02142*
*USA*
*Tel: +1 (617) 621-0444*
*Fax: +1 (617) 621 0336*
*Contact: Michael Tennican*

*National Economic Research Associates*
*60 Margaret Street*
*Sydney*
*NSW, 2000*
*Australia*
*Tel: +61 (2) 9375 0588*
*Fax: +61 (2) 9375 0585*
*Contact: Greg Houston, Ann Whitfield*

*National Economic Research Associates*
*Antonio Maura 7*
*28014 Madrid*
*Spain*
*Tel: +34 (91) 521 0020*
*Fax: +34 (91) 521 7876*
*Contact: David Robinson, Oscar Arnedillo*

NERA also has offices in:

*Washington, DC*
*+1 (202) 466 3510*
*Cambridge, MA*
*+1 (617) 621 0444*
*Chicago, IL*
*+1 (312) 573 2800*
*Ithaca, NY*
*+1 (607) 277 3007*
*Los Angeles, CA*
*+1 (213) 346 3000*
*New York, NY*
*+1 (212) 345 3000*
*Philadelphia, PA*
*+1 (215) 546 2744*
*San Francisco, CA*
*+1 (415) 291 1000*

***About NERA*** National Economic Research Associates, Inc. (NERA) provides research and analysis of economic and financial issues arising in litigation, regulation, public policy and management. Established in 1961, NERA is an international firm of consulting economists recognised for its work in energy, antitrust matters, securities litigation, telecommunications, employment and discrimination, intellectual property, environment, health, transportation, international trade, sports and water.

***About the Energy Practice*** Our economists are leaders in the application of microeconomics to every aspect of the energy industry. Electricity companies, gas companies, governments, and energy sector regulators throughout the world look to NERA to help them find solutions to a variety of complex commercial and regulatory problems. NERA provides advice on issues such as regulation, privatisation, restructuring, liberalisation, design of trading arrangements, tariff and contract design, and transmission pricing. NERA has extensive experience in the application of quantitative methods to economic issues in the energy industry. NERA's work is based on a rigorous analytical approach combined with detailed knowledge of the technological, commercial and political realities involved.

***NERA's Website*** You can find this and past issues of the Global Energy Regulation Newsletter at www.nera.com.

***Disclaimer:***
*The information contained in this document is publicly available. It does not incorporate NERA research.*