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April 2002

EUROPEAN NEWS

Great Britain: Regulator Consults on Governance of Electrical Standards Energy regulator Ofgem is reviewing the governance processes relating to the production and revision of electrical standards used by electricity transmission and distribution companies. Third parties (particularly smaller companies) have found it difficult to influence standards.
Ofgem website, 30/4/02

Great Britain: National Grid Company and Transco Plan to Merge National Grid Company (NGC), the electricity transmission company, and Lattice Group, owner the gas transmission company (Transco), have announced merger plans. NGC shareholders will retain their shares in the company, to be renamed National Grid Transco. Lattice Group shareholders will receive 0.375 shares in the new company for each share they now own. The combined company will be the fourth largest utility in Europe. Energy regulator Ofgem is reported to have no objections in principle to the merger.
www.ft.com, 22/4/02

Great Britain: Ofgem Consults on RWE's Acquisition of Innogy Energy regulator Ofgem has invited views on the implications of RWE's proposed acquisition of Innogy Holdings plc. Ofgem is, in particular, interested in views on the effect of the acquisition on competition within the GB and European energy sectors, vertical integration and competition in metering services.
Ofgem website, 17/4/02

Great Britain: House of Commons' Committee Recommends Timely Regulatory Impact Assessments
The House of Commons' Select Committee on Public Accounts has published a report on "Better Regulation: Making Good Use of Regulatory Impact Assessments". The Select Committee's report concludes that Regulatory Impact Assessments (RIAs) should be conducted "wherever government imposes regulatory

Graham Shuttleworth, General Editor
Kristina Sepetys, US Editor
Greg Houston and Ann Whitfield, Australian and New Zealand Editors
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burdens" and that these assessments be conducted early enough to inform decisions. At present, utility regulators are not required to conduct RIAs.
Committee of Public Accounts report, 12/4/02

Great Britain: Regulator Publishes 'Green' Supply Guidelines Energy regulator Ofgem has published guidelines to help customers make an informed choice when choosing environmentally friendly electricity supplies. The guidelines: (1) set out what forms of generation constitute 'green' energy; (2) explain the key features customers can expect from a 'green' supplier; and (3) describes the standards, regulations and guidelines that exist in this area and who enforces them.
Ofgem press release, 11/4/02

Great Britain: Regulator Concerned over Misselling Energy regulator Ofgem remains concerned about misselling of gas and electricity and is to extend for a further two years the marketing condition in supply company licences. In addition, Ofgem is to examine how regulation can more effectively prevent misselling. Ofgem has also announced that major electricity retailer, *npower*, had fulfilled undertakings, agreed in January 2001, regarding the company's marketing activities.
Ofgem press release, 5/4/02

Great Britain: Regulator to Survey Asset Risk Management in Network Companies Energy regulator Ofgem is consulting on guidelines for a survey of asset risk management in gas and electricity network companies to be conducted during summer 2002. The survey is the first of proposed annual surveys intended to ascertain the status of asset risk management within companies, which Ofgem views as key to ensuring future security of supply. Results from the first survey are due in autumn 2002.
Ofgem website, 5/4/02

Great Britain: Government Plans Action to Help Small Generators The Department of Trade and Industry (DTI) has announced new measures to help small generators operate more effectively under the New Electricity Trading Arrangements (NETA). The DTI has identified the following areas for action: (1) working with Ofgem to look at the unbundling of embedded benefits; (2) addressing some of the administrative burdens of small generators; (3) allowing smaller generators to notify their predicted output closer to 'real-time'; and (4) asking Ofgem to ensure imbalance prices are genuinely cost reflective. These measures are the result of a consultation exercise started in November 2001.
DTI press release, 4/4/02

Austria: Industry Ignored Over New Gas Deregulation Law The economic affairs minister has handed over a new draft of the heavily criticised bill to political parties but has not given it to industry players - not even the 35% state-owned OMV or the gas industry trade group. The draft is to be ready by 30 April for the council of ministers and on 28 of May for the responsible parliamentary committee, so that the law can be passed in June, to come into force in July. The industry would then be fully liberalised by 1 October. The gas industry is concerned about its lack of knowledge of the law and the tight time schedule.
European Gas Markets, 30/4/02; Platts International Gas Report, 29/4/02.

Austria: Part of Austria Joins ETSO Agreement Three Austrian transmission system operators (TSOs), VKW, Tiwag and Verbund APG will sign the cross-border trade agreement sponsored by ETSO (organisation of European electricity grids). The TSOs will charge EUR 1/MWh for exports and an injection fee of EUR 1/MWh for imports from perimeter countries from 1 May. Austria will be the last ETSO member country to join the temporary mechanism. Problems arose over two TSOs, Tirol and Vorarlberg, which had both agreed with the government to have their own control zone when the electricity deregulation law (EIWOG II) came into effect.
ETSO press release, www.etso-net.org, 19/4/02; Platts EU Energy, 11/4/02.

Austria: E-control Offers Help And Declares War E-control, the Austrian electricity regulator, is writing an ”unbundling handbook”. The guidelines in this book will guide 140 smaller municipal and local electricity utilities towards separating their generating and distribution activities in line with EU directives and E-control’s own goals. The regulator is hoping for as much input from the industry as possible.

On the other hand the regulator declared war on the chaotic spectrum of tariffs covering the country’s electricity distribution. The 1000 different tariffs must be simplified in order to promote fair competition, regulator Walter Boltz stated.
Platts Power in Europe, 22/4/02; E-control press release, 5/4/02

Belgium: CREG Investigates Fluxys Tariffs CREG, the Belgium regulator, has investigated the gas shipping charges of Fluxys, the national gas transmission company. CREG compared the shipping tariffs for five typical eligible customers with Fluxys, Wingas, Ruhrgas, Gasunie and GDF. CREG concluded that Fluxys is never the cheapest or most expensive supplier in each of the categories, but that its tariffs are not well suited to the needs of small non-eligible industrial customers.
Platts EU Energy, 25/4/02

Belgium: Action Plan For Cross-Border Flows Belgium and French regulators have agreed an action plan to improve cross-border electricity power flows. The plan has three main plans: (1) increase information transparency by publishing interconnector capacity estimates 6 months in advance; (2) reinforce the interconnectors to increase capacity by 50%; and (3) co-ordinate the allocation of capacity to make it more efficient and transparent.
Elia, 17/4/02; European Energy Markets, 15/4/02

EU: EU Commissions Study on Atlantic Radiation The European Commission has commissioned a study on levels of radioactive discharges to the North Atlantic. Radioactive discharges to the North Atlantic from Sellafield are subject to long-running complaints by the Irish and Norwegian governments. OSPAR, which monitors the North Atlantic Environment, wants to reach the goal of reducing discharges 'close to zero' and to establish the background level for naturally occurring radiation.
Platts EU Energy, 25/4/02

EU: EU Approves Climate Change Levy 'Dual Use' Exemption
The European Commission has approved the dual-use exemption under the UK Climate Change Levy. The climate change levy does not apply when energy is used in a production process *primarily* for non-fuel processes, but also for fuel. The investigation, which began in March 2001, arose out of concern that the exemption could distort competition or discriminate between different producers within the same sector, for instance, between steel production, where coal is exempt under dual-use, and steel recycling, where energy is primarily a fuel use. However, less environmentally damaging industries that compete directly with "dual-use exempt" industries are also exempt from the Climate Change Levy.
European Commission, 3/4/02

Germany: More Competition Introduced Into the German Gas Market A new voluntary agreement on gas pipeline access conditions (called the "Verbaendevereinbarung II") was reached on Saturday 27 April. It allows more customers to choose their gas supplier. The larger industrial buyers are now allowed to negotiate an alternative to the usual tariff, but no general exemption will be allowed. Furthermore, under the new agreement, the tariff structure will include a distance element as well as a simple entry fee irrespective of distance. Agreement between the four industry associations - BGW, BDI, VIK and VKU - saves the gas industry from the introduction of a regulator.
European outlook, 30/4/02; Financial Times Deutschland, 29/4/02; Stuttgarter Zeitung, 29/4/02

Germany: No Refund for BEWAG Customer: A customer who had sued BEWAG for a repayment of 2600 Euro has lost his case. He argued that the calculations of the tariff prices were not defined sufficiently. Although a previous case had conceded this point, the court in Berlin argued that the Tariffs were approved by the Berlin Senate and therefore reasonable.
Berliner Zeitung, 20/4/02

Germany: Gas Prices Sink in Berlin The Berlin gas supplier Gasag lowered Gas prices by EUR 0.02/kWh on 1 May, effectively reducing tariffs by 5%. According to the outgoing CEO, Rudolf Schulten, this makes Gasag one of the cheapest providers in Germany. How long this cut will last is, however, not foreseeable.
Berliner Zeitung, 16/4/02

Germany: Industrial Consumers Make Use of Competition About 54% of the 3 million business establishments in Germany have negotiated lower tariffs since 1998. In total, about 48% of business enterprises with up to 50 employees have made a new deal with the original supplier. About 6% have changed their power supplier since 1998.
Elektrizitaetswirtschaft 2002, 15/4/02

Ireland: New Gas Bill Comes into Effect Provisions of the Gas (Interim) (Regulation) Bill 2002 formally come into effect on 30 April 2002. The Gas Bill 2002 opens 80% of the gas market to competition. The Bill also renames the Commission of Electricity Regulation the Commission of Energy Regulation (CER), and assigns it responsibility for regulating access to the gas transmission network, issuing consents for construction of new pipelines and operating the new licensing framework for natural gas undertakings.
Department of Public Enterprise press release, 1/4/02

Italy: A New Marzano Law The Minister for Productive Activities, prof. Antonio Marzano, will propose by the end of May 2002 a new draft bill that, accordingly to the press, should regulate ENEL's recovery of stranded costs and propose again a 50% ceiling on the generating capacity owned by each producer.
Il Sole 24 Ore, 24/4/02

Italy: Interpower on the Market Interpower will soon be sold. It is the third and smallest of the three generating companies that ENEL has to divest to comply with limits on its generating capacity imposed by the Bersani Decree. The steering committee has authorised the sale and the official invitation to submit expressions of interest has been published in major Italian newspapers.
Il Sole 24 Ore, 17/4/02

Italy: Regions Claim New Powers over Construction of New Generating Capacity After months of debate about the role of regions in approving the construction of new generating capacity, the Regional Governors are again threatening to appeal to the Constitutional Court to stop the Marzano Decree. [The Decree allows a fast track for the construction of new plants, but the regions want to play a greater role in the process.] As consequence of recent constitutional reform,the regions claim that ownership of the grid should be allocated between Regions, Provinces and Municipalities, by voltage. They also claim new powers, which allow them to set local tariffs for grid access and to impose extra access charges.
Il Sole 24 Ore, 14/4/02

Latvia: Regulator Rejects Gas Tariff Increase The regulatory council in Latvia has turned down a request by Latvijas Gaze (LG) to increase tariffs by up to 10.3% for industrial customers and 20% for households. The reasons given were that LG's gas price forecasts were too high and that the company had provided insufficient information in support of its request. The council also believed that the rate hike might raise inflation.
European Gas Markets, 30/4/02

Netherlands: Gasunie Proposes New Entry-Exit Based Tariff System Gasunie Transport & Services is consulting with its clients on a new tariff system based on the so-called entry-exit system, where tariffs depend on the point of entry and the point of exit, instead of the current kilometre-related system. Despite of DTe's wishes, Gasunie insists on using distance as a limited component in the new tariff. A first draft tariff structure must be submitted to Gasunie by 1 May and a definitive proposal by 1 October. The new system is due to be operational from 1 January 2003.
Platts International Gas Report, 28/4/02

Netherlands: Conflicts Over Privatizations Dutch Economic Affairs Minister Annemarie Jorritsma came under fierce attack from MPs, after she approved the takeover of Dutch power distributor Obragas by Germany's RWE. This takeover is consistent with the current legal restriction that limits private sector purchases of shares in regional grids to 49%. Parliament, however, is debating legislation that prevents privatisation of gas and electricity networks completely. Pending the debate, MPs want Jorritsma to postpone or even cancel the deal. Jorritsma said such a move was "undesirable and judicially unacceptable", but asked the country's highest advisory body, the Council of State, for advice. This month's fall of the Dutch government will probably delay further takeovers of Intergas by RWE and of Remu by Endesa.
Platts EU Energy, 25/4/02, 11/4/02; Het Financieele Dagblad, 16/4/02, 6/4/02; Ministry of Economic Affairs press release, 4/4/02

Netherlands: DTe Evaluates Tariff Code DTe has planned an evaluation of the Tariff Code for electricity. This evaluation consists of four phases. First, DTe will hold a broad consultation into the desires and experiences of operators and users (mid-May). Second, DTe plans a consultation document at the end of July, followed by a consultation period for market parties and representative organisations (July-October). Then DTe will draw its conclusions and may draft a new Tariff Code to come into effect in 2004. DTe has already published new versions of the Technical Terms, the Net Code, System Code, Metering Code and Appendices for the Technical Terms.

DTe update, www.nma-dte.nl, 22/4/ 02, 12/4/02.

Netherlands: PVE: Energy Market Fully Opened in October 2003 PVE, the government-appointed Platform for the Acceleration of Energy Liberalisation, advised the Minister of Energy, Annemarie Jorritsma, to fully open the energy market on 1 October 2003. Seven million household customers will then be free to choose their supplier of gas and electricity. This date is three months earlier than stated in the existing electricity and gas legislation.

Energie Nederland, 16/4/02; PVE press release, www.energieliberalisering.nl, 5/4/02

Netherlands: No Sanction Despite Abuse Gasunie The Netherlands Competition Authority (NMa) has not fined Gasunie, even though it found that Gasunie had abused its dominant position in the market for gas transmission, by favouring its own suppliers over rival suppliers. The Authority investigated the system of tariffs and conditions following complaints from various gas suppliers. The abuse concerned the period prior to 1 January 2002. Since then the market conditions have changed, liberalisation continues and Gasunie has replaced its former system with a system of negotiated access, approved by the energy watchdog DTe.

Platts EU Energy, 11/4/02; Het Financieele Dagblad, 5/4/02; NMa press release, www.nma-org.nl, 4/4/02

Netherlands: NMa: Dutch Power Market Still a National Market The Netherlands Competition Authority (NMa) recently published a consultation document concerning concentration in the energy sector. NMa reported that its intention to continue to view the market as a national market when assessing concentration in the electricity sector. NMa recognizes, however, that the energy sector is highly dynamic and is in a transitional phase. In assessing concentration, they will take future developments into account if it can be foreseen that a very strong position on a market will be short lived.

Het Financieele Dagblad, 10/4/02; NMa press release, www.nma-org.nl, 9/4/02

Netherlands: Gasunie Breaks Up The Dutch government has decided to split up Dutch gas transporter and supplier Gasunie into three separate companies. The Dutch government is to take over total ownership of Gasunie's gas transport network "providing the transaction is financially neutral". Gasunie's trading activities are set to be divided into two separate companies, one owned by Shell and one by ExxonMobil. Currently Dutch government owns 50% of Gasunie, whilst Shell and ExxonMobil each own 25%. Gasunie's CEO George Verberg describes the expected break up as "very painful".
Het Financieele Dagblad, 9/4/02; Gasunie press release, www.gastransport.nl, 8/4/02; Ministry of Economic Affairs press release, 8/4/02

Netherlands: Gasunie Offers Daily Contracts for Gas Storage Dutch energy regulator DTe has reached agreement with Gasunie on offering daily contracts for gas transmission to gas storage installations. Gasunie offers daily contracts for such capacity as of 1 April 2002. Prior to this date, contracts were monthly or even annual, while in most cases a daily contract was sufficient. The new agreement is expected to open further the market for gas storage.
DTe press release, www.nma-dte.nl, 28/3/02.

Portugal ERSE's Role Extended to Overseas Regions According to Decree-Law 69/2002 of 25 March, the Portuguese Energy Regulator (ERSE) will regulate energy companies in the autonomous regions of Azores and Madeira Islands in the same way as it presently supervises mainland utilities. Current regulations in mainland Portugal will now be applied to these regions (Tariff Regulation, Commercial Relations Regulation, Third Party Access and Interconnection Regulation and Quality of Service Regulation). In addition, the extra costs associated with supply in those islands will now be supported by all electricity consumers, as in other European countries with similar geographic and administrative conditions.
www.erse.pt 24/4/02

Russia: Prime Minister Signs Energy Reform Package Russian Prime Minister Kasianov has signed the package of draft legislative changes that will form a basis for electricity sector reforms. The package is now ready to go to Duma for parliamentary hearings. It includes the Draft Law on Electricity as well as draft changes in the following laws: Law on Natural Monopolies, Competition Law, Law on Energy Efficiency and Civil Code.
http://www.rosenergo.ru, 30/4/02

Russia: Chubais Orders Start of Reforms The head of RAO EUS, Anatoly Chubais, issued Order #200 whereby subsidiary Joint Stock Energos are instructed to start reorganization of their companies. The time frame for the task is 3-4 months. Within this

period, the UES subsidiaries must incorporate generation, grid, supply and despatch into independent businesses. In the meantime, RAO UES will create “managing” companies in generation, supply and transmission to maintain the integrity of system management. Minority shareholders are concerned about the uncertainty over the mechanism of transfer of ownership of generation assets. Shares of the Federal Grid Company will not be a sufficient compensation for them as the generation business is more profitable.
http://www.rao-ees.ru, 16/4/02

Russia: Reforms in Electricity Sector The existing 74 generation companies will be replaced by only 9 or 10, including Rosenergoatom, said Vice Premier of Russian Government Viktor Khristenko at the press briefing.
http://www.rao-ees.ru, 15/4/02, 5/4/02

Russia: Moscow Energy Commission Eliminates Cross Subsidies Electricity tariffs for the population in Moscow suburbs were increased by 40%, whilst tariffs for industrial customes rose 9%. Mosenergo hopes that the decision will not cause social upheaval in the region.
http://www.rao-ees.ru, 15/4/02, 5/4/02

Russia: President’s Administration Supports Deputy Minister Against Chubais Viktor Kurdiavcev, a deputy minister of energy who voted against creation of the Federal Grid Company received reinforcement from the President’s Administration. Lawyers of the Main State Legal Department of the President sent a letter to Deputy Minister of Economic Development Anrey Sharonov, who is in charge of electricity reforms. The letter criticizes the draft Electricity Law and points out at least 10 inconsistencies with the constitution.
http://www.rao-ees.ru, 5/4/02, 1/4/02

Spain: Gas Natural to Sell Enagás Gas Natural is moving forward with the public sale of 65% of Enagás (the owner of the gas transportation network in Spain), as part of the liberalisation process of the gas sector in Spain. Enagás is currently fully owned by Gas Natural. However, in accordance with the Royal Decree of 23 June 2000, Gas Natural is no longer allowed to own, directly or indirectly, more than 35% of Enagás.

On 10 April, Gas Natural selected the financial entities that will coordinate the deal: La Caixa, BBVA Bolsa, SCH and Goldman Sachs, while the investment bank Schroeder Salomon Smith Barney will act as advisor. On 27 April, the board of directors of Gas Natural approved the design of the share offer. The sale is expected to be concluded at the end of the first semester of the year.
El País, 28/4/02; Cinco Días, Expansión, 11/4/02.

Spain: The CNE to Encourage Bilateral Physical Electricity Contracts The Spanish Energy Regulator (Comisión Nacional de la Energía - CNE) is reviewing the regulation of the Spanish electricity market. The modifications the CNE proposes include the promotion of bilateral physical contracts between eligible electricity customers and electricity producers. These contracts are currently allowed in the Spanish electricity sector, but some administrative obstacles impede their proper development. This may eventually leave the pool as a residual market.
Cinco Días, 18/4/02

Spain: New Regulation on Electricity Interconnection Allocation The Spanish Economics Ministry is drafting a Ministerial Order to introduce a direct auction system for allocating the electricity interconnection capacity between Spain and its neighbouring countries. The new regulation is part of the agreements signed by the French and the Spanish Governments to improve and increase their electricity interconnections from 1,100 MW to 1,400 MW this summer. Apparently the new allocation system will be based on bids to the market operator after the system operator announces the available capacity.
Estrella Económica, 8/4/02.

Switzerland: Weko Suspects Unfair Trading Four cantonal electricity companies in the eastern part of the country are under investigation by the Swiss competition authority, Weko. Weko suspects that AEW, EKT, EKZ, SAK set unfair purchasing conditions, by offering lower tariffs in exchange for exclusive long-term supply rights, thereby abusing their supposed dominant market position.
Platts Power in Europe, 22/4/02.

Switzerland: SFOE Revises Electricity Market Law The Swiss Federal Office of Energy (SFOE) has published a new revised draft of the electricity market law (Elektrizitaetsmarktgesetz, EMG). SFOE made some compromises in order to win the September referendum. Among other changes, the new draft includes provisions to ensure price decreases for industrial, small-to-medium business and household customers. Grid operators are not allowed to increase third party access fees for a six-year transitional period and the arbitration commission has been given greater powers to settle TPA tariff disputes. If the EMG passes the referendum, it will come into force in March 2003, providing immediate liberalisation for 120 industrial clients (over 20GWh consumption). The market opens up for some 150 medium-sized companies (>10GWh) in 2006 and households will have to wait till 2009.
Platts EU Energy, 11/4/02.

NORTH AMERICAN NEWS

US: FERC to Hear California Complaints About Power Deals
Federal regulators said they will hold a hearing on whether California utilities are entitled to renegotiate or cancel billions of dollars in long-term electricity contracts signed at the height of the state's power crisis last year. The Federal Energy Regulatory Commission (FERC) said the hearing will consider contracts California signed before 20 June 2001. The contracts were part of a larger package of power sales signed by California's Department of Water Resources worth $42 billion and stretching over 20 years. In some of the long-term contracts, California agreed to pay $70 per megawatt hour, roughly triple the current price for wholesale electricity in the spot market.
Energy Central, 24/4/02

US: FERC Orders US Utilities to Report More Data The Federal Energy Regulatory Commission ordered U.S. utilities to report more detailed data each quarter about wholesale electricity transactions, saying the information will help regulators spot any price manipulation. Under the new rule, all utilities and power marketers under FERC's jurisdiction will have to file quarterly reports with transaction-specific information listing quantities of power sold, prices and delivery points. FERC currently requires companies to report aggregated quarterly information, not specific transactions. The reporting requirements will take effect with this year's second quarter.
Reuters, 24/4/02

US: California Shaves $3.5B Off Power Deal California will save $3.5 billion under reworked terms on eight contracts with four power companies, including San Jose-based Calpine Corporation and Baltimore-based Constellation Energy Corporation. Calpine and Constellation also agreed to pay $8.5 million to settle complaints filed with federal regulators that the companies charged illegal prices during California's power crisis. The settlement ends the state's investigation into Calpine and Constellation. In total, the state reduced trimmed eight contracts with four companies that were originally worth $15 billion, reducing that amount by about 23 percent to $11.4 billion.
Associated Press, 22/4/02

US: Sale of Seabrook Nuclear Facility The Connecticut Department of Public Utility Control (DPUC) and the New Hampshire Public Utilities Commission (NHPUC) announced on 15 April that an agreement has been reached for the sale of 88.2 percent (1024 MW) of the Seabrook Nuclear Generating Station to FPL Group for $836.6 million. Under Connecticut law, divestiture of non-nuclear

generation is not mandatory; however, recovery of stranded costs is conditional upon a commitment to sell both non-nuclear and nuclear assets. Seabrook is jointly owned by eleven New England utilities.
RRA-Focus Notes, 19/4/02

US: Californian Regulators Could End Competition The California Public Utilities Commission is considering further restrictions of competition in the energy market. Commissioner Carl Wood proposed to roll back the cut-off date for any new energy contracts from September 2001 to July 2001. An alternative proposal of Commissioner Jeff Brown is based on keeping the current cut-off date, but charging customers who change energy distributors an exit fee.
Electrical World, 11/4/02

US: Pennsylvania Electric Restructuring Program Participation Continues to Decline Quarterly retail choice statistics compiled by the Pennsylvania Office of Consumer Advocate indicate no improvement in recent declining trends in levels of customers choosing alternate energy providers. An earlier comparison of shopping statistics issued during 2000-2001 indicated a significant decline in program participation, especially in the residential sector. The latest quarterly results show a continuation of this trend in nearly every area of the state and energy market segment. The loss of New Power as a competitive supplier in the PECO service area may produce even worse results than are apparent in the 2002 first quarter statistics.
Regulatory News, 10/4/02

US: FERC to Hold Hearings on Nevada Utility Power Deals
Nevada Power and sister utility Sierra Pacific Power of Reno, Nevada are seeking to renegotiate — and possibly cancel — more than $400 million in long-term power contracts they signed in late 2000 and early 2001. At the time, spot electricity prices were skyrocketing amid a chronic supply shortage in California and the utility says it was seeking to protect customers from “unreliable supplies and rapidly escalating short-term prices.” Those deals turned sour when the wholesale power market collapsed last spring amid an economic downturn and federal action to control prices. The utilities, both units of Las Vegas-based Sierra Pacific Resources Corporation, filed with the Federal Energy Regulatory Commission (FERC) in December 2001 seeking to cut the price of the contracts.
Reuters, 10/4/02

US: Electric Competitor Backs Out; 19,000 Virginia Customers To Lose Chosen Supplier Virginia’s nascent effort to establish a competitive electricity market has suffered a setback with the withdrawal of the largest competitive supplier. Dominion

Retail told its remaining 19,000 customers in Virginia that they will be switched back to Dominion Virginia Power with their next meter reading. The deregulation of electric power plants in Virginia and a two-year, statewide phase-in of electric competition began on 1 January, after a pilot programme. Dominion Retail was the most active competitive supplier during the pilot and had extended its pilot service offer through this month.
Richmond Times-Dispatch, 9/4/02

US: California ISO Urges Extending Power Price Controls
California's main power grid operator urged federal regulators to extend price controls on wholesale electricity to avoid the kind of chaos that crippled the state's energy market last year. Should FERC allow its current set of price caps to expire, the ISO said it was moving ahead to develop an alternative market design to take their place, even though it might take up to a year to fully implement the plan.
Reuters, 09/4/02

Canada: Ontario Power Market to Open on Pins and Needles Ontario, Canada's biggest energy consumer, opens its electricity market to competition despite a backlash from critics and a court ruling delaying the privatization of the grid that distributes power. The province says a court-ordered delay in the sale of Hydro One, one of North America's largest electricity distributors, will not affect its push for a competitive marketplace. Industry observers say it may now be difficult for the province to attract buyers for assets that generate power.
Reuters, 29/4/02

Mexico: Supreme Court Rules Government Decree Unconstitutional A decree that would have opened Mexico's energy industry up to private investment, a proposal that parliament refuses to approve, was ruled unconstitutional by the Supreme Court. The government warned that the result could be energy shortages within the next few years. The Supreme Court handed down its verdict on a lawsuit brought by parliament, charging that a decree issued by President Vicente Fox in 2001 to draw private investment into the energy industry was unconstitutional. (This was the first time in the history of Mexico that the Supreme Court had resolved a dispute between the two other branches of state.) The Secretary of State declared that the President will obey the Supreme Court's ruling, saying "of course we will talk to Congress to explore reasons for reforming the electric sector rules in our country".
Reforma, 28/4/02; Inter Press Service via COMTEX, 26/4/02

Mexico: CFE Says Five New Power Plants will Begin Operations in the Next Few Months The CEO of Comisión Federal de Electricidad (CFE), Alfredo Elías, announced that during the next few months, five new generating plants will start operations representing 1,739 megawatts (MW). These plants will meet the electricity demand during 2002.
El Economista, 16/4/02

Mexico: Investment in Electricity is Urgent During next the 10 years, electricity demand will grow 6,3% per year. 27,357 MW of additional capacity are necessary, informed the Ministry of Energy (Sener). Of total capacity to be added to the National Electrical System, 16,503 MW represents an opportunity for participation by the private sector. Secretary of Energy, Ernesto Martens Rebolledo, explained that growth in demand had caused severe pressure on public finances.
Reforma, 14/4/02

Mexico: State-Run Oil Monopoly in Mexico to Take Bids for Natural Gas Fields Despite political opposition, Mexico's state-run oil monopoly is furiously trying to attract private investment to modernize its outdated and inefficient operations. It plans to begin taking bids for service contracts for all but one of its natural gas fields at year's end. In the first round of bidding, Petroleos Mexicanos, or Pemex, could attract $7.8 billion, Raul Munoz, Pemex's general director, said Tuesday during a speech to members of the American Chamber of Commerce of Mexico.
Houston Chronicle, 10/4/02

SOUTH AMERICAN NEWS

Chile: Node Prices Will Fall The CNE, Chile's energy regulator, announced that the node price will go down 4.6% and consumers' rates will decrease between 2% and 3% in the central grid, which covers a large part of Chile. The CNE explained that the reduction in the node price was due to the fall in international oil prices, less fluctuation of the US dollar and the good hydroelectric situation in the country.
Business News Americas, 17/4/02

Colombia/Ecuador: Interconnector Agreement Ecuador and Colombia signed an agreement on the electricity interconnection between the two countries. The agreement will link their electricity distribution networks and eventually create a common market for power. The agreement will also be signed by Peru and Venezuela.
Business News Americas, 24/4/02, 22/4/02; EFE News Service, 20/4/02

Ecuador: Privatisation Cancelled The Ecuador's Government has announced that it has cancelled the sale of seven coast-based electricity distribution companies because of the withdrawal of the companies qualified to bid. Union Fenosa, AES, and Pecom decided not to bid for the 51% of the distributors on offer, because of resistance from local municipalities and legal uncertainty. The Government now plans to offer contracts for the management of the distributors to private companies.
Financial Times, 12/4/02

Peru: Electricity Rates Decrease 20% After Privatisation Electricity rates in Peru have decreased an average of 20% since the start of privatisation according to a study prepared by the Commission for Promotion of Private Investment (COPRI). The study indicates that rate decreases are the result of increased energy supply by new operators.
EFE News Service, 5/4/02

ASIA-PACIFIC NEWS

Australia: NECA Alleges Breach Of Code By Macquarie Generation The National Electricity Code Administrator (NECA) issued its first application to the National Electricity Tribunal for breach of the National Electricity Code. The application alleges that Macquarie Generation (a NSW generator) breached the rebidding provisions of the Code on 19 December 2001. Macquarie Generation does not contest NECA's application, and has fully co-operated with NECA in its investigation.
www.neca.gov.au, 23/4/02

Australia: SAIIR Grants Transmission Licence For The SNI Interconnector Between NSW/SA The South Australian Independent Industry Regulator (SAIIR) has granted a transmission licence for the proposed SNI electricity interconnector between NSW and South Australia to TransGrid, the NSW state-owned transmission business. The granting of the licence is separate from the decision by the National Electricity Management Company (NEMMCO) to grant SNI regulated status, which is currently being appealed to the National Electricity Tribunal by other interested parties.
www.saiir.sa.gov.au, 22/4/02

Australia: ACCC Regulation Of The Victorian Transmission Network The Australian Competition and Consumer Commission (ACCC), commenced regulation of the Victorian transmission network, owned by SPI PowerNet. On 11 April 2002 SPI PowerNet lodged an application with the ACCC on a proposed revenue cap for parts of their transmission network. The National Electricity Code

outlines the general principles and objectives for the transmission revenue regulatory regime to be applied by the ACCC. In particular, Chapter 6 of the Code limits the ACCC's role to the determination of the maximum allowable revenue of SPI PowerNet's transmission network business.
www.accc.gov.au, 19/4/02

China: Power Sector Restructuring Approved The State Council has approved plans to restructure the Chinese power sector and the State Planning and Development Commission announced the reforms. Generation and transportation will be separated, with competition introduced gradually into supply and power production. Generators will sell their output into a series of regional power markets. This wholesale market is expected in 2005, although a shadow market may operate before then. A power sector regulator will be established to monitor the market. Successor companies to the State Power Corporation are to be established by the end of the year.
Platts Power in Asia, 18/4/02

India: Move to Recover SEB Debts The central government has approved a scheme that would curtail power supply and development assistance to states whose power utilities fail to clear their past dues with the central government's power, coal and transport enterprises. As an incentive for the state electricity boards (SEBs) to pay their debts, the scheme offers a 60% discount on the interest component of debt to states which take up well-defined reform measures for their power utilities, such as setting up an independent regulator.
Platts Power in Asia, 4/4/02

Korea: Government Announces Revised Privatisation Timetable In the wake of strike action by employees of the Korea Electric Power Company (Kepco), the Ministry for Commerce, Industry and Energy (Mocie) announced a revised timetable for privatisation of the power sector. As a result of delays to the selection of financial adviser, the sale of the first of Kepco's five thermal generating companies is now targeted for the end of the year.
Platts Power in Asia, 18/4/02

Korea: Kepco Employees End Strike Action The strike by employees of Kepco's five thermal generating subsidiaries ended after 37 days. The workers gave up their demand that the government negotiate its power privatisation programme before the strikers returned to work. The end of the strike has increased optimism that the sale of Kepco's five thermal generators, which the strikers opposed, will now proceed.
Platt's Power in Asia, 4/4/02

Pakistan: September Date for Privatisation of Kesc September is the new target date for the privatisation of the Karachi Electricity Supply Company (Kesc), according to Pakistan's privatisation minister. The state will sell 74% of its stake to any investor which is willing and able to invest US$ 500 milllion in the utility over the next three to four years. The successful investors would also have to undertake to bring down tariffs.
Platts Power in Asia, 4/4/02

Philippines: Meralco Submits Revised Rate Proposal Facing increasing public criticism and the possibility of a Congressional investigation into proposed rate increases, the Manila Electric Co. (Meralco) has submitted a revised pricing formula to be used during the deregulation of the power sector. The Department of Energy had said it would review the previous rate increase application filed by Meralco, following allegations that it would more than double residential electricity bills. According to Meralco, the revised proposals would reduce the proposed tariff increase for 70 per cent of the company's 3.7 million residential customers.
Platts Power in Asia, 18/4/02, 4/4/02

Singapore: Wholesale Electricity Market Delayed The Energy Market Authority (EMA) announced a further delay in the launch of the wholesale electricity market from early June to an unspecified time later in 2002. The delay was attributed to problems with the software needed to run the market. The market was initially scheduled to begin operating in 2001. The delay will cause a further postponement in the privatisation of the three state-owned generating companies.
Platts Power in Asia, 4/4/02

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