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Global Energy Regulation

Reporting on energy regulation around the world

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IN THIS ISSUE

EUROPEAN NEWS

Great Britain: Regulator Reviews Progress Towards Competitive Metering Services Ofgem says that competition in gas and electricity metering is becoming a reality, with two suppliers tendering for their metering services. Ofgem has highlighted issues relating to meter assets, innovation and the costs of pre-payment meters as priorities for the coming year.
Ofgem web site, 30/5/02

Great Britain: Reform of Gas Balancing Regime Continues Energy regulator Ofgem has directed Transco to implement two Network Code modifications which address some of Ofgem's concerns regarding the gas balancing regime. The modifications will result in Transco receiving better information about shippers' behaviour and give shippers stronger incentives to balance supply and demand by the end of the gas day. Other Network Code modifications are under consideration, intended to address Ofgem's concerns about fluctuations in input and offtakes within a day and the consequent imbalances.
Ofgem press release, 28/5/02

Great Britain: Regulator Announces Next Step for British Electricity Market Energy regulator Ofgem has announced the next measures required to implement new British Electricity Trading and Transmission Arrangements (BETTA) [covering England, Wales and Scotland] following the Government's decision to bring forward enabling legislation. Measures for consultation include: (1) the different functions of the system operator and transmission owner; (2) transmission access and charging; (3) system security and quality of supply standards; (4) the appointment process for a single system operator for Britain; and (5) price controls and incentives for the system operator and transmission owner. Ofgem expects legislation to be enacted in the 2002/3 Parliamentary session and BETTA to be implemented in 2004. Earlier, the Distribution

Code Review Panel of Great Britain published a consultation paper setting out modifications required to Distribution Codes for England and Wales and for Scotland, to form a Distribution Code of Great Britain.
Ofgem press release, 20/5/02, 13/5/02

Great Britain: Regulator Consults on NGC and Transco Merger Energy regulator Ofgem has published a consultation document on the proposed merger of National Grid Company and Transco. The consultation considers competition issues arising from the merger and a preliminary consideration of regulatory issues. Responses to the consultation will inform Ofgem's advice to the Director General of Fair Trading on whether the merger should proceed.
Ofgem press release, 16/5/02

Great Britain: Regulator Consults on Charges of Independent Gas Transporters Energy regulator Ofgem is consulting on the regulation of the charges of Independent Gas Transporters (IGTs). Ofgem is proposing a set of economic and commercial principles as a basis for the review of IGT charging arrangements. Ofgem compares existing IGT charges against its proposed principles and discusses options for their future regulation. Draft proposals on the IGT charging regime are due to be published in the fourth quarter of 2002.
Ofgem web site, 16/5/02

Great Britain: Government Launches Energy Policy Consultation The government has launched a consultation on energy policy following the publication, in February, of the Performance and Innovation Unit's report outlining a strategy for energy policy to 2050. Officials from several government departments will carry the consultation exercise forward and responses to the consultation will inform an energy White Paper to be published around the turn of the year.
DTI press release, 14/5/02

Great Britain: Regulator Consults on Removal of Self-Supply Restriction Energy regulator Ofgem has published a consultation document proposing the removal of existing "self-supply" restrictions, which restrict some suppliers from using electricity purchased from affiliated generators to supply domestic customers in their former Public Electricity Supplier areas. Ofgem considers the development of competition in retail and wholesale markets sufficient to make the self-supply restrictions inappropriate.
Ofgem press release, 13/5/02

Great Britain: Gate Closure Time Reduced to 1 Hour Energy regulator Ofgem has directed the National Grid Company (NGC) to modify the Balancing and Settlement Code (BSC) to reduce "gate closure" from 3.5 hours to 1 hour. [Gate closure represents the final point before delivery at which traders can adjust their contracts.] The modification to the BSC will be implemented on 2 July 2002 (settlement period 31).
Ofgem website, 2/5/02

Great Britain: Regulator Issues Policy Statement on Mergers Energy regulator Ofgem has published a document setting out its policy towards future electricity distribution company mergers. Ofgem has announced that, in future, merging distribution companies will each have their licences modified to reduce allowed revenues by £32 million, with the reduction spread across all companies in the merged group over a five-year period. Ofgem intends the reduction in allowed revenues to compensate consumers for the detriment arising from the existence of fewer comparator companies that it can use when setting price controls.
Ofgem press release, 1/5/02

Austria: Critics on Austrian Gas Market Law The Austrian Government has released its set of amendments to the draft law (Gaswirtschaftsgesetz II, or GWG II) intended to liberalise gas markets as of 1 October. Criticism has been fierce. The industry is not pleased with the draft as several points are unresolved or unclear, including direct industry access to storage facilities, 'postage stamp' transmission tariffs, the 'use it or lose it' clause, and a vague scheme for damages compensation. Many players see the target date of 1 October as too ambitious.
Platts EU Energy, 24/5/02, 9/5/02; Platts International Gas Report, 24/5/02

Austria: AustrianEnergie As The Austrian Solution After many years of negotiating and failing to reach agreements, Verbund and EnergieAllianz seem to have finally reached a deal that would bring them together. A joint administrative concern is to be formed, having authority over electricity generation and wholesale marketing activities. Verbund und EnergieAllianz have until 30 June to complete the detailed negotiations, or show considerable progress. The Austrian solution, to ward off possibilities of foreign intrusion into the market by creating a large home based electricity utility, was speeded up after the announcement of the merger of Verbund's hydro generating facilities with those of Germany's Eon into a joint concern. Economic affairs minister Martin Bartenstein labels the concept as a 'win-win-win' result for all parties, the EnergieAllianz utilities, the Verbund, and for Austria's electricity customers. However, the Confederation of Industry is not so enthusiastic, fearing a restriction

of competition and a likely increase of electricity costs. Electricity regulator Walter Boltz is of the same opinion. He threatens to go to competition courts over the issue, stating "every market dominance is critical. When this leads to abuses, we will intervene immediately".
Platts EU Energy, 24/5/02; Platts Power in Europe, 6/5/02; Der Standard, 8/05/02

Austria: Regulator Cuts Transmission Tariffs Electricity control regulator Walter Boltz has stated many times that excessive transmission rates are the primary factor restricting competition. His latest degree targets grid rates in Upper and Lower Austria utilities. As a result the Upper Austrian utilities Energie AG and Linz AG cut their grid tariffs by some 10% as of 1 May. Lower Austria's utility EVN announced it would cut grid tariffs by an average of 4,4% as of 1 June.
Platts Power in Europe, 22/5/02

Belgium: Consultation On New Grid Code VREG, the Flemish Regulator, will hold public hearings in June to consult on a grid code for the high voltage electricity network. Issues covered by the code include: (1) co-operation between grids of different voltages; (2) planning code; (3) connection code; (4) metering code; and (5) and access code.
EU Energy, 24/5/02

Bulgaria: Regulator Examines AES Finances for Licence Application The State Commission for Energy Regulation has requested additional financial information from AES in relation to the company's application for a generation licence for the 670 MW Maritsa Istok 1. The regulator is concerned about the failure of the German development bank KfW to approve financing for the project and about AES's recent financial results and announcements of cutbacks in foreign investment.
Platts East European Energy Report, 30/4/02

Czech Republic: Delay in Regulatory Approval of Gas Asset Sale The Czech competition authority (UOHS) has received a large volume of comments from gas industry participants about the sale of gas assets to RWE Gas, which has delayed regulatory approval for the sale. RWE Gas bid successfully in December for a 97% stake in Transgas and stakes in eight distribution companies. It is thought that competitors are uncomfortable with RWE Gas owning such a significant part of the industry and that it may be forced to divest its stakes in one or two of the distribution companies.
Platts East European Energy Report, 30/4/02

EU: EU Publishes New Draft of CHP Directive The European Commission has published a new draft of the CHP Directive, designed to promote CHP use across Europe. An earlier draft was rejected due to a lack of measures to punish those who abuse the directive. The new draft, however, does not contain binding national targets for CHP development, but allows each nation state to set their own targets.
Platts EU Energy, 24/5/02

EU: EU Approves Shell's Acquisition of Enterprise Oil The EU has cleared the acquisition of Enterprise Oil by Shell Resources. Enterprise Oil owns oil and gas assets in the UK Continental Shelf and an interest in the new Corrib field in Ireland. The deal is worth US$6.2 billion.
Platts EU Energy, 24/5/02

EU: EU Approves RWE's Acquisition of Innogy The EU has cleared the acquisition of Innogy, the UK generator and supplier, by RWE of Germany. Prior to the acquisition, RWE did not have any interests in the energy market in the UK. Innogy demerged from National Power in 2000 and subsequently acquired 4.7 million electricity customers and 1.9 million gas customers.
European Commission, 21/5/02

EU: EU Approves Stranded Cost Payments in Belgium The EU has ended its investigation into payments by the Belgian Government to Electrabel and SPE to compensate them for the closure of Mol-Dessel nuclear site. In addition, it cleared payments to Belgian distributors to cover costs associated with the promotion of renewable energy and energy efficiency.
Platss EU Energy, 9/5/02

Germany: The End of Price Decreases According to German electricity suppliers, the period of electricity price reductions is over. After four years of liberalisation, competitive forces are becoming calmer and the pressure for further price cuts has decreased. Indeed, electricity prices in recent weeks have shown an upward trend again. This is particularly due to the "Ökosteuer", a form of environmental tax. According to RWE, the German government is the biggest winner in the liberalisation process.
Die Presse, 29/5/02; Handelsblatt, 22/5/02

Germany: New Energy Law Provokes Ambivalent Views The New Energiewirtschaftsrecht (energy law) for electricity and gas has mixed effects. On the one hand, it allows the existing large electricity companies to retain market power. On the other hand, it allows the Federal Cartel Office (Bundeskartellamt) to enforce its regulatory decisions immediately, when it finds an abuse of the system.
Handelsblatt 22/5/02; Süddeutsche Zeitung, 18/5/02

Germany: New Provider Criticises German Gas Agreement
Statkraft Markets, the German branch of Norway's electricity giant Statkraft, is considering legal action against the "Verbändevereinbarung Erdgas II" (the second voluntary agreement of the gas industry on third party access). According to Statkraft Markets, the agreement will not ensure third party access to the networks, in particular with respect to Essener Ruhrgas, which still has monopolistic access to the network.
Financial Times Deutschland, 14/5/02

Germany: Declaration for the Gas Market Becomes Law
The declaration will become effective on 30 September and is intended to guarantee a discrimination-free network access for gas suppliers. Industrial customers and even small enterprises will benefit from this declaration, although private households are unlikely to. Consumers with an annual consumption of 20 million kWh or higher will not pay a flat price, but a tariff that differs on the basis of a "point-number-model". The point-number model awards a consumer a certain number of points, depending on the diameter, length and capacity of its connection, and from which it calculates the transport price. Due to the small distances within the local network, this method hardly covers the costs of municipal utility companies. Below the benchmark of 20 million kWh, consumers pay a flat rate, the so-called communal stamp ("Kommunalbriefmarke"). The latter system of payments is much more profitable for municipal utility companies.
Financial Times Deutschland, 3/5/02

Italy: New Draft Regulation for the Energy Sector The Committee on Productive Activities of the Italian Parliament is preparing a Draft Regulation for the reorganization of the energy sector. The Draft Regulation will include provisions to increase energy supply, by creating joint ventures to produce abroad electricity from nuclear plants, and to enhance competition, either by forcing ENEL to sell more generation capacity or by preventing the company from participating in the Borsa Elettrica (Pool), that is expected to operate by the end of the year. The Draft Regulation will also transfer the transmission grid from ENEL to the System Operator (GRTN), following the transfer of operations management that took place in 2000.
Il Sole 24 Ore, 8/5/ 02

Netherlands: DTe Checks 'Chinese Walls' Energy Watchdog DTe will audit 45 utilities to ensure that so called 'Chinese Walls' are in place. Fears had arisen in parliament that energy trading companies did not operate independently of network companies within the same group, as required by the Electricity Act of 1998 and the Gas Act. DTe will report to the Minister of Economic Affairs regularly, setting out its findings and its opinion as to what must still be done in order to satisfy the legal requirements.

DTe also issued a consultation paper on gas storage. DTe is of the opinion that the market for gas storage is not functioning properly. The consultation paper is meant to get a better insight in the problems facing parties in the market. Later this year DTe will publish new rules concerning standard agreements for gas storage.
DTe press release, 31/5/02, 16/5/02.

Netherlands: Energy Policy After The Elections The landslide victory for the List Pim Fortuyn and the rise of the Christian Democrats (CDA) will probably have its impact on the energy agenda. The CDA is calling for a halt (at least for the time being) to privatisation of electricity and gas networks. The CDA is opposed to splitting Gasunie into a state-owned network arm and two trading companies owned by Shell and ExxonMobil as proposed by the former government. The List Fortuyn is a strong opponent of network privatisation. The direction of energy policy is not expected to be clear for weeks or months, however, as negotiations to form a viable coalition tend to take some time in the Netherlands.
Platts EU Energy, 24/5/02; Het Financieele Dagblad, 15/5/02

Netherlands: DTe Still Not Listening Industry federation EnergieNed accuses energy regulator DTe of refusing to enter into proper dialogue with the industry. After the court ruled out DTe's proposal to cut tariffs by an x-factor (efficiency factor) that differed by company, DTe proposed an overall price cut of 10% on supply tariffs for all suppliers. This means that some companies will be forced to save 30% on costs over three years. DTe seems not to be listening to complaints of the industry, said a spokesman for EnergieNed. On the other hand, DTe is showing some flexibility concerning the need for prices to rise during sudden rises in fuel costs, according to the same spokesman.
Energie Nederland, 7/5/02

Russia: RAO UES to Establish Generation Companies Electricity reforms entered a property allocation phase. UES is preparing a draft government resolution creating 10 generation companies that will compete in the electricity market. Principles underlying the draft document have already been agreed with the government reform committee. Three groups of criteria determine the allocation of assets among the 10 generation companies: a) prevention of concentrated market power n any single company (no monopoly over price-setting power plants); b) equal starting conditions (all companies should have roughly the same capacity and profitability potential; c) operational reliability (power plants of the technologically integrated hydro cascade should be in the same company).

According to RAO UES, the generation companies would be incorporated as subsidiaries of UES. Deputy Chairman of the board Viacheslav Siniugin said the possibility of contracting out management of the generators is being considered.
www.rosenergo.ru, 30/5/02

Russia: Government Approves Energy Strategy Document
The Government approved a revised energy strategy document for the period up to 2020. Compared to the previous strategy prepared on the basis of 1998-1999 data, the new document takes account of the recent developments in the world energy markets. However, Minister of Energy was instructed to make further changes in the document before 1 October.

The strategy document sets out the principles for liberalization of gas market. It envisages opening the gas market to competition and retaining regulated prices only for a part of consumption (about 90-100 billion cubic meters per annum, which may be reduced in the future). All other consumers will purchase gas on the free market. The timing of gas market liberalisation remains uncertain even though specific schedules for establishing a gas market have been floating around since 2000.
www.rosenergo.ru, 28/5/02

Spain: CNE Rules in Favour of Providing Gas Network Access to AES and RWE, but not to Iberdrola The Spanish Energy Regulator (CNE) has decided to require Enagás, the gas transport operator in Spain, to provide AES Energía Cartagena and the Spanish subsidiary of RWE Trading with access to its gas transport network. The CNE decided that the reasons offered by Enagás for denying access to both companies (the lack of a guarantee of contract execution in the case of AES, and the lack of capacity in the transport network in the case of RWE) are not justified under the third party access regulation currently in force.

However, the CNE decided to uphold Enagás's refusal to give Iberdrola access to its regasification plants in Huelva and Cartagena in 2004, because of lack of capacity of both the plants and the gas transport network. Iberdrola will appeal against the decision.
Cinco Días, 29/5/02; La Gaceta, 4/5/02

Spain: The Utilities and the Government are Negotiating Modifications on the Electricity Sector Law The Spanish utilities believe that the current model for regulation of the electricity sector in Spain generates uncertainty, fosters inefficient electricity

consumption and discourages investment, which could eventually lead to security of supply problems in the electricity sector. The utilities and the Economy Ministry are negotiating modifications to the Electricity Sector Law, regarding especially tariff setting and the remuneration of generation and distribution activities to ensure that the costs of supply can be recovered by the companies. The utilities have already appealed to the Spanish courts against the 2002 full-service tariffs, precisely because they are not sufficient to ensure cost recovery.
ABC, 27/5/02; Cinco Días, 9/5/02

Spain/Portugal: ERSE and CNE Publish their Proposal for the Organisation of the Iberian Electricity Market Energy regulators in Portugal (ERSE) and Spain (CNE) have referred their model for the organisation of the Iberian Electricity Market to their governments, for its approval. With the aim of promoting competition in the new market, CNE and ERSE recommend limiting the duration of bilateral contracts to a maximum of two years, the reduction in the penalties faced by consumers who break their electricity contracts, and limiting the amount of electricity contracted between affiliate companies. In addition, both regulators stress the importance of fostering adequate investment by utilities, by means of establishing capacity payments and assuring the recovery of stranded costs.
Expansión, 20/5/02

Spain: New Regulation on Metering Points The Spanish Government has published a Royal Decree which develops the current regulation on electricity metering points. The new rules seek to promote competition in the supply to eligible consumers in the high voltage level through the increased transparency which comes from using a unique metering point in energy settlement and for access tariffs. The Royal Decree also increases confidentiality, security and access to information on electricity metering.
Expansión, 16/5/02

Spain: CNE Rules in Favour of Cepsa The CNE has ruled in favour of Cepsa in its dispute with Bahía de Bizkaia Gas (BBG), an energy company owned equally by Repsol, Iberdrola, BP and EVE. The CNE decision forces BBG to provide Cepsa with access to the regasification plant that BBG is building near Bilbao. The decision is based on the Spanish gas legislation, which allows any gas operator to have access to all gas transport and import infrastructures, regardless of its ownership. It is likely that BBG will appeal the CNE decision.
Expansión, 16/5/02, 2/5/02

Spain: Gas Natural Refers the Notification of Enagás Share Offering to the CNMV On 6 May, Gas Natural referred to the Spanish stock market regulator (Comisión Nacional del Mercado de Valores, CNMV) the conditions of the share offering of Enagás, the gas transport operator and asset owner in Spain. Enagás's share capital will consist of 239 million shares with a nominal value of 1.5 Euro (US$1.35), of which 65% will be issued in the stock market. Between 35% and 40% of the issued shares will be floated to Spanish retail shareholders; 5.9% to the coordinators of the share offer (BBVA, La Caixa, BSCH and Goldman Sachs) and the rest to Spanish and foreign private investors (including both financial corporations and energy utilities). *See previous issues of GERN.*
Expansión, 7/5/02

Switzerland: Opposition and Support For Electricity Law Two important groups back the new electricity law (Elektrizitaetsmarktgesetz, or EMG), which may prove an important stimulus for the referendum to be held on 22 September. The conference of Swiss cantonal energy directors was unanimously in favour of the new legislation. The main reason for the World Wildlife Fund (WWF) to support the EMG is its conviction that it will lead to a more transparent system. Switzerland's biggest electricity trading company, Atel, strongly criticised the legal framework, however. According to Atel, the EMG is built on compromises and does not provide suitable framework conditions.
Handelszeitung, 22/5/02; Platts Power in Europe, 20/5/02, 6/5/02

Switzerland: Coming Liberalisation Already Sorting Effect EKZ announced that it will simplify and reduce tariffs by 2% from 1 October. This must be seen as a "pre-liberalisation" measure, the company said. EKZ has cut tariffs a few times for various customer groups in the last few years, and now claims to have the cheapest rates in the country. EKZ belongs to the Axpo Group. Other companies of the group are expected to lower tariffs accordingly.
Platts Power in Europe, 6/5/02

Turkey: Delay Over Transfer of Authority to Regulator The period for the transfer of full authority over gas market activities to the Energy Market Regulatory Authority has been extended for six months from 2 May 2002. A similar six-month extension is allowed – from 3 September 2002 to 3 March 2003 – in the case of electricity. The impact of the extension of the preparatory period for gas is: (1) to leave selection of companies for city natural gas distribution under the control of the Council of Ministers and Botas for a further six months; (2) to delay licensing of companies wishing to conduct natural gas market activities until November 2002.
IBS Energyline, www.ibsresearch.com,15/5/02

Turkey: Constitutional Court Publishes Reasons for Cancelling Electricity Law Deadlines on BOT and TOR The Constitutional Court's reasoning for its decision to invalidate the first paragraphs of Temporary Articles 4 and 8 of Law No. 4628 strikes a strong blow in favour of sanctity of contracts. On 18 April, the Court unanimously concluded that these paragraphs were against constitutional freedoms to work and conclude contracts, such as Constitutional Article 2 which describes Turkey as a "democratic, secular and social State governed by the rule of law" and the principle that "pacta sunt servanda" (agreements of the parties to a contract must be observed).
IBS Energyline, www.ibsresearch.com,15/5/02

NORTH AMERICAN NEWS

US: Utilities Flock to Join PJM's Midwest Power Grid Utilities, eager to take part in a stable marketplace, are lining up to join the growing U.S. Midwest power grid operated by Mid-Atlantic grid operator, PJM Interconnection LLC. The giant Commonwealth Edison, Illinois Power and Dayton Power & Light utilities announced their intention to join Midwest rivals American Electric Power and Allegheny Energy Inc. in the PJM West grid. The companies are joining PJM in response to Federal Energy Regulatory Commission (FERC) orders to develop regional transmission organizations (RTO) across the United States to ensure grid reliability and efficiency.
Reuters, 29/5/02

US: FERC Expands Western Market Abuse Investigation On 21 May 2002, FERC expanded its investigation of the western wholesale power markets initiated on 13 February 2002 to include so-called "wash," "round-trip," and "sell/buyback" transactions. These types of transactions involve the sale of an electricity product to another company together with a simultaneous purchase of the same product at the same price.
Regulatory Research Associates, 24/5/02

US: Market Power Abuse Biggest Problem, Not Manipulation, Cal-ISO Contends While the elected officials in Sacramento and Washington investigate and pontificate in the aftermath of Enron's internal memos on manipulation of California's wholesale electricity markets, the state's independent electric transmission grid operator, Cal-ISO, and several energy economists are focused more on the broader issue of market power abuses. The latter are considered as potentially a multi-billion-dollar problem, while the Enron transgressions, even if they are widespread, only equate to a few hundred million dollars, according to Cal-ISO and others. The real concern that is addressed in the Cal-ISO's market

redesign proposal now before FERC is how suppliers might use market dysfunctions to charge any price they want regardless of their costs simply by exerting broad market power. The so-called “megawatt laundering” is an example; it was eliminated last summer with FERC’s western wholesale power price mitigation measures.
Utility Spotlight, 20/5/02

US: California Lawmakers Urge FERC to Extend Power Price Cap West Coast lawmakers urged the Federal Energy Regulatory Commission to extend a cap on wholesale electricity prices that is due to expire in September, but FERC said that may not be the best way to prevent runaway prices. The price cap was reluctantly imposed by FERC last year to stabilize wholesale power prices that had soared ten-fold in California, triggering black-outs and pushing a utility into bankruptcy. Within days of the newly imposed ceiling, prices fell dramatically. The price cap currently limits West Coast wholesale prices to no more than $92 per megawatt hour.
Reuters, 15/5/02

US: Reliant Confession Shakes Power Sector Credibility Reliant Resources’ admission that it engaged in sham electricity trades to bulk up its market status dealt another blow to the already shaken power industry and raised new questions about just how widespread such practices might be. Houston-based Reliant Resources said it arranged with other power traders to buy and sell power to each other at the same price — called wash trades — to inflate revenue and to create the impression they had a bigger market share. The company said it conducted most of the deals with Dearborn, Michigan-based CMS Energy Corp. The U.S. Securities and Exchange Commission was investigating similar deals it conducted with another of the industry’s leaders, Houston-based Dynegy Inc.
Reuters, 13/5/02

US: National Grid Eyes Northeast Utilities Tie-Up UK transmission monopoly National Grid has been holding merger discussions with Northeast Utilities for the past few months and is planning to swoop for the US utility toward the end of this year following the completion of its announced tie-up with Lattice, a UK monopoly gas pipeline business. A banker close to the negotiations says Northeast Utilities has retained Morgan Stanley to advise on the deal, but he declined to name National Grid’s advisor. A tie-up between National Grid/Lattice and Northeast Utilities would create a $21 billion energy concern, given their current market capitalizations of $18.5 billion and $2.7 billion, respectively.
Power Finance & Risk, 13/5/02

US: AEP and Regulators Reach Agreement on Emissions American Electric Power and regulators said they have agreed on a plan to monitor and control emissions of sulphuric acid and other air pollutants at the company's James M. Gavin plant in southeast Ohio. The agreement comes after AEP announced on 16 April that it will buy the village of Cheshire after residents complained about emissions from the plant, located across the Ohio River from Mason County, W. Virginia. The company said the agreement with the US and Ohio environmental protection agencies had nothing to do with its decision to buy the town for $20 million.
Charleston Daily Mail, 11/5/02

US: FERC Orders California Wholesale Providers to Disclose Trading Strategies On 8 May 2002, the Federal Energy Regulatory Commission (FERC) ordered all providers of wholesale electricity and/or ancillary services to the California Independent System Operator (ISO) and/or the California Power Exchange (PX) during 2000 and 2001 to provide data on the providers' use of certain trading strategies that were allegedly utilized by Enron during this time frame in the California wholesale power markets. Each power suppliers' response is due by 22 May 2002.
Regulatory Research Associates, 10/5/02

Canada: Ontario's Electric Market Becomes Competitive; What are the Opportunities for U.S. Energy Companies? As of 12:01 a.m. on 1 May, companies began selling electricity to one million customers in Ontario, about a quarter of homes and other industrial and commercial customers. The introduction of competition ended decades during which only government monopolies generated and distributed electricity. For many years, Ontario Hydro dominated the $10-billion-a-year industry, generating and transmitting most of the power in the province. The introduction of competition at the retail level was accompanied by the arrival of competition among generators. Ontario Power Generation, which still controls about 70 percent of the power supply in the province, was carved out of the old Ontario Hydro, along with Hydro One, which owns and manages the province's transmission system.
Scientech IssueAlert, 2/5/02

Mexico: Energy Sector Needs US$120 billion During the current administration, the energy sector will need investments of US$120 billion to expand and modernize its infrastructure, and since public funds will fall short, they will have be complemented with private investments. The resources represent twice what was spent in the past six years, but over the next 10 years, the national electricity generation sector will need to add 27,400 megawatts. In the electricity sector alone, US$71 billion is needed to expand and modernize infrastructure.
El Economista/Corporate Mexico, 22/5/02

Mexico: Privatisation Efforts in Mexico Face Ongoing Obstacles; Opportunities for U.S. Companies Impacted By overturning a presidential decree aimed at encouraging more private investment in Mexico's state-run electricity sector, the Mexico Supreme Court may have pushed a thorny issue higher up the legislative agenda. Supreme Court justices voted 8-3 in late April to reverse a decree by President Vicente Fox that would have allowed private generators to sell excess capacity to the state-owned Federal Electricity Commission, or CFE as the larger of the government's two power utilities is known. Noe Navarrete of the ruling National Action Party (PAN) and member of the lower house energy committee, said the ruling puts the ball squarely in the court of the Mexican Congress, where lawmakers have been sitting on power sector proposals for the past three years.
Scientech, 15/5/02

Mexico: New Hydro Plant After 10 years of not investing on hydroelectric plants, the Comisión Federal de Electricidad (CFE), started the tender process for the El Cajón plant. With a capacity of 680 MW, this will be the fourth largest in the world and will require an investment of 600 million dollars.
El Financiero, 9/5/02

SOUTH AMERICAN NEWS

Argentina: Edesur Asks Government to Revise Tariffs Power distributor Edesur, which distributes electricity to southern Buenos Aires and the industrial area around the capital, asked the government to revise electricity tariffs because of mounting losses related to the economic crisis and the peso's devaluation. The government froze utility rates, which were pegged to US inflation as part of the privatisation programs of the past decade.
Global News Wire, 13/5/02

Brazil: Petrobras Delays Investment on Thermo Plants Brazil's federal energy company Petrobras decided to delay its investments in thermoelectric power plants in Brazil by around two years, due to lower demand and capacity added recently to the system. Latest demand estimates show that demand has fallen permanently by at least 7% as people have modified their consumption, such as by switching to natural gas or solar power.
Global News Wire, 29/5/02

Brazil: AES Sul Sues Energy Regulator Brazilian energy distributor AES Sul is suing energy regulator Aneel, for losses following changes to the formula for calculating prices in the energy wholesale market (MAE). The lawsuit refers to order 288, issued by Aneel on 17 May, modifying the rules of the energy price billing system in various regions of the country.
Global News Wire, 29/5/02

Chile: New Electricity Bill A new electricity bill was presented to parliament in Chile. The bill proposes a number of changes to the current regulatory framework, especially in the transportation tariffs. The bill also establishes a new methodology for calculating node prices.
Global News Wire, 8/5/01

Peru: Electricity Privatisation Peru's Economy Minister confirmed that Duke Energy Corp has withdrawn from the privatisation tender for the electricity companies Egasa and Egesur in the south of the country due to the "lack of credibility" of the authorities organising the tender.
Global News Wire, 8/5/02

Venezuela: Power Rationing The director of the Interconnected System Operations Office at the Ministry of Energy and Mines warned that water in the Guri reservoir could drop to critical levels, which could cause power generators in the facility to stop operating, which would in turn cause more rationing throughout the country. He explained that there is an accumulated deficit of 6,000 GWh, and that an annual average of 1,000 MW of thermal generation will be required over the next 4-5 years in order to offset the eventual effects of a rainfall deficit.
Conapri, 6/5/02

ASIA-PACIFIC NEWS

Australian Competition Tribunal Dismissed the Queensland Gas Pipeline Appeal The Australian Competition Tribunal dismissed Duke Energy's appeal of the ACCC's decision on the Queensland Gas Pipeline. Duke argued before the Tribunal that the Queensland gas law removes the ACCC's power to include a provision in its access arrangement that would allow the ACCC to review substantial parts of the access arrangement if certain major events occur. The Tribunal held that the ACCC retains the power to review non-price elements of Duke's access arrangement if an event occurs such as the interconnection of a major new pipeline with the Queensland Gas Pipeline.
www.accc.gov.au, 10/5/02

Australia: ACCC Guidelines for the Negotiation of Discounted Transmission Charges The Australian Competition and Consumer Commission (ACCC), has approved a number of changes to the National Electricity Code (NEC) that will permit a Transmission Network Service Provider (TNSP) to recover a negotiated discount from other transmission customers, provided the TNSP complies with these Guidelines. The guidelines cover the permitted size of the discount, a requirement to make other users no worse off, and the treatment of current discounts.
www.accc.gov.au, 3/5/02

Australia: NET Confirms Breach Of Code By Macquarie Generation The National Electricity Tribunal (NET) found that Macquarie Generation (a NSW generator) had breached the market rules governing rebidding and the use of despatch inflexibility on the 19 December 2001. In its first ruling, the Tribunal ordered Macquarie to pay a civil penalty of $10,000 for this breach. Macquarie Generation did not contest this decision, and has fully co-operated with investigators.
www.neca.gov.au, 2/5/02

Bangladesh: PPAs will Be Reviewed The government committee evaluating Bangladesh's Independent Power Projects (IPPs) has recommend a review of their Power Purchase Agreements (PPAs). The committee explained that it has found inconsistencies in the agreements. This decision would affect nine IPP developers that have signed agreements with the Bangladesh Power Development Board and the Rural Electrification Board.
Platts Power in Asia, 30/5/02

Indonesia: Electricity Bill The electricity bill is facing a challenging debate in the Indonesian parliament. Some legislators are questioning the benefits of opening the market and are suggesting that they should look for other options to attract foreign investors. The bill will end the monopoly of the state company PT Perusahaan Listrik Negara (PLN) and allow IPPs to sell power to distribution companies through a bidding system. Under the current system, IPPs have to sell their output to PLN under the single buyer model.
Platts Power in Asia, 30/5/02

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