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Global Energy Regulation

Reporting on energy regulation around the world

June 2002

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EUROPEAN NEWS

Great Britain: Regulator Consults on London Electricity's Acquisition of SEEBOARD Energy regulator Ofgem is consulting on the proposed acquisition of CSW Investments (the holding company of SEEBOARD Group plc) from American Electric Power Company by London Electricity Group plc (LEG). LEG, whose parent company is EdF, is paying £670 million (US$ 1,018 million) for SEEBOARD and assuming net financial debt of approximately £722 million (US$ 1,097million). The acquisition is subject to European Commission approval.

Ofgem website, 27/6/02

Great Britain: Northern Ireland Regulator Publishes Final Electricity Price Control Proposals Ofreg, the Northern Ireland energy regulator, has published its final proposals for the transmission and distribution price controls of Northern Ireland Electricity (NIE) for the period 2002 to 2007. The new proposals will reduce NIE's revenues from 1.92p/kWh (US$0.0292/kWh) in 2001/02 to 1.55p/kWh (US$0.0236/kWh) in 2002/03, with annual reductions in allowed revenues of 2.5% in the subsequent years.

Ofreg press release, 19/6/02

Great Britain: Regulator Consults on Misselling by Supply Companies Energy regulator Ofgem is consulting on the monitoring and enforcement procedures that apply to the direct sales activities of electricity and gas supply companies. Ofgem is proposing to: (1) investigate companies when the level of complaints against a company is a specified percentage over the industry average; (2) publicly identify those companies breaching the investigation threshold; and (3) introduce tougher financial penalties for breaches.

Ofgem press release, 18/6/02

Great Britain: Regulator Proposes Changes to Distributed Generators' Connection Charges Energy regulator Ofgem has published new proposals regarding the charges that distributed generators, typically combined heat and power or renewable generators, pay for connecting to a network. At present, generators connecting to a new part of a network are charged the full cost of the connection. In future, Ofgem proposes, generators who later connect to the same part of the network should reimburse a fraction of the initial connection cost to the generator that paid it. The Department of Trade and Industry will implement any charges to charges for distributed generation through secondary legislation.
Ofgem press release, 14/6/02

Great Britain: Proposed Process for Identifying a GB System Operator Announced Energy regulator Ofgem and the Department for Trade and Industry (DTI) are jointly consulting on the process by which a GB System Operator (GBSO) will be identified for the new British Electricity Trading and Transmission Arrangements (BETTA). Ofgem and the DTI are proposing a panel to assess applications for the GBSO role. Their proposed criteria for assessing applications include: (1) whether the party has the necessary expertise resources and ability; and (2) that the applicant does not undertake generation, supply or energy trading, other than for balancing services. Under the proposed timetable, Ofgem will report its advice to the government on the choice of a GBSO in October 2002.
Ofgem press release, 14/6/02

Austria: Austrian Electricity Consolidation The deadline approaches for consolidating the federal Verbund and the EnergieAllianz group into AustrianEnergie before the new cartel law comes into force on 1 July. Under this law, regulators such as e-control may ask for cartel court rulings. Electricity regulator Walter Boltz has already threatened to take the merger to the cartel court if he suspects that competition will be hindered. Therefore the Verbund and EnergieAllianz would like to close the deal before 1 July. However, to offer some comfort to the regulator, both companies have said they intend to send the agreement voluntarily to the cartel office for review.
Die Presse, 26/6/02; Platts Power in Europe, 3/6/02

Austria: Liberalisation Will Lower Gas Prices According to government officials gas prices will go down by up to 20% after full market liberalisation on 1 October. Gas industry sources, on the other hand, are not so sure. They don't see many opportunities for lowering prices. On the contrary, they state that prices may even rise to pay the increasing costs of regulation and market supervision. The latest draft of the new gas law proposes a EUR 2.18 million annual budget for gas regulation.
Die Presse, 26/6/02; Platts EU Energy, 6/6/02

Austria: Liberalisation Date in Jeopardy Gas market liberalisation is probably going to miss the designated launch date of 1 October. The opposition Social Democrats, whose vote is essential, want to change Austria's renewables subsidy system before agreeing with the gas deregulation law. The party has proposed a uniform national payment for all five categories of renewables, which would substitute for 45 different tariffs now set by each province. A uniform tariff of EUR 0.23/kWh would cut costs for users by an estimated EUR 130 million, to EUR 270 million. A delay in the agreement over both laws will make liberalisation by 1 October unlikely.
Platts International Gas Report, 24/6/02, 10/6/02

Austria: Austrian Gas Consolidation OMV, BEGAS and the EnergieAllianz group, consisting of EVN, Wiengas, Oberoesterreichische Ferngas and Linz AG, have reached agreement on joint gas marketing. The contract has been presented voluntarily to the cartel office, expecting approval. The cartel office has already accepted the 80% share of Austria's total retail gas market served by EnergieAllianz members. The current agreement raises new concerns over service to the country's 450 major industrial customers.
Platts EU Energy, 19/6/02

Belgium: Common Access System for France-Belgium Interconnector From 1 July 2002, the French and Belgian system operators will apply a common allocation method for the France-Belgium interconnector. The operators will jointly allocate daily and monthly volumes and publish the information on their websites. The operators are also co-operating on a study to evaluate the various allocation methods that could be used to allocate interconnector capacity in the future.
CREG, 25/6/02; Elia, 24/6/02

Belgium: VREG Evaluates Competition in Flanders VREG, the Flanders electricity regulator has published the results of its survey into the state of competition in the Flanders region of Belgium. VREG found that 2/3 of eligible customers have switched suppliers. VREG also stated that 70 percent of eligible customers had the choice of at least 4 suppliers. VREG identified a number of problems remaining in the market including (1) limited competition in generation; (2) provisional tariffs for national grids; (3) lack of agreed grid codes and (4) limited import capacity.
Platts EU Energy, 19/6/02

Belgium: Flanders Announces Early Liberalisation In The Gas Market The Flemish Government has announced that full liberalisation of the gas market in Flanders will begin on 1 July 2003, six months earlier than previously expected.
Platts EU Energy, 19/6/02

Belgium: Near Trips on Belgian Grid The Belgian electricity grid had two cases of imminent overload between 26 May and 1 June. One overload occurred when wind-power production fell in Germany, leading to increased imports from France via Belgium, rather than over the contractual path directly to Germany. The other overload occurred when imports to the UK from France fell, leading to over-generation in France. Elia, the grid operator, is concerned about further problems during the summer months, particularly from unscheduled flows from France to the Netherlands. Meanwhile, Elia has agreed the draft grid code for Belgium, which has now been sent to the European Commission for clearance.
Platts Power in Europe, 17/6/02, 3/6/02

Bosnia: Gas Price Reduction The government of the Federation of Bosnia and Herzegovina has approved a 12.5% cut in gas tariffs, following a review by the trade ministry of proposals from BH Gas.
Platts East European Energy Report, 10/6/02

Bulgaria: Dispute over Timetable for Price Rises The IMF has criticised the government of Bulgaria for failing to establish a firm timetable for raising power and district heating prices to households. The government had agreed to produce a timetable by the end of April for bringing domestic prices in line with industrial prices but has still to agree its plan with trade unions. The government hopes to reassure consumers that pricing will be subject to checks, as distribution companies will have to justify their prices before the State Commission for Energy Regulation twice a year.
Platts East European Energy Report, 10/6/02

European Union: Golden Shares Lose Their Glitter The European Court of Justice has agreed with the European Commission that that Golden Shares inhibit the free movement of capital if their use is not limited by highly defined procedures, says Professor Leigh Hancher of the University of Tilburg. The Court found against the French and Portuguese Governments, whose Golden Shares in various energy companies can be invoked in many different conditions, saying that they present potential foreign investors with a major risk. The Court accepted the Belgian Government's scheme, as the right to use the shares was strictly limited to concerns over system security during energy crises.
Platts EU Energy, 19/6/02

Germany: Upper House Rejects New Energy Law Germany's upper house of parliament voted against amendments to the new energy law. This is a major setback for the government's attempt to give the industry agreements (VV2-Plus) a legal basis before general elections in September. Germany is the only EU member without an energy regulator. The amendments would have made the voluntary agreements between industry and consumer groups legally binding and declared them "good industry practice", thereby changing their status under competition policy. It is not yet clear whether disagreements can be resolved in the current legislative period.

European Gas Markets, 28/6/02 and Recommendations of the Economic Committee of the Bundesrat, Niederschrift, 700. Wi, 06.06.02, Drucksache 460/02

Germany: Worries Over Takeover of Rurhgas The minister for consumer protection, Renate Kuenast, finally stepped into the debate over E.ON's planned takeover of Ruhrgas. She has warned the state secretary of economic affairs by letter that the takeover would not be in the interest of consumers. Kuenast fears that the increase in market concentration could lead to less competition and, eventually, higher prices for consumers. She said the state secretary should ensure that the takeover is beneficial for the community as a whole, and not only for E.ON. VKU, Germany's local authority association, representing the country's Stadtwerke utilities, also argued against the E.ON-Ruhrgas deal, fearing less competition and disadvantages for the consumer.

Sueddeutsche Zeitung, 24/6/02; Berliner Zeitung, 24/6/02; Platts EU Energy, 19/6/02

Germany: E.ON/Ruhrgas Decision Still Pending The decision by the German economics ministry on the takeover of Ruhrgas by E.ON is still pending. Both the Federal Cartel Office (FCO) and the Monopoly Commission (MC), however, have given a negative verdict on the case. Even concessions and conditions would not be sufficient to prevent restriction of competition, stated the MC, citing in its decision (page 107) also an expert opinion by NERA. The ministry of economic affairs has held a public hearing where competitors of E.ON and Ruhrgas could voice their concern. According to officials the final decision is too close to call.

Platts International Gas Report, 10/6/02; European Gas Markets, 31/5/02

Germany: Energy Market – Competition Without High Tension The gains resulting from a liberalised energy market are lower than expected. Since the opening of the energy market in 1998, only 3.7% of the 40 million households in Germany have changed their energy provider. Winners of the liberalisation are mainly industrial consumers. Obstacles to competition are a lack of tariff transparency and overpriced network fees, due to the non-existence of a regulatory authority. As a consequence, energy prices have increased by an average of 17% since 2000. Other problems include billing difficulties and a regional concentration of providers, which limits competition and the prospects for further price cuts.

Der Handel, 5/6/02

Germany: FCO starts grid case against Bewag The Federal Cartel Office (FCO) opened an investigation into the level of grid fees charged by Bewag. The FCO suspects the company, part of Vattenfall Europe, is abusing its dominant position in the market as a grid operator. In particular, the investigation will scrutinise the low voltage and medium voltage grid fees, which are on average 25% higher than comparable fees charged by EnBW and RWE, according to the FCO. Industry lobby organization VIK claimed that more than 60% of Germany's network operators are charging prices higher than agreed in VV2-plus for the use of their medium voltage networks.
Platts Power in Europe, 3/6/02

Hungary: Gas Tariff Increases for Non-MOL Customers Large industrial customers buying gas from companies other than MOL will face a 5.2% tariff increase from July. Until now, the government had refused to allow tariffs to rise by more than the rate of inflation, resulting in signficant losses at MOL. The government is currently working on the details of a new pricing regime.
European Gas Markets (The Heren Report), 28/6/02

Hungary: Industrial Customers Unenthusiatic About Market Opening Hungary's large industrial consumers fear that prices will be lower in the regulated sector than in the competitive sector following the 33-35% liberalisation of the market next year. The government has decided to restrict the country's nuclear plant, Paks, to supplying captive customers, which industrial customers fear will mean that prices rise among the competitive generators. Customers also fear that they will have inadequate access to imported power because MVM has restricted import capacity.
Platts East European Energy Report, 10/6/02

Italy: Non-Binding Offers Presented for Genco 3 About ten non-binding offers have been presented for Interpower, the third genco that ENEL is forced to divest to meet antitrust requirements on generating capacity. According to the tender procedure, the steering committee (which includes government and ENEL representatives) is now in charge of selecting bidders that will be admitted to the due diligence stage. This stage of Interpower's evaluation procedure will conclude in July and bidders must present binding bids at the beginning of September. The result is expected by mid-September.
Il Sole 24 Ore, 27/6/02

Italy: The EU is Examining the Italian Anti-EdF Decree The EU is examining the legitimacy of the decree that limits to 2% EDF's voting rights in Italenergia, the second Italian energy group. The Decree appears to be a protectionist measure; however, as a spokesman of Mario Monti declared, handing over control of Italenergia to EDF would certainly prompt the Commission to start an inquiry into EdF.
Il Sole 24 Ore, 21/6/02

Italy: Pool Market Rules As provided by the Italian Law on electricity sector reform, the Authority for the Electricity and Gas has approved the rules of the electricity market written by the GME (the Pool manager), but expressed some concerns about the composite role of the GME, which acts as the pool manager and as a commercial trader, and about the obligation on participants to provide financial guarantees, which is considered to be a barrier to entry.
Il Sole 24 Ore, 18/6/02

Italy: The "Marzano" Decree is Producing Effects The "Marzano" Decree, which simplifies the procedures for authorising new power plants, is now having its desired effect. The new law requires a single authorization for the construction of new power plant with capacity greater than 300 MW, to be issued from the Ministry of Industry within 180 days from the request. A recent survey listed 36 new power plant projects with a total capacity of 27.000 MW and 538 requests for renewable energy plants with a total capacity of 18.902 MW.
Il Sole 24 Ore, 5/6/02

Netherlands: Privatisation Remains Restricted Following the elections in May, which saw a swing to the right, the privatisation of gas and electricity networks is likely to remain restricted. The policy on privatisation on the monopoly distribution networks, currently allowing the sale of no more than 49% of the economic interest, will not be changed in the foreseeable future. As a consequence Spanish energy company Endesa has given up its purchase of REMU, stating that the 49% rule is unacceptable.

The leading party in the new coalition, the Christian Democrats (CDA), also wants to prohibit the proposed sale of the state's 50% stake in gas company Gasunie. A CDA spokesman said the free market must be working properly before any further steps to change energy policy.
Het Financieele Dagblad, 29/6/02; Platts International Gas Report, 10/6/02; Platts Power in Europe, 3/6/02

Netherlands: DTe Sets New Supply Tariffs DTe has published its new methodology for calculating maximum supply tariffs. DTe is required by law to set tariffs at levels forcing the electricity suppliers to make efficiency gains. In February a Dutch court rejected the methodology used by DTe. This methodology produced different results for different companies. The new x-factor is a generic number, set for three years. The number will be 10%, backdated to 1 January 2001. The new methodology will apply to 2001, 2002 and 2003.
DTe press release, www.nma-dte.nl, 28/6/02

Netherlands: Borssele Stays Open The incoming coalition has agreed to keep the Borssele (450MW) nuclear plant open until 2007. The former government decided after much debate to shut down the facility at the end of 2003. The new right wing coalition believes it is hypocritical to close Borssele when the Netherlands imports nuclear power from France.
European Electricity Markets, 17/6/02; Platts Power in Europe, 17/6/02.

Netherlands: DTe Continues To Monitor Prices Energy watchdog DTe and the Netherlands Competition Authority (NMa) will continue to monitor price formation in the wholesale market for electricity. The Market Surveillance Committee (MSC), headed by Prof. David Newbery, concluded that price peaks on the Amsterdam Power Exchange (APX) in June and July 2001, could have been influenced by individual market players. Especially in times of scarce supply they may exert market power. Extensive research, however, did not provide concrete evidence of possible price manipulations by individual players in the period studied. On basis of the recommendations by the MSC, DTe and NMa will keep a close eye on the market.
DTe press release, www.nma-dte.nl, 13/6/02.

Netherlands: DTe Wants To Publish Demand Forecasts Dutch energy regulator DTe sees a lack in transparency in the Dutch electricity market, which is hindering the development of electricity trading, deterring new entrants and having a negative impact on market liquidity. DTe therefore issued a draft decision requiring producers and large customers to provide network operators with forecasts of demand and capacity. The published figures would be aggregates based on long-, medium- and short-term forecasts. These measures are meant to improve the transparency of the market. The proposed changes will probably come into effect in the beginning of next year.
DTe Draft Decision 100950/1.B174, www.nma-dte.nl, 5/6/02.

Portugal: ERSE Publishes New Regulations The energy sector regulator in Portugal, ERSE, has approved various regulations (despachos) on different aspects of the electricity sector.

Despachos nº 10/2002 and nº 11/2002 lay out the quarterly adjustments to the full-service and access tariffs for customers connected in the EHV, HV and MV levels. Despachos nº 12/2002 and nº 13/2002 implement new procedures manuals for, respectively, the electricity system operator and for the market operator.

Despacho nº 14/2002 implements the network access regulations, including the general network access conditions between electricity network operators (Rede Electrica National at the EHV level; EDPD

at the HV and MV levels) and eligible customers and entities supplied by CHP plants.
www.erse.pt, 18/6/02

Russia: Hearing on Energy Laws Postponed Duma hearings on a new package of draft energy laws were scheduled for 27 June. However, the day before, the council decided to postpone discussions till the autumn and to form a trilateral committee to finalise the drafts. The committee will consist of representatives of the Cabinet of Ministers and the two houses of parliament, State Duma and Federations Council. The proposal to defer hearings came from the centrist factions, who justified the decision by their inability to familiarize themselves with the documents in a short period of time. Analysts say that the recent events in Duma are reflection of the battle between Anatoly Chubais and the industrial lobby opposing reforms.
www.rosenergo.ru, 28/6/02, 27/6/02

Russia: Federal Energy Commission Increases Tariffs From 1 July 2002, tariffs for electricity sold in the Federal Wholesale Electricity Market (FOREM) will increase by 2.4%. FEC also issued a resolution whereby wholesale gas tariffs for industrial customers will rise by 15% from 1 July, and wholesale gas tariffs for the general population will rise by 16% from 1 August.
www.rosenergo.ru, 27/6/02

Spain: The CNE Considers that Regulations Ensure Non-Discriminatory Access to the Gas and Electricity Networks
65% of Enagás, the gas transport operator in Spain, formerly fully owned by Gas Natural, was sold this month as part of the gas sector liberalisation measures adopted in Spain. The Spanish electricity utilities decided not to buy any of the stakes that were reserved for them, as they believed that the sale price was too high. The Spanish Energy Regulator (CNE) sees this as positive for the liberalisation process of the energy sector in Spain, since it ensures the independence of Enagás from Spanish electric utilities. Unión Fenosa is also considering whether to sell its stake in REE, the Spanish electricity system operator. The CNE interprets these decisions to mean that companies trust the regulatory framework, since they do not consider it as necessary to hold a share of the transport and transmission operators to have non-discriminatory access to the relevant networks.
La Gaceta, 26/6/02.

Spain The Electric Utilities Estimate a EUR 700 million (US$ 630 million) Deficit in the 2002 Tariffs The Electric Utilities have estimated that tariff receipts will be insufficient to recover the costs of the electricity system by around EUR 700 million (US$ 630 million) in 2002 unless the Government takes certain measures. The parties involved (i.e. electricity utilities, Government and energy regulator CNE) are currently in talks to modify the tariff system. They

are also analysing how to deal with the CTCs (stranded costs) and the capacity payment in order to provide the right incentives for investment.
Cinco Días, 13/6/02

Spain: The Spanish Utilities File a Claim for Payment of the CTCs The Spanish utilities have made a patrimonial complaint before the Spanish Government in order to require the payment of the stranded costs (CTCs) that were recognised in 1997 by the Spanish Government. The amount agreed in 1997 has been reduced twice. In 1999 the total amount was cut by EUR 12,000 million (US$ 10,800 million). In 2001, the 4.5% surcharge on end-user tariffs to recover CTCs was abolished, owing to a decision of the European Commission. In addition, utilities' wholesale market revenues are effectively capped at 3.6 EURcents/kWh (3.2 UScents/kWh), since any revenues in excess of that level are deducted from outstanding entitlements to stranded cost recovery.
Cinco Días, 12/6/02

Spain: Spanish Antitrust Court Rules in Favour of Repsol, Cepsa and BP The Spanish Antitrust Court (TDC) has rejected a complaint lodged by the Spanish National Road Transport Committee (CNTC) in October 2000. The CNTC had accused Repsol, Cepsa and BP of petrol price agreements. The TDC concluded that the evidence does not support the CNTC's accusation, and that the simultaneity in petrol prices increases is not due to a conscious parallel action by the companies, but to the fact that oil prices increases affected all petrol operators simultaneously.

Repsol, Cepsa and the oil producers association (AOP) remain involved in another case before the Spanish Antitrust Court, where they are accused of imposing final prices on their petrol stations.
Cinco Días, 31/5/02

Switzerland: Big Six Launch Association The six biggest Swiss regional electric companies, ATEL, BKW, CKW, EGL, EOS and NOK will found a new cooperative venture named Swisselectric with headquarters in Berne. The companies will work together in technology and energy policy to ensure, among other things, "optimum nationwide electricity supplies in the context of the Electricity Market Act (EMA)". Swisselectric is in favour of the EMA and will campaign for its acceptance in the 22 September referendum.
Platts Power in Europe, 17/6/02

Switzerland: Nuclear Tax The ad hoc commission of the lower house greed on a tax on nuclear energy of 0.3 centimes/kWh. The tax will raise some SFr 60-70 million (EUR 41-48 million) per year for the promotion of renewables. The tax on nuclear energy may persuade ecologists to vote in favour of the Electricity Market Act (EMA) in the September's referendum, which is badly in need of their support.
Platts EU Energy, 6/6/02

NORTH AMERICAN NEWS

US: Illinois Governor Extends State Rate Freeze On 6 June 2002, Governor George Ryan signed into law Senate Bill 2081, legislation that alters the state's electric industry restructuring statutes to extend the mandated rate freeze by two years to 1 January 2007.
RRA-Focus Notes, 21/6/02

US: FERC failed to police electricity market-GAO Federal energy regulators have failed to prevent price gouging in the newly deregulated U.S. wholesale electricity market, a new report released by congressional investigators said. The report from the General Accounting Office, Congress' investigative arm, criticized the Federal Energy Regulatory Commission (FERC) for not adequately policing the market. The FERC recently launched a probe into anti-competitive trading practices by bankrupt Enron Corp and others during California's disastrous experiment with electricity deregulation in late 2000 and early 2001. The state is demanding nearly $9 billion in refunds for alleged overcharges by a dozen power suppliers.
Reuters, 18/6/02

US: Pennsylvania Power Market Manipulation Allegations On 13 June 2002, the Pennsylvania Public Utility Commission (PUC) issued a statement concluding that PPL's power generation subsidiary PPL EnergyPlus "unfairly manipulated wholesale electricity markets in early 2001, subsequently damaging wholesale and retail markets and the public's confidence in them." The PUC has referred their findings to the Pennsylvania Attorney General, the FERC and the Department of Justice for possible punitive action.
RRA-Focus Notes, 14/6/02

US: US Lawmakers Want Mexico Power Plants to Cut Pollution U.S. legislation would block Mexican power plants located near the California border from using natural gas from the United States as fuel unless the facilities complied with the state's clean air laws. The legislation, introduced in both the U.S. Senate and House on Wednesday, would make sure that Mexican power plants sending

electricity to the California market don't spew harmful emissions that are restricted at U.S. plants.
Reuters, 6/6/02

US: FERC Threatens to Deny El Paso, Williams, Others Right to Sell at Market Rates The Federal Energy Regulatory Commission threatened to revoke the right of Avista Corp, El Paso Electric Co, Portland General Electric Co and Williams Cos to sell power at market-based rates, the Wall Street Journal reported. FERC accused the companies of stonewalling in an investigation of possible market manipulation in California and gave them 10 days to put the case as to why the regulator should not go ahead with its threat. In an initial response to the FERC order, Williams denied it purchased power from the California Power Exchange in order to take advantage of any price spread between price-capped California markets and uncapped markets neighbouring the state.
AFX, 5/6/02

US: Public-Power Groups in Northwest Object to Formation of RTO West A coalition of Pacific Northwest utilities stepped up opposition to federal plans for a regional agency to oversee electricity transmission across the West, claiming it will boost rates and open the grid to Enron-style abuse. Coalition leaders say current plans for a Western regional transmission organization (RTO) will add a layer of costly federal bureaucracy that will strip control of the power grid from local governments and utilities that are directly accountable to voters or their customers.
Scientech, 5/6/02

Canada: Entire Board Resignation Puts Ontario Power Privatisation in Doubt The planned $3.26 billion privatisation of Ontario's Hydro One power grid appears to be in jeopardy after the entire board of Hydro One resigned in a row over executive pay and compensation. The dispute comes after a series of continuing interference by the provincial government in the running of Hydro One. The board resignation was provoked by the government's bill to cut the salaries and compensation packages of principal executives. The government had attacked the level of executive salaries as well as highlighting this as a principal reason in a bid to overturn a court ruling in April that said the government did not have complete authority to sell.
Datamonitor via COMTEX, 6/6/02

Mexico: Government Will Allow Gas Extraction by Private Companies The Mexican government announced the new scheme to allow national and foreign companies to compete for multiple service contracts to extract natural gas from the Burgos basin along the Texas border.
Reforma, 20/6/02

Mexico: Changes in Gas Price Mechanisms On 30 April, the Energy Secretariat published resolutions amending the rules for determining the price of domestic natural gas sold by Pemex-Gas y Petroquimica Basica (PGPB) in Mexico, and the supply of natural gas by PGPB to gas-fired independent power production plants in Mexico.
Energy Direct, 19/6/02; Business Mexico, 18/6/02

Mexico Stops Power Sell-off: Mexico's Supreme Court has overturned a presidential decree that would have opened the ailing electricity sector to private generation, throwing a wrench into the government's plans to attract billions of dollars in private investment. The court ruled late on Thursday that President Vicente Fox had overstepped his authority in raising the amount of power that the Federal Electricity Commission could buy from private companies generating more than they need for their own operations.
Financial Times, 18/6/02

SOUTH AMERICAN NEWS

Peru: Protest Against the Electricity Companies' Privatisation Street protests broke out in some Andean cities of the south after Peru's President announced his intention to sell to Belgium's Tractebel two electricity generators, Egasa and Egesur, currently operating in the poverty-stricken region.
EFE News Services, 24/6/02; The Economist, 22-28/6/02

Venezuela: Power Concessions The Venezuelan government's economic plan envisages selling operating concessions for state power companies, which will be possible with the new electricity law. Venezuela's electricity sector needs US$ 1200 million per year to meet average annual demand.
Financial Times Information, 11/6/02

ASIA-PACIFIC NEWS

Australia: ACCC Final Approval for South West Queensland Pipeline The Australian Competition and Consumer Commission (ACCC) issued its Final Approval for Epic Energy's South West Pipeline. As Epic rejected the ACCC's Final Decision, the ACCC was required by the Gas Code to draft and approve its own access arrangement that addresses the terms and conditions rejected by Epic. Points of difference include a shortening of the minimum term

for gas supply contracts from five years to two. The ACCC included this term to make the access arrangement consistent with other pipelines across Australia. These amendments are consistent with the Australian Competition Tribunal's recent decision in DEI Queensland Pty Ltd v ACCC, to which action Epic was a party.
www.accc.gov.au, 4/6/02

India: Tariff Increase A court verdict has granted a higher tariff increase to CESC than permitted by the electricity regulator (WBERC). The CESC's losses have risen about 77% during the year ending March 2002. The CESC blames the low tariff increase approved by the newly-created WBERC in November 2001 and the fact that previously the CESC was not allowed to increase its tariffs for three years. The WBERC is appealing the decision.
Platts Power in Asia, 13/6/02

Indonesia: IPP Revival The Indonesian government has announced that it will allow IPPs to restart projects suspended following the 1997 crisis. The IPP projects are seen as the key to preventing a power crisis in Java. In other parts of the country, 28 regions have already begun to experience blackouts.
Platts Power in Asia, 25/6/02

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