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July 2002

EUROPEAN NEWS

Great Britain: Regulator Consults on Measures Necessary for Implementation of BETTA Energy regulator Ofgem is consulting on changes to NGC's transmission licences it believes necessary to facilitate the implementation of BETTA (British Electricity Trading and Transmission Arrangements). Ofgem states that there are some implementation roles that only Elexon, the company that implements the Balancing and Settlement Code (BSC) in England & Wales, can fulfil but that legal constraints prevent the company from fulfilling these roles. Ofgem is proposing to remove these restrictions, and is consulting on a proposed modification to NGC's transmission licence as a first step in that process.
Ofgem website, 26/7/02

Great Britain: Regulator to Cut Scottish Fuel Levy Rate to Zero Energy regulator Ofgem has announced that the Fossil Fuel Levy rate in Scotland will be reduced to zero, from 0.6%, with effect from 01/11/02. The Levy is used to support the cost of the Scottish Renewables Obligation, part of the Government's policy intended to increase the amount of renewable generation capacity.
Ofgem press release, 19/7/02

Great Britain: Regulator Consults on Centrica's Acquisition of Generation Energy regulator Ofgem is consulting on Centrica's completed acquisition of Regional Power Generators Limited, which owns a 272MW natural gas CCGT power station. Ofgem cites no significant competition implications arising from the acquisition.
Ofgem website, 17/7/02

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Graham Shuttleworth, General Editor
Kristina Sepetys, US Editor
Greg Houston and Ann Whitfield, Australian and New Zealand Editors
Oscar Arnedillo, Spanish Editor
Francesco Lo Passo, Italian Editor

Great Britain: Regulator Consults on Changes to Gas Regulation Energy regulator Ofgem is consulting on the introduction of separate price controls for each of Transco's eight regional gas distribution networks to replace the existing single price control that applies to Transco. The introduction of different regional price controls would not start to take effect until 2007.
Ofgem press release, 11/7/02

Great Britain: Government to Create New Nuclear Body The Government has published a White Paper entitled "***Managing the Nuclear Legacy – A Strategy for Action***" that sets out new arrangements for the clean up of the civil nuclear legacy. A new national body, the Liabilities Management Authority (LMA), would be established to manage civil nuclear liabilities. The White Paper seeks views on two alternative funding arrangements for the LMA.
DTI press release, 4/7/02

Austria: AustrianEnergie a Step Further The Austrian economics and labour minister said that the consolidation of the federal Verbund and the EnergieAllianz group into AustrianEnergie is the best solution for the Austrian customers. The next step will be to notify the Austrian cartel office about the consolidation. At the same time Austria will ask Brussels if they foresee any competition problems. If not, E-control will answer whether it is acceptable for AustrianEnergie to focus mainly on large customers and if it will hinder competition.
Ministry of Economic Affairs, press release, 19/7/02, 8/7/02

Austria: Around 1% of Households Switch Electricity Supplier Since full liberalisation of the electricity market on 1 October 2001, some 50,000 households have switched supplier - around 1-2% of all customers. According to electricity regulator Walter Boltz, around 11% of households are planning to switch supplier. Customers could save up to 7.7% but some 16% of households who switched supplier met difficulties. One in seven were told by their former supplier that their security of supply could not be guaranteed. However, research of the regulator showed that one out of three households could not name any supplier other than their current one. People need a lot more information, according to Boltz.
E-Control, Press release, 8/7/02; Die Presse, 4/7/02

Austria: New Eco Law A uniform fee for power generated by combined heat and power plants, renewable sources and small hydro power plants will replace the current fees for eco-power, which vary from state to state. The Austrian government reached agreement with the individual states on a new regulation that enables the minister of economic affairs to set tariffs for eco-power. As a consequence of

the agreement, gas market liberalisation is likely to meet its target date of 1 October, as acceptance of the liberalisation was linked to an agreement on the regulation on renewables.
Die Presse, 4/7/02; Der Standard, 4/7/02

Belgium: Electrabel Receives Permission For 8MW Of Wind Turbines After 3 years of consultation, Electrabel has received permission to build four 2MW wind turbines in Wallonia, Belgium. This wind farm will be the first wind farm in the Wallonia region. Construction work starts immediately.
Electrabel, 18/7/02

EU: EU Settles GFU Case The European Commission has settled its case against the Norwegian gas producers over their joint sales of gas through the GFU (Gas Negotiation Committee). All producers in the Norwegian region used to sell their gas output through long-term contracts negotiated by the GFU. In June 2001, the EU started formal proceedings claiming that the GFU scheme was incompatible with EU Competition Law. The EU and producers have now settled, without deciding the legal issue of whether the GFU was in breach of competition law. The settlement requires the discontinuation of all joint marketing activities. In addition, Statoil and Norsk Hydro must reserve 13 bcm and 2.2 bcm of gas, respectively, for customers who have not previously purchased gas from Norway.
EU Commission, 17/7/02

France: Prime Minister Blocked EdF's Tariff Increase Despite the Economics Minister's recommendation to increase EDF's tariffs by 3%, Prime Minister Raffarin has opposed any tariff increase during 2002. EDF had requested a 5% increase in electricity tariffs to compensate for new obligations imposed by government to buy energy from co-generators. The Prime Minister's refusal will mean losses for EdF by the end of the year and an increase in debt to EUR 22,000 million.
Datamonitor via COMTEX, 31/7/02; Le Monde, 26/7/02, 25/7/02

France: Government Issues Decree Setting Tariffs for the Use of Transmission and Distribution Networks The Decree took into account the proposal of the Regulator (CRE) and, introduces tariffs defined by connection point, voltage and consumption level, that offer decreasing average charges for higher rates of utilization. The new tariffs will replace the transmission charges set by EDF in March 1999. They will apply from November 2002. After a trial period of 12 or 18 months, CRE may propose further changes to the Government.
CRE press release, www.cre.fr 23/7/02

France: French Government Plans Part Privatisation of State Utilities Prime Minister Jean-Pierre Raffarin announced the new government's plan for partial privatization of Gaz de France (GDF) and Electricité de France (EDF). Speaking to parliament, Raffarin said that the legal structure of the companies is to be changed to allow for a phased, partial privatization. After the announcement the secretary of the Union of Mines and Energy Sector declared that the Unions will oppose this decision strongly.
L'Echo, 6/7/02

France: The Electricity Regulation Commission (CRE) presented its annual report CRE, the French Electricity regulator presented its annual report for the year ending 30 June. The report describes the evolution of market liberalisation in France and in Europe during the previous year. It concludes that the French electricity market is now one of the more competitive among European markets, in spite of having a minimum legal liberalisation framework. This high level of competition is based on the number of GWh supplied, the number of foreign suppliers and the low and decreasing level of prices. As of April 2002, 60 suppliers were operating in the French market and 13% of eligible customers had changed supplier. However, the volume of electricity traded in Powernext remains low (6,021 MWh in May) in comparison with more mature markets like APX (32,144 MWh) or LPX (59,351 MWh).
CRE press release, www.cre.fr 27/6/02

Germany: E.ON-Ruhrgas Merger The German government has approved the E.ON's purchase of Ruhrgas for 10.4 billion Euros, despite advice to reject it from the Federal Cartel Office, the Monopolies Commission and the Minister of Consumer Affairs. A civil servant in the Ministry of Economics approved the merger on 'national champion' grounds. The Minister himself had stepped aside to avoid accusations of conflict of interest, being an ex-employee of E.ON.

E.ON has to make sure that Ruhrgas is legally unbundled by 1 January 2004 and E.ON and Ruhrgas will have to facilitate third-party network access. Ruhrgas has to offer competitors a total of 75 billion kWh for a period of three years in an open auction. E.ON is required to divest its interests in four regional utilities and one municipal company. Last, but not least, E.ON has to sell its shares in Ruhrgas if (1) another company gets a majority in voting rights or in capital in E.ON and (2) there is reason to think that such a move would be 'contrary to Germany's energy policies'.

However, two energy traders applied for and won a temporary injunction from the County Court of Düsseldorf to stop the merger.
Platts Power in Europe, 29/7/02; Platts EU Energy, 17/7/02; European Electricity Markets, 15/7/02; Tagesspiegel, 15/7/02

Germany: RWE Plus Wants Price Increase The German electricity company RWE Plus is looking for possibilities to raise the electricity tariffs for households. Salaries, energy prices and governmental taxes all increased and RWE Plus wants to pass on these costs to its 2.9 million customers. The Ministry of Economic Affairs of Nordrhein Westfalen has yet to approve the higher tariffs.
Handelsblatt, 29/7/02

Germany: EU Prefers German Regulator EU commissar Loyola de Palacio expressed her displeasure at Germany's VV2 gas agreement. The agreement does not accelerate the slow progress in liberalisation. She advocates an independent regulator controlling the opening of the gas market. Germany is the only European country with Denmark without an energy regulator.
Financial Times Deutschland, 25/7/02; Platts EU Energy, 4/7/02

Germany: FCO Investigates RWE, Wemag Prices The Federal Cartel Office suspects that RWE Net and regional utility Wemag are charging excessively high rates to its customers. The tariffs are 40-80% higher for single-tariff metering and 95-115% higher for dual-tariff metering, than the tariffs charged by comparable electricity companies. The FCO hopes that its investigation will result in lower metering charges.
Bundeskartellamt, press release, www.bundeskartellamt.de, 15/7/02.

Italy: Reform and Reorganization of the Energy Sector The Government published the outline of a draft law "Reform and reorganization of the energy sector". The draft law is meant to complete the liberalization of the energy sector, which began in 1999 with the "Bersani" Decree. The main provisions of the draft law are: the Italian TSO will receive the property of the National Grid, which is currently an asset of ENEL; stranded costs for past investments on generation will not be recognized for ENEL but the fees provided for the "hydroelectric rent" (i.e. the fees that compensate the excess value that hydroelectric power plants have in a market system) will be cancelled; all non-domestic clients will be eligible before 2004; Italian firms, which are precluded from building nuclear power plants in Italy, will be allowed to make joint ventures to build them abroad; the Government will define a capacity payment system and, in compliance with EU guidelines, an emissions trading scheme.
www.governo.it, 18/7/02

The Italian Network Code Italy's energy regulatory Authority has published a regulation which guarantees open access to the national gas transmission network, owned by Snam Rete Gas (98%) and Edison (2%). In the next few weeks Snam Rete Gas and Edison must draft a detailed Network Code, which is expected to be approved by the Authority before October. The Authority gives priority

access to historic "take-or-pay" contracts, sets out rules for allocating firm and interruptible capacity and for balancing the network. The Authority has also introduced a national balancing point (NBP), where gas can be traded, which could form the basis of a future Gas Exchange.
www.autorita.energia.it, 17/7/02

Netherlands: New Parliament Against Privatisation A resolution stating that "in the current state of affairs moving to privatisation of energy companies serves no purpose" was accepted by all but two parties in the Dutch parliament. The motion called for the withdrawal of existing policy rules on the privatisation of energy distribution companies. The current legislation permits a sale of up to 49% of gas and electricity networks. The Dutch parliament believes that this can still lead to private control. The new Energy Minister Herman Heinsbroek has to decide what to do with the resolution. Former Energy Minister Annemarie Jorritsma did not want to implement the resolution, fearing legal obstacles.
Platts EU Energy, 17/7/02; European Gas Markets, 16/7/02

Netherlands: DTe Changes Gas X Factor Dutch energy regulator DTe decided to change the x factor for gas network operators. Since the selling, maintenance and replacement of metering devices for eligible customers are not regulated any more, the costs and benefits of these activities should not be reflected in the x factor. DTe has determined new x factors accordingly.
DTe, decision 100801/16, www.nma-dte.nl, 15/7/02

Netherlands: Companies Obstruct Switching Companies that obstruct customers wanting to switch suppliers should be fined. VOEG, the Dutch association for companies active in gas and electricity trading, has asked the Dutch regulator, DTe, to do so.
VOEG, press release, 4/7/02

Netherlands: Binding Order for Three Suppliers The energy sector watchdog DTe has given a binding order to three electricity suppliers, because they refused to disclose information on the cost of their electricity production. The binding order forces the companies to give the DTe the information within six weeks. The information was needed for the investigation into price spikes on the Amsterdam Power Exchange (APX) in June and July last year. DTe believes that binding orders are necessary to guarantee the supply of information.
DTe press release, www.nma-dte.nl, 2/7/02

Portugal: The Government Believes that the 1998 Tariff Review Damaged the Privatisation of the Electricity Industry The Minister of Economy explained to a parliamentary energy commission that the drop in the value of EDP stock since privatisation is mainly caused by the 1998 tariff review process carried out by the energy regulator (ERSE). This process has meant for the utility the loss of EUR 2,250 m (US$ 2,475 m) in its market value. The minister stated that EDP has very high costs that it needs to reduce, but he considered that "it is natural that they should increase in the short term because it is not possible to reduce, for example, staff levels without increasing costs, and EDP must have the opportunity to amortise those costs". Further, he added that "the regulator has not allowed EDP to reflect those costs in the tariffs during a reasonable period".
Estrella Económica, 31/7/02

Portugal: The Government Could Intervene to Limit the Increase in Electricity Tariffs to Industrial Customers In June 2002, the independent energy regulator in Portugal, ERSE, increased the electricity tariffs for high voltage consumers by 16%. However, due to complaints from the affected firms, the Portuguese Government is currently negotiating with ERSE to secure a reduction of these tariffs, and does not rule out the possibility of taking legislative measures (such as defining a maximum increase or reduction in the tariff level). The Government fears that the electricity bill increase could undermine the international competitiveness of the Portuguese industry, but has promised that the reduction in the tariffs will not affect EDP's margins.
www.negocios.pt, 16/7/02, 15/7/02; Diário Economico, 15/7/02

Portugal: ERSE Asks for Comments on New Electricity Regulations for the Autonomous Regions In March 2002, the competencies of the energy regulator in Portugal, ERSE, were extended to cover the Portuguese autonomous regions of Azores and Madeira (see previous issues of GERN). ERSE has published its proposed modifications of the main regulations on electricity tariffs, commercial relations and network access, in order to integrate the electricity sector legislation of both mainland Portugal and the islands before 1 January 2003. The consultation period for comments on the proposed modifications lasts till 25 August.
www.erse.pt, 12/7/02

Russia: Prime Minister Announced Future Gas Reforms Prime Minister Mikhail Kasyanov announced that gas reforms will start to be drafted before the end of the year. The reforms will consider some liberalization of the gas market, although the government does not intend to free the sector completely from state control. The reforms

will aim to improve the situation of Gazprom, which depends heavily on exports because domestic prices are kept very low and domestic customers do not pay their bills.
Associated Press, 25/7/02

Spain: Gas Utilities Obliged to Maintain 35 Days' Strategic Reserves The Spanish Economy Ministry is drafting a regulation to require gas utilities to maintain in storage, for security purposes, a minimum volume of gas equivalent to 35 days of their sales. The gas utilities were already obliged by the Hydrocarbons Law to keep this amount of reserves, but there were no specific terms for the obligation. In addition, the Ministry will make CORES (the Oil Products Strategic Reserves Corporation) responsible for auditing gas in storage.
Expansión, 31/7/02

Spain: The CNE Supports Enagás in its Dispute with Gaz de France The Spanish Energy Regulator (CNE) has decided in favour of Enagás in its dispute with Gaz de France over network access. Enagás had denied Gaz de France access to the Spanish gas transport network because of lack of capacity and lack of reciprocity. Enagás argued that France has yet to transpose the European Gas Directive and that the Spanish gas companies do not have access to Gaz de France transport infrastructure in France. The French gas company argued that the French government had taken steps to transpose the Gas Directive. However, the CNE did not believe that reciprocity exists. This is the second time in one year that the CNE has denied Gaz de France access to Spanish gas infrastructure.
ABC, 31/7/02

Spain: New Electricity Regulation Will Enter into Force on 1 January 2003 The Spanish Energy State Secretary presented on 16 July the draft of a new regulation on electricity tariffs, which will enter into force on 1 January 2003. The new rules include a new methodology for determining full-service tariffs, based on factors such as electricity consumption, interest rates, incentives for renewable energy and fuel cost, with a price-cap. The Spanish utilities believe that the new regulation improves the situation, but has important drawbacks, as the method of setting a price-cap may prevent recovery of the wholesale energy costs and would reduce incentives for building new capacity. The tariff regulation is still being discussed and agreement is expected in August.
ABC, 31/7/02; Expansión, 18/7/02; 17/7/02

Spain: The CNE Limits REE Investments to Spain The energy regulator, CNE, prohibited REE from expanding the capital of its foreign subsidiary since these plans may negatively affect its obligations in Spain. The CNE believes that REE's level of debt would increase due to its planned investments outside Spain and would exceed the level that the CNE considers optimal. High debt would affect REE's commitments with respect to energy plans aimed at guaranteeing the reliability and quality of supply. The increase in debt cost would also lead to a change in the remuneration of transmission and, hence, the level of tariffs.
Cinco Días, 16/7/02, 12/7/02

Spain: The Utilities Foresee Problems Supplying Gas Customers after 2003 In October 2001, six utilities (BP, Iberdrola, Endesa, Shell, Unión Fenosa and Hidrocantábrico) were awarded gas contracts under the tender process that provided access, till December 2003, to the 25% of gas coming to Spain from Algeria. This tender was organised in order to foster competition in the gas sector (see previous issues of GERN). At present, the six utilities are negotiating with the Spanish Economy Ministry and the Energy Regulator (CNE) how to face the situation after 2003, when the Algerian gas will be used exclusively by Enagás (the gas transport operator in Spain) to serve customers who do not switch supplier. The utilities fear that Enagás will not allow them access to its regasification plants due to congestion problems and that they will not be able to supply the needs of their eligible customers and CCGTs, even if they sign agreements to import gas. One of the solutions proposed by the utilities is the extension of their current Algerian gas contracts.
Cinco Días, 11/7/02

Spain: Unesa and Endesa, to Appeal Against Latest Gas Regulations The Spanish Courts will consider the appeal lodged by the utility Endesa and the Spanish electricity companies association, Unesa, against the gas sector Ministerial Orders published on 18 February 2002. These orders define the remuneration of regulated gas activities, as well as the tariff structure. Both entities complain about the way regulated gas activities are remunerated and the determination of full-service and access tariffs, since they do not incentivise eligible consumers to leave the full-service tariffs and charge high access tariffs to CCGTs.
Cinco Días, 1/7/02

Switzerland: Opposition for EMA Based on its research, the Swiss Electricity Suppliers Association (VSE) claims that a majority of Swiss parties, lobby groups and professional associations support the Electricity Market Act (EMA). However, Socialists and trade

unions are against liberalisation. Switzerland's Socialist Party has advised voters to reject the EMA. The referendum on the EMA will be held on 22 September.
Platts Power in Europe, 29/7/02

Switzerland: No Nuclear Phase-out A majority of the lower house of the Swiss parliament has voted against a nuclear phase-out in the new nuclear energy law (Kernenergiegesetz, KEG). As a result, proposals of the Greens and Socialists to limit existing reactors to service lives of between 30 and 40 years were rejected. The lower house remains in favour of shipping spent reactor fuel to La Hague in France and Sellafield in the UK for reprocessing. It left open the decision on a moratorium for nuclear waste exports for 10 years from mid-2006, the year of expiration of the current contracts. The remaining part of the law will be examined at the start of the new parliamentary year.
Platts Power in Europe, 1/7/02

NORTH AMERICAN NEWS

US: Regulators May Further Slow Arizona's Progress Toward Electric Competition Arizona's go-slow approach to electric competition may slow to a crawl, as state regulators are poised to delay key rules requiring utilities to spin off their power plant operations by year's end. Responding to requests by Tucson Electric Power Co. and Arizona Public Service Co., an Arizona Corporation Commission administrative law judge issued an order suspending a deadline of 1 January for the utilities to divest their power plants and related generating assets. In an order that may be modified when voted on by the full commission, the judge ordered that the divestiture deadline be delayed at least until July 2004. The original divestiture deadline of January 2001 already had been extended to 2003. Power-plant divestiture — either by outright sales or by creating separate operating subsidiaries — is vital to competition because it allows charges for power usage to be separated from transmission and distribution costs.
The Arizona Daily Star, Tucson, 24/7/02

US: FERC Establishes Western Wholesale Market Cap On 17 July 2002, the Federal Energy Regulatory Commission (FERC) adopted a price mitigation plan for the western wholesale power markets that includes a $250 per MWh bid cap for all sales in the 11-state Western Energy Coordinating Council (WECC) beginning 1 October 2002. Currently, the WECC is operating under a price cap

of $91.87 per MWh, which was ordered by the FERC on 11 July 2002 and is to extend through 30 September 2002. For comparison purposes, the FERC noted that in the organized wholesale power markets in the eastern U.S. a $1000 per MWh bid cap is in effect.
RRA Focus Notes, 19/7/02

US: FERC Finds California ISO Governing Board "Unjust and Unreasonable, Unduly Discriminatory" On 17 July 2002, FERC found that the ISO Governing Board (GB) is "unjust and unreasonable, unduly discriminatory," in violation of several Commission orders, insufficiently independent to operate its interstate transmission facilities, and hampering efforts of the ISO to implement required changes to California's wholesale electricity markets. Specifically, the FERC determined that the GB continues to be in non-compliance with the Commission's December 2000 order that instituted remedies for the California electricity crisis, and Order No. 888 that governs ISOs and that the GB does not meet the independence requirement of Order No. 2000 that governs regional transmission organizations.
RRA Focus Notes, 19/7/02

US: Entergy May Drop Vermont Nuclear Power Plant Buy Entergy Corp., an electricity and natural gas company, said that it might not complete its $180 million purchase of a Vermont nuclear power plant because of terms set by state regulators. The company, the second-largest U.S. operator of nuclear plants behind Exelon, said the Vermont Public Service Board said on 13 June that Entergy cannot keep any excess decommissioning funds, money set aside to pay for the dismantling of old nuclear plants. Instead, Entergy said the board is requiring it to pay any such funds to the seller — eight New England-based utilities — for the benefit of their ratepayers. The largest of the sellers are Central Vermont Public Service Corp., New England Power Co., Green Mountain Power Corp. and Connecticut Light and Power Co. Entergy said the board denied its request for an amendment of the 13 June order, which approved the acquisition of the Vermont Yankee Nuclear Power Station. The company said that an earlier agreement with the sellers and the Department of Public Service called for it to retain any excess funds if the plant were decommissioned before 2022. Entergy and the sellers would share the funds equally if the plant were decommissioned after 2022.
Reuters, 12/7/02

US: Sempra to Start Surcharge for Extra Grid Security
Federal energy regulators have approved a surcharge for San Diego Gas & Electric Co.'s electricity transmission lines to raise nearly $700,000 a year for extra security guards and airplane patrols against potential terrorist attacks. San Diego Gas & Electric, a unit of Sempra Energy, said it would invest about $1 million by July 2002 on extra

security for its transmission grid control center, fences and monitoring equipment. The company plans to spend another $3.5 million on more security improvements in the second half of the year. The Federal Energy Regulatory Commission approved a surcharge for San Diego Gas & Electric customers that use its transmission network. The surcharge will be $0.00004 per kWh, and will raise about $698,515 in extra annual revenue for the utility. The agency announced last September that it was willing to approve special charges to cover costs incurred by utilities to safeguard their electricity supply.
Reuters, 1/7/02

Mexico: Government Gets Electricity Proposal Ready The Undersecretary of State started negotiations in Congress and after a meeting with PAN congressmen announced that "in the coming days" Fox's government will present its electricity reform proposal for discussion by legislators. President Fox told the Energy Ministers of APEC that the government will not drop the modernization of the electric sector.
Reforma, 23/7/02, 22/7/02

Mexico: Where Energy is Sacred The future of the Mexican Government rests on energy resources. This is also the case for the development of the country. Raising private sector investment from the current 4% in 2002 is a goal of the Mexican Government. The Mexican Government also hopes that a new "multiple service contract" system will enhance greater private investment, particularly in the Burgos gas field in the Gulf of Mexico.
The Economist - ABIX via COMTEX, 16/7/02

Mexico: Domestic Gas Prices to Rise 38% Natural gas rates for residential service will increase 4.75% on average per month, beginning in July and continuing through February 2003, accumulating a 38% increase in eight months.
Especialistas en Medios/Corporate Mexico, 15/7/02

Mexico: Congress Agrees to Study Energy Regulation Reforms Mexico's President Vicente Fox has reached an agreement with congress «to study the possibility» of modifying the energy sector's regulatory framework. The reforms are intended «to improve the efficiency of companies in the sector by giving them more autonomy and independence,» Fox said. Fox's announcement signals the government is now committed to reforming the energy sector at the regulatory level, rather than at the constitutional level. Juan José Rodríguez Prats, chairman of the Senate Energy Commission, said that participation by private companies in the electricity sector is impossible under the current Constitution and his party (the National Action Party or PAN) would push for a Constitutional reform.
El Economista/Corporate Mexico by Internet Securities, Inc. via COMTEX, 12/7/02; BNamericas.com via COMTEX, 9/7/02

SOUTH AMERICAN NEWS

Argentina: Possible Gas Shortages Perez Companc SA vice-president Oscar Vicente said that current gas tariffs are about three times below their pre-devaluation level and that gas supply may be insufficient to meet demand next year if the tariff dispute with the government is not solved.
AFX News, 17/7/02

Brazil: Electricity Power Auctions for Sao Paulo The Sao Paulo state government is considering the possibility of organising electricity auctions similar to those proposed by power regulator Aneel for federally owned generators. The state is not subject to the same obligations as the federally owned generators, which are required to sell their electricity through auctions. However, state energy secretary said that the auctions might be a viable way of selling the electricity from the state's own companies.
Business News Americas, 23/7/02

Chile: Government Subsidy for New Electricity Projects The executive secretary of the national energy commission (CNE) said that Chile's government is thinking of subsidising new electricity projects to guarantee supply in the event that private investment is not forthcoming.
Business News Americas, 27/6/02

Venezuela and Colombia Natural Gas Deal The Venezuelan and Colombian Governments have approved a deal to allow Venezuela to buy natural gas from Colombia to meet demand in the east of Venezuela. A 200 km pipeline will be required to transport gas from Colombia across the border to Lake Maracaybo in Venezuela.
Platts International Gas Report, 5/7/02

ASIA-PACIFIC NEWS

Australia: ICRC Release a Final Report on Full Retail Contestability in Electricity in the ACT The Independent Competition and Regulatory Commission, issued its final report on the benefits of full retail contestability (FRC) for electricity in the ACT. The report recommends that FRC should be introduced for all customers who consume less than 100MWh per annum by no later than 1 January 2003.
www.icrc.act.gov.au, 12/7/02

Indonesia: Pressures to accelerate energy Bill The House of Representatives is expecting to pass an energy bill next month, backing liberalisation of the electricity sector and ending the monopoly of state-owned PLN. The government is under pressure to liberalize the power sector since there has been no new foreign investment in the Indonesian electricity sector since the 1997 crisis. The bill aims to introduce an electricity market and a regulatory agency, although the state will keep the control of transmission and distribution companies. Delays in passing the law have become critical, as the 9% expected annual growth in electricity demand is creating concern about severe power shortages from 2004, if new plants are not built.
Platts Power in Asia, 25/7/02; Energy Central Daily Electric Power News www.energycentral.com 22/7/02

South Korea: The Korea South-East Power Company (Kosep) set for privatisation The sale adviser, a consortium led by JP Morgan Chase and including UBS Warburg and Daewoo securities, has recommended Kosep should be the first privatisation candidate in the South Korean electricity sector. The sale timetable envisages this process will be over by January 2003. Kosep is the smallest of five fossil-based generating companies in terms of capacity, but has the highest proportion of base load plant in South Korea. The remaining thermal generating companies are scheduled for privatisation by the end of 2005.
Platts Power in Asia, 25/7/02

Yemen: Government announces Electricity Sector Liberalisation High growth rates in electricity demand, and a need for US$500 million to satisfy short-term capacity requirements, have convinced the government to open Yemen's electricity sector to private investment. The Ministry of Electricity and Water Resources has established different options for private participation: IPP (independent power projects), BOO (build, own and operate projects) and BOOT (build, own, operate and transfer projects).
Agence France Presse, 27/6/02

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