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EUROPEAN NEWS

Great Britain: Competition Commission To Investigate Centrica's Acquisition Of Gas Storage Facilities The Trade and Industry Secretary, Patricia Hewitt, has referred Centrica plc's completed acquisition of Dynegy Storage Ltd and Dynegy Onshore Processing UK Ltd (owner and operator of the Rough gas storage facility) to the Competition Commission. The Commission will investigate whether the acquisition may be expected to operate against the public interest, and, if so, what steps might be taken to remedy any expected adverse effects. The Commission is to report to the Secretary of State by 9 June 2003.
DTI press release, 25/2/03

Great Britain: Government Publishes Energy Policy White Paper The Government has published a White Paper on energy policy, entitled "Our Energy Future – creating a low carbon economy". The White Paper sets out four goals for Government energy policy: (1) to work towards cutting emissions of carbon dioxide by 60% by 2050; (2) to maintain the reliability of energy supplies; (3) to promote competitive energy markets in the UK and beyond; and (4) to ensure every home is adequately and affordably heated. Policy measures announced in the White Paper include: (1) an 'aspiration' that 20% of electricity be generated from renewables by 2020, doubling the existing target of 10% by 2010; (2) £60m (US $94m) in new money for renewables projects; and (3) no new nuclear power stations, subject to a review of policy in 2005.
DTI press releases, 24/2/03

Great Britain: Regulators Publish Cost Of Capital Study The UK's economic regulators, including energy regulator Ofgem, have published a study they jointly commissioned on the cost of capital for regulated utilities in the UK. The study

discusses: (1) components of the cost of equity capital that are common across firms and competing asset pricing models; (2) alternative asset pricing models for use in regulatory contexts; (3) practical issues in estimating asset pricing parameters (focusing on estimation of 'beta'); (4) the case for consistency in setting the cost of capital; and (5) the effect of regulatory risk on the cost of capital.
Ofgem press release, 20/2/03

Great Britain: Regulator Consults On Powergen Licence Condition Energy regulator Ofgem is consulting on whether to 'disapply' Standard Licence Condition 18 (SLC 18) from Powergen's generation licence following a request from Powergen. SLC 18 requires the provision of information to Ofgem regarding the actual availability of plant compared to planned availability. In a letter to Ofgem, Powergen contended that it is inequitable that it provides commercially sensitive information to Ofgem under SLC 18, when some generators of a comparable size are not required to provide the same information. Ofgem is consulting on five options and has requested responses by 19 March 2003.
Ofgem website, 19/2/03

Great Britain: Regulator Proposes Changes To Credit Cover Arrangements Energy regulator Ofgem has published proposals for credit cover arrangements in the regulated areas of the gas and electricity industry. Ofgem considers that gas balancing credit cover arrangements should be brought into line with arrangements in electricity. Ofgem has also concluded the exclusive use of cash and letters of credit, current practice in electricity, is not necessarily appropriate for securing credit for gas and electricity transportation and has proposed arrangements be modified to conform with best commercial practice in comparable competitive industries.
Ofgem press release, 14/2/03

Great Britain: Ofreg Consults On Extension Of Supply Price Control Northern Ireland energy regulator Ofreg has published a consultation paper proposing the extension of Northern Ireland Electricity's (NIE) supply price control, which runs to March 2005. Ofreg has listed three options: (1) to have no supply price control when the existing one runs out in 2005; (2) to have a 'traditional' supply price control based on a bottom up examination of the Supply Business's costs; or (3) to extend the supply price control on the same principles as the current price control. NIE has made proposals to extend the Supply price control until March 2007 (when NIE's current Transmission and Distribution price control ends).
Ofreg website, 13/2/03

Great Britain: Regulator Publishes Update On Developing Monopoly Price Controls Energy regulator Ofgem has published an update on its work developing the network monopoly price controls for the next price control review of the electricity Distribution Network Operators (DNOs). Ofgem's objectives for this project are to: (1) improve the framework of price controls applying to all network monopoly companies; and (2) lay the foundations for the next distribution price control review in 2003-2004. Ofgem will publish a statement document on 'Developing Price Controls' in May 2003.
Ofgem press release, 13/2/03

Austria: Liberalisation Leads To Lower Tariffs Since the market opening in 1998 industrial customers have seen the price for electricity fall by 50 percent, according to energy regulator E-control. Households have seen tariffs decline by only two percent. E-control says that without market opening the costs for energy would have been EUR 800 million higher.
Der Standard, 26/2/03

Austria: No Security Of Supply Problem Energy regulator Walter Boltz said that the security of electricity supply is guaranteed. He was reacting to two experts who expressed doubts about security of supply. According to Boltz, Austria has the highest quality of supply in Europe. Only Germany has a comparably high standard.
E-control press release. www.e-control.at, 20/2/03

Austria: Energie Austria Under EU Cartel Scrutiny The EU Commission's cartel office decided to prolong examination of the Energy Austria (EA) consolidation. The cartel office is investigating whether the joint venture is a merger, as stated by the participants, or a disguised cartel, as stated by some legal authorities. The Commission is concerned the joint venture might lead to "the creation of dominant positions" in electricity markets. Energie Austria will control about 80% of the market. EA is hoping the Commission would see the joint venture in a European context instead of a domestic context. The opening of the second-stage merger investigation will delay startup for at least three months and will probably involve concessions.
European Commission, press release, 4/2/03

Belgium: Study Published On France-Belgium Interconnector The French and Belgian regulators published a report on the management of the French-Belgian Interconnector. The study draws two main conclusions: the grid operators should (1) increase the size of the interconnection and (2) implement a power exchange in Belgium. The study also suggests that the grid operators should improve the accuracy of forecasts of available interconnector

capacity, improve transparency in the calculation of available capacity and offer capacity on an annual basis.
Platts EU Energy, 13/2/03; European Daily Electricity Markets, 11/2/03

Bulgaria: Uniform National Pricing To Continue The State Committee for Energy Regulation has announced that it does not intend to adopt regional pricing of electricity following privatisation of the distribution companies. The Committee is considering introducing a weekend rate for low voltage users.
Bulgarian News Agency, 28/2/03

EU: EU Commission Refers 6 Cases To Belgian Competition Authorities The European Commission has referred a further 6 cases back to the Belgian Competition Authorities involving Electrabel and municipal electricity and gas suppliers. Under the Belgian Act to liberalise the electricity and gas markets, local authorities are no longer able to supply electricity and gas to eligible customers who have not elected to change suppliers. These 6 municipal companies have transferred such eligible customers to Electrabel in exchange for a financial stake in Electrabel.

These transactions are within the scope of the EU Commission, as they cover electricity and gas and are above the competition threshold. The Commission found that these transactions strengthened Electrabel's dominant position. However, the Commission has decided to refer the cases back to the Belgian competition authorities to ensure consistent decision making with the previous cases involving Electrabel and municipalities.
Agence Europe, 18/2/03; EU Commission Press Release, 13/2/03

EU: Electricity Transmission Bottlenecks Unlikely The Union for the Coordination of Transmission of Electricity (UCTE) has produced a new report stating that transmission bottlenecks are unlikely in Europe between 2002 and 2005. It believes that new generating capacity and the development of new national transmission grids will reduce internal constraints.
Platts EU Energy, 13/2/03

EU: EU Commission Launches Proceedings Against Italian Government The European Commission has launched proceedings against the Italian Government for its 'Golden Share' holdings in a number of companies including Eni and Enel. The Italian Government has two months to respond to the EU Commission. The dispute centres around the Italian Privatisation Law of 1994 (since amended), under which the Government is allowed to veto changes in the capital of privatised companies.
Platts EU Energy, 13/2/03

EU: EU Commission Investigates Austrian Electricity Merger
The European Commission launched an in-depth investigation into the merger of VERBUND and EnergieAllianz. They are planning to form two joint ventures which would combine their activities in electricity trading and supply to large industrial customers (annual consumption 4 GWh and above). Under the joint venture, the two companies would have a 72 percent market share. The Commission has 4 months to decide to open a second-stage merger investigation.
EU Commission Press Release, 4/2/03; Economist Intelligence Unit, 4/2/03

France: Public Contracts Unfair On Distributors The CRE (*Commission de Regulation de l'Energie*), has asked public authorities to review the Code for public contracts, whose current form penalises municipal electricity distributors. Municipal suppliers have to go through lengthy contract signature procedures before making an offer to a customer whereas other distributors enjoy easier and quicker procedures. The public nature of theses municipal contracts, via a call for tenders, also "harms the confidentiality of sales activities", the CRE said.
Platts EU Energy, 28/2/03

France: Intensified Competition In Electricity Market Since 10 February, French clients consuming over 7 GWh per year and per site have been allowed to chose their electricity supplier. The decree 2003-100 confirmed that the eligibility level would be lowered from 16 GWh to 7 GWh. In all, 34.5% of the French market is now open (up from 30% before the decree). This means that an extra 50,000 GWh can be supplied by companies other than EDF, bringing the total amount to 150,000 GWh. Over 3,100 customers now have a choice of supplier, against 1,800 previously. EDF says this increased competition is stimulating and has forced it to adapt its offers. The next major milestone will be in July 2004 when all professional clients will become eligible. Over 3 million clients will then be able to contract with competing suppliers.
La Tribune, 13/2/03

Germany: RWE Net Challenged Over Metering Charges The Federal Cartel Office (FCO) informed RWE that its metering charges are excessive and should be brought down considerably. RWE is claiming that its current charging rates result in losses. The FCO maintains that other utilities have significantly lower metering rates than RWE Net's, yet are not making losses. The FCO suspects that RWE Net's metering charges constitute anti-competitive cross-subsidies between network and retail operations. The FCO has therefore ordered on 21 February that RWE Net has to reduce its metering charges.
Platts EU Energy, 28/2/03, European Electricity Markets, 17/2/03

Germany: FCO Versus Teag And RWE/E.On The Federal Cartel Office (FCO) has issued a verdict in the first of the ten abuse cases concerning high grid charges. The FCO has ordered power supplier Teag to reduce its grid charges by 10% with immediate effect. The FCO aims to reduce grid charges to improve competition in the power markets. The current high charges are thought to hinder competition and to keep out foreign companies.

The FCO has also announced that it is going to investigate E.On's and RWE's high tariffs for balancing power. More specifically the FCO is focussing on RWE Power, RWE Rheinbraun and E.On Sales and Trading. The FCO thinks that the excessive charges for balancing power caused the distribution charges for electricity to rise by 10 percent in 2002.
Bundeskartellamt, press releases, 26/2/03, 19/2/03

Germany: FCO And The E.On Ruhrgas Case The German Federal Cartel Office said it will look into the deals which made the E.On/Ruhrgas merger possible. All companies involved in the arrangements will have to submit details concerning share transactions and swaps. Although the FCO cannot undo the merger, it can rule on the individual deals with the nine companies who contested the merger until almost the final minute, before giving in.
European Gas Markets, 14/2/03; Platts EU Energy, 13/2/03

Italy: Stranded Costs And Benefits The Italian Parliament has passed a law that abolishes (from January 2004) revenue allowances covering the stranded costs of generation companies and (retroactively from January 2002) a levy paid by hydroelectric plants, the so-called "hydroelectric rent". Overall this provision will increase the cost of electricity in the short run, while a price reduction is expected in the long run. The Regulator, Autorità per l'energia elettrica e il gas, is examining mechanisms which would reduce the increase in prices of electricity in 2004.
Camera del Senato website, 18/2/03

Italy: The Draft Marzano Law Is Expected Before The Summer One of the proposers of the Marzano draft law on the reorganization of the energy sector declared that the draft law will not be presented to the Parliament within the next month. Moreover, the Ministry intends to seek the opinion of the Parliament before enacting the law. With more than 500 amendments lodged against the bill, it is not certain whether the law will be passed before the summer. It is very difficult to open the electricity market before that date.
Il Sole 24 Ore, 1/2/03

Italy: ENEL's Quality Of Service The Regulator, Autorità per l'energia elettrica e il gas, has granted ENEL Distribuzione a revenue increase of about EUR 32 million as a reward for its quality of service achievements in 2001. Between 1998 and 2002, ENEL invested about EUR 3 billion in order to improve the quality of service and reduced the average duration of supply interruptions per customer from 196 minutes in 1998 to 125 minutes in 2001, a level that outperforms the standard set by the regulator.
AEEG website, 1/2/03

Ireland: New Supply Tariffs The Commission for Energy Regulation has published its proposed decision regarding natural gas supply tariffs to final customers for the period 1 April 2003 to 31 March 2004. The proposed price impact on final customers is: (1) 9.1% increase for franchise (non-eligible) customers including the residential market, and (2) an average increase of 2.5% for eligible customers, subject to a cap on individual price increases of 15% against current published tariff rates. The Commission intends to issue its formal Direction on 21 March 2003 and the revised charges for natural gas supply will apply from 1 April 2003.
www.cer.ie 24/2/03

Ireland: Development of the Corrib Gas Field The Irish planning authority is expected to give the go-ahead for this project by 9 April. Assuming that it goes ahead, the first gas delivery is expected by February 2005.
World Gas Intelligence, 19/2/03

Netherlands: Takeover Of REMU The Dutch competition authority NMa has granted NV Eneco permission to take over Remu NV. Permission was granted because the electricity and gas supply markets are currently liberalising and the merging parties will neither acquire nor strengthen a dominant position. Their combined market share will be below 30%. The NMa is not concerned that Eneco-Remu will have a joint dominant position with Essent and Nuon. The Eneco-Remu combination will have 2.1 million customers and a turnover of EUR 3 billion.
NMa press release, www.nmanet.nl, 26/2/03

Netherlands: Privatisation Plans Dropped The Dutch Government has withdrawn plans to enable privatisation of energy networks, because it deemed them too complicated and feared lack of support in parliament. The government had already frozen network privatisation last autumn. It is now looking for new legislation including more regulatory control on regional electricity and gas networks. Secretary of State Joop Wijn has denied that he wants to delay or stop liberalisation of the electricity market. He first wants to

wait for a report concerning full market opening next year to be written by a newly installed commission. Further steps will only be taken after the report.
Ministry of Economic Affairs, press release, 21/2/03

Netherlands: DTe Gives Gas Network Operators Marching Orders DTe has given 11 regional gas network operators six weeks to bring their transport tariffs into line with its rules on negotiated access, the Guidelines for Gas Transmission 2003. Some of the companies have not adequately substantiated their tariffs on the basis of efficient economic costs and some offered no possibility of trading contracts.
DTe press release, 19/2/03

Netherlands: New Quality Standards The Dutch energy regulator DTe has set out new minimum quality standards for high voltage grids. These standards will maintain the high quality of Dutch electricity grids and also provide consistency and transparency for all parties connected to the grids.

The publication of the standards comes only a few days after a professor in high voltage technology warned that the number of blackouts will increase unless ageing electrical networks are replaced. Another report, by Cap Gemini Ernst & Young, warned that lack of domestic production capacity is a major threat to security of supply.
DTe press release, 14/2/03; Het Financieele Dagblad, 10/2/03

Portugal: The Government Denies M&A Plans For Energy Utilities The Ministry of Finance and Economy has stated that neither Galp Energia nor EDP are involved in any plan to merge with or acquire a Spanish utility. The rumour has arisen at the same time as the Portuguese government is working on the privatisation of the energy utilities. Sources at EDP had commented on the possibility of a merger between EDP and Unión Fenosa, which would reinforce EDP's position as the third electricity utility in the Iberian electricity market, following a recent agreement between Unión Fenosa Gas and ENI (which controls 33.34% of Galp) to share gas assets in Spain. The Portuguese State directly owns 31% in EDP and 34.81% in Galp Energia, while EDP holds 14.27% of Galp, 2.25% of Iberdrola and 40% of Hidrocantábrico.
www.negocios.pt, 25/2/03; La Gaceta, 25/2/03

Portugal: The State Of Portugal To Sell Its Participation In EDP The State of Portugal is ready to sell its entire holding in the electric utility EDP, of which it currently owns 31%. The sale is expected to raise up to EUR 1.5 billion (US$ 1.6 billion). The privatisation plan also envisages the sale of the State holding in the

other two main Portuguese energy groups, i.e. REN and Galp. The design of the sale process, which will be presented on 31 March, is in the hands of a former vice-president of BCP (Banco Comercial Portugués), the largest Portuguese private bank with shares in the utility.
La Gaceta, 25/2/03; www.negocios.pt, 21/2/03

Portugal: EDP To Invest EUR 334 Million In Distribution This year Electricidade de Portugal (EDP) plans to invest EUR 334 million (US$ 359 million) in its electricity distribution business, of which EUR 50 million (US$ 54 million) will be devoted to improving service quality. Last year's investment was EUR 265 million (US$ 285 million). This increase in investment follows from new quality of service regulations. [See next news item.] EDP plans to improve service quality for its 5.5 million customers, especially in those areas with a less developed distribution network.
La Gaceta, 10/2/03; www.negocios.pt, 5/2/03

Portugal: New Regulation On Electricity Service Quality A new regulation on service quality entered into force on 6 February 2003. It follows a high number of complaints from residential and industrial customers, which led the Government to change the regulation. The regulation incorporates new aspects, such as discounts in end-user tariffs if the distribution service is not optimal, zonal differentiation of quality level (depending on population density), and establishment of a customer complaint centre. The aim of the new regulation is to achieve quality of service in line with the current standards in EU countries and, in particular, in Spain. Higher penalties will be imposed for HV failures and a new fund will be established to compensate for LV failures with penalties of less than EUR 5.00 (US$ 5.38). The revenue of EDP will not increase to reflect the costs associated with implementation of these new measures.
www.negocios.pt, 5/2/03

Russia: Energy Reforms This month, the Duma passed an energy reform legislative package through the second and third readings. It is expected that the package adopted by the Duma will be discussed in the upper house of the parliament, the Council of Federation, on 12 March. Just before the second reading, some more amendments were made to the Government draft that require supplies to comply with state standards and limit the number of tariff increases to one per year (even when the markets are open to competition). The exact date of liberalization is not specified, being left for the Government to decide. However, the earliest date the Government is allowed to issue the new regulation is 1 July 2005.
www.rosenergo.com 27/2/03

Spain: Public Offer Legislation Makes An Exception For Repsol The proposed Royal Decree on public offers will not oblige Repsol to offer to take over Gas Natural, even if its holding in the gas company exceeds 25%. The Royal Decree envisages a general obligation on companies to launch a public offer for a company when it holds more that 25% its shares. However, this requirement is waived if five different conditions occur simultaneously and all of these conditions apply to Repsol's holding in Gas Natural.
Expansión, 25/2/03; Cinco Días, 24/2/03

Spain: Unión Fenosa Goes To Court To Avoid Decommissioning Zorita Nuclear Plant The Audiencia Nacional (National High Court) has accepted an administrative appeal lodged by Unión Fenosa against the decommissioning of the José Cabrera plant, located in Zorita (Guadalajara). Zorita, the oldest nuclear plant in Spain, is to be closed down on 30 April 2006 following a Spanish ministerial order. [See GERN September 2002.] The controversy arose because the president of the Nuclear Security Council claimed that the decommissioning decision was political rather than a matter of plant safety.
ABC, 17/2/03

Spain: The Ministry Of Economy Confirms The Securitisation Of The Tariff Deficit The General Director of Energy Policy, Ms Becerril, has confirmed that electric utilities will be able to securitise the tariff deficit (accumulated revenue shortfall) that arose in the years 2000-2002. The deficit will be recovered linearly over the next eight years. The initial estimate of the deficit is around EUR 1,500 million (US$ 1,613 million). However, the CNE must first publish the figures corresponding to last year's incomes and expenses, which is due to happen in May. The European Commission has given a green light to the securitisation, since it concerns regulated costs already allowed by the regulator and accrued by utilities, but never recovered from consumers.
La Gaceta, 17/2/03; Cinco Días, 14/2/03

Spain: Electricity Utilities Against A Single Gas Asset Owner The Secretary of Energy, Mr Folgado, supports the idea of reorganising the gas sector so that Enagás, the gas transportation asset owner, would operate like REE, the Spanish electricity high voltage transmission owner. However, the electricity utilities do not see this as a positive change since they have already had to develop their own regasification plants in order to guarantee gas supply to their CCGT generators. In addition, they have stated that the government did not consult them and that Enagás is effectively controlled by Gas Natural, since the electricity utilities did not buy shares in Enagás when the public offering took place. Moreover,

the agreement on third party access between Enagás and Gas Natural is being scrutinised by the Antitrust Authorities (after the CNE, the energy commission, warned that the agreement might distort competition), which casts doubt on the independence of Enagás.
La Gaceta, 10/2/03

Switzerland: Nuclear Referendum Approaching A referendum against nuclear energy is set for 18 May. The Swiss electorate can vote on two anti-nuclear initiatives 'Strohm ohne Atom' which calls for nuclear closure, and 'Moratorium Plus' which calls for a 10-year extension to the current moratorium on new nuclear installations, together with a ban on uprating existing reactors. Several groups have appealed for rejection of the initiatives. The Swiss holding group AXPO, for example, warned that closure of Switzerland's five reactors would threaten security of supply. CO2 emissions would also rise significantly. The five nuclear power plants supply around 40% of Switzerland's power supply.
AXPO press release, 19/2/03; Platts Power in Europe, 17/2/03

NORTH AMERICAN NEWS

US: CPUC To Propose Regulations On Distributed Generation And Exit Fees Although some of the renewable energy advocates oppose it, California regulators are scheduled to establish a distributed generation policy that offers few new incentives and will require exit fees to make sure utility distribution costs are equally spread among customers regardless of whether or not they install some on-site generation capability.
Utility Spotlight, 24/2/03

US: States Sue Bush Administration To Force EPA Power Plant Action The Attorneys General of seven mainly Northeastern states announced their intention last week to sue the Bush Administration in an effort to get the Environmental Projection Agency to tighten emissions from power plants regulated under the Clean Air Act. The states are seeking to require EPA to add carbon dioxide (CO2) to the list of pollutants regulated under that section of the law and to review the current standards for sulphur dioxide (SO2) and particulates (soot) to make them more stringent.
Utility Spotlight, 24/2/03

US: FERC Issues Utility Debt Issuance Rules The Federal Energy Regulatory Commission (FERC) has issued new rules applicable to all utility issuances of secured and unsecured debt to be authorized by the Commission. Under the new rules, 1) utilities seeking authorization to issue debt backed by a utility asset must

use the proceeds of the debt for utility purposes only; 2) if any utility assets that secure debt issuances are spun off, the debt must follow the asset and also be spun off; 3) if any of the proceeds from unsecured debt are used for non-utility purposes, the debt must follow the non-utility assets. If the non-utility assets are spun off, then a proportionate share of the debt must follow the spun off non-utility asset and 4) if utility assets financed by unsecured debt are spun off to another entity then a proportionate share of the debt must also be spun off.
RRA Focus Notes, 21/2/03

US: Citing Collateral Shortfall, CAISO Suspends Enron California Trading As a footnote to California's and Enron's muddled energy futures, the California Independent System Operator (CAISO) suspended Enron's trading and market participant rights in the grid operator's real-time wholesale power market, citing the bankrupt energy firm's failure to come up with new collateral to cover potential past meter-reading mistakes ranging from U$15 million to US$50 million.
Utility Spotlight, 18/2/03

US: Texas District Court Overturns Commission Rules For Calculating Stranded Costs On 6 February 2003, the Texas Court of Appeals for the Third District overturned certain portions of the Texas Public Utility Commission's rules regarding the "final true-up" of stranded costs that is to occur in 2004. The PUC rules were promulgated in accordance with 1999 legislation which called for retail choice of generation suppliers to be phased in beginning in 2002, and under which stranded costs, referred to as Excess Cost Over Market (ECOM), may be recovered through a non-bypassable competition transition charge (CTC), or through securitization over no longer than 15 years. The Court acknowledged that under some circumstances, the netting process described in the rules may result in the same rate impact as the process contemplated by the law, but stated that "netting the stranded-cost calculation with the other true-up items can cause an impermissible offset of amounts due to a utility whenever the market value of its generation assets exceed their book value, i.e., when it has no stranded costs."
RRA-Regulatory Focus, 14/2/03

US: New Jersey BPU Completes Procurement Auction The New Jersey Board of Public Utilities (BPU) has certified that results of a multi-year auction process under which the investor-owned utilities (IOUs) secured power to meet needs of their basic generation service (BGS) customers after the restructuring-related rate freeze period ends on 31 July 2003. One hundred percent of the offered load (approximately 18,000 MW) was subscribed.
RRA-Focus Notes, 7/2/03

US: Like California, Connecticut Might Consider Re-Regulating Electricity Following California's lead, Connecticut is now considering reregulating the electric industry. In addition, as of 31 March 2003, Green Mountain Energy will discontinue serving energy to 1312 customers in Connecticut, blaming regulatory hurdles. It cited the artificially low standard offer rate, new regional rules that limit Green Mountain's access to wind electricity, and a report from the DPUC and Office of Consumer Council which concluded that the competitive retail market has not developed.
Utility Spotlight, 3/2/03

US: California City Weighs Dropping PG&E For Public Power
A public power fight is looming in California with the city of Davis weighing a break from giant utility Pacific Gas & Electric Company to hook up with the Sacramento Municipal Utility District. Officials from David, an agricultural and university town about 15 miles west of Sacramento, are considering annexation by SMUD in a bid to drive down electricity costs and improve reliability.
Reuters, 3/2/03

Canada: More Ontarians Not Paying Electricty Bills Now That Cut-Offs Are Banned The number of Ontario residents not paying their electricity bills has doubled in many parts of the province, following a provincial law that bans utilities from cutting off delinquents. Electricity firms, which are owed millions of dollars, are curbing the amount of electricity delinquent customers can use. To persuade users to pay, the distribution companies have begun installing devices known as "load limiters." The devices allow just enough power for basic needs. In November 2002, the government barred utilities from disconnecting customers or using limiters as it sought to ease hardships causes by soaring hydro prices that followed its deregulation of the generating market.
Canadian Press, 4/2/03

Canada: Quebec Mulls Hydro Stake Sale The Quebec government is considering selling a 10 percent stake in Hydro-Quebec to the power utility's 20,000 employees.
Reuters, 3/2/03

Mexico: Fox Pledges Investment In Energy; US$10 Billion Needed For Transmission President Vicente Fox on Monday pledged to make substantial investments in the energy sector this year, in particular the oil and electricity generating industries In the coming months the president said he will push for agreements that will allow the government to implement pending reforms. Eduardo

Andrade, president of Mexico's electricity association (AMEE), told BNamericas that Mexico's power transmission network capacity must be doubled in 10 years at a cost of about US$10 billion to meet the country's increasing energy demand.
Energy Central, BNamericas.com (via COMTEX), 24/2/03

Mexico: El Cajon Tender Process Starts The hydroelectric plant is this government's largest infrastructure project with an investment of US$ 812 million and a capacity of 750 MW. The winner of the tender process will be announced on 14 March.
Reforma, 20/2/03

Mexico: Pemex Forecasts Natural Gas Shortages Ricardo Munoz Leos, Director of Pemex announced that they expect an average supply of 4 billion cubic feet/day while the internal demand is around 5.2 billion. Given this deficit, Pemex will temporarily restrict the sale of natural gas to both the public and private sectors and reduce supplies to the Federal Electricity Commission, the state-run electric utility.
Reforma, 11/2/03

Mexico: CFE Postpones Pidiregas; EDF Reconsiders Mexico's state power company CFE postponed the 31 Pidiregas projects, worth 2.63 million pesos (US$239mn), threatening future electric energy supplies and possibly damaging the economy over the short and medium term. Electricité de France (EDF) could halt its proposed investment this year of US$ 1,500 million, if there are no structural reforms in the energy sector.
Reforma via Energy Central, 6/2/03; El Economista, 5/2/03

Mexico: Hunt Sees Decision On Peru Gas Exports By March
U.S-owned Hunt Oil Company plans to make a decision on a US$3 billion plan to export gas to Mexico and the United States before the end of the first quarter, an official of Hunt's Peru unit said on Monday.
Reuters, 3/2/03

CENTRAL AND SOUTH AMERICAN NEWS

Brazil: Generation Capacity According to the energy minister, Dilma Rousseff generation capacity will have to grow an average of 3,600-4,000MW per year once the short-term problems of supply and demand end. The government's plan is to guarantee a return on investments based on costs and tariffs in Brazilian reais.
Business News Americas, 7/2/03

Brazil: The Government Will Seek Bids For Power Lines The Government plans to request bids for the construction and management of electricity transmission lines. To guarantee the supply of electricity throughout Brazil in 2004 and 2005, transmission lines are necessary to connect the southern and southeastern regions with the northern, northeastern and central-western regions. The energy ministry will publish bidding rules on March for the auction of six transmission lines. Federal power generators will be allowed to participate as minority partners in a consortium.
Business News Americas, 6/2/03; EFE News Service, 4/2/03

Bolivia-Peru Interconnector An interconnector between Puno in Peru and La Paz in Bolivia will be in the agenda for the meeting between energy ministers on February 9-10 to discuss energy integration of the two countries. This interconnector would allow Peru to sell electricity to Brazil.
Business News Americas, 6/2/03

ASIA-PACIFIC NEWS

Australia: Report On The Optimisation Of Combined Secure And Economic Despatch Last year the Reliability Panel identified the need for wider debate on the effects of limit and constraint equations, and of optimising combined secure and economic despatch. The Panel commissioned Intelligent Energy Systems (IES) to explain and assess the existing arrangements for formulating and implementing constraints. The final report contributes to the understanding of existing arrangements and their effects. It identifies areas for improvement, including the transparency and accountability of those processes, opportunities for increased and more reliable interregional trade and more efficient despatch.
www.neca.com.au, 25/2/03

Australia: Inefficiencies Arising From 5/30 Issue Quantified And Assessed The National Electricity Market Management Company (NEMMCO) has completed an investigation into the “5/30” issue, whereby dispatch occurs on a 5 minute basis and settlement occurs on a 30 minute basis. The issue has been a major cause of inefficiency in the National Electricity Market (NEM) for some time. The final report identifies and quantifies the efficiency loss to the NEM that can be attributed to the 5/30 issue, and has assessed the net benefits of progressing changes. The report concluded that the costs involved in resolving the issue outweighed the benefits.
www.nemmco.com.au, 21/2/03

China Competition To Buy Shenzhen Gas Company Hots Up The competition to acquire a 24% interest in the Guangdong province-based Shenzhen Gas Company has caught the eye of several regional and international investors. In particular, interest in the gas distributor and supplier has been expressed by Hong Kong's Hong Kong & China Gas Company and Panva Gas Holdings, South Korea's LG Group, and Gaz de France. The company, valued at US$106 million, is one of the five companies open to foreign investors under the municipal government's state asset action programme of last year.
Reuters News, 17/2/03

China: Lower Tariffs For HPI In accordance with guidance issued by the State Development Planning Commission, tariffs dropped slightly in January (an average of US$ 0.35) for the four power plants of China's largest independent power generator, Huaneng Power International.
Interfax China Business News, 13/2/03

Indonesia:PLN Must Pull Its Socks Up The state owned electricity utility PLN has been urged to improve efficiency and abandon its plan for quarterly tariff increases that would take charges up seven US cents per kilowatt hour by 2005. In particular, the company had very high costs in non-power generation activities. The ratio between power price and generation cost, according to an expert should be around 133%, but for PLN it was 321% in 2001.
OPEC News Agency, 7/2/03

Phillippines: Market Trials The Department of Energy is preparing for the demonstration stage of the country's first wholesale electricity spot market as part of the 2001 Electric Power Industry Reform Act.
Platts Power in Asia, 20/2/03

Phillippines: National Power Corporation Makes Savings Napocor saved approximately US$850 million by the renegotiation of 16 power supply contracts with independent power producers. A further 16 contracts remain under discussion, and should be renegotiated by June.
Platts Power in Asia, 20/2/03

Thailand: Power Bills To Increase According to a panel of the Energy Policy & Planning Office, power bills will increase slightly from February 2003 as tariffs are adjusted to reflect recent increases in oil and natural gas prices. The committee agreed to raise the automatic energy adjustment charge known as Ft by 4.17 satang to 0.2612 baht/kWh. It added that for an average household consuming 62 kilowatt hours of electricity a month the change would represent an increase of 2.58 baht a month.
Bangkok Post, 16/2/03

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