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Global Energy Regulation

Reporting on energy regulation around the world

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EUROPEAN NEWS

In this Issue

Great Britain: Rule Change Intended To Benefit Smaller Generators Energy regulator Ofgem has directed that modifications be made to the Balancing and Settlement Code (BSC) intended to benefit embedded generators. The changes to the BSC, in conjunction with changes to NGC's charging methodology, are intended to give embedded generators who are exempt from licence requirements the so-called 'embedded benefits' (certain cost savings), without the need for contractual arrangements with Suppliers. Embedded benefits arise when embedded generators do not make use of the transmission system, ie when their supply nets off local demand. Changes to NGC's charging methodology will take effect from 1 April 2003 and changes to the BSC from 5 November 2003.
Ofgem press release, 28/3/03

Great Britain: Regulator To 'Disapply' Powergen Licence Condition Energy regulator Ofgem is to 'disapply' paragraphs 7 to 17 of Standard Licence Condition 18 (SLC 18) from Powergen's generation licence, following a request from Powergen. SLC 18 requires the generator to provide information to Ofgem comparing the actual availability of plant with planned availability. In accordance with the terms of SLC 18 and Powergen's request, the disapplication will become effective from 27 March 2004.
Ofgem website, 26/3/03

Great Britain: Regulator Finalises NGC's System Operator Incentive Scheme Energy regulator Ofgem has published final proposals for the incentive scheme of the National Grid Company's (NGC) System Operator (SO) role, applicable from 1 April 2003 until 31 March 2004. Ofgem has set a target cost for NGC's SO role in 2003/04 of £416 million (US $666 million), with a sharing factor of 50% on under-shoots and over-shoots, subject to a cap and floor of £40 million (US

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

$64 million). Ofgem set out a 'long-term' incentive scheme for NGC's SO role in a consultation paper in December 2002, for introduction from 1 October 2003. Following responses, Ofgem has decided to delay introduction of the long-term incentive scheme until 1 April 2004.
Ofgem press release, 21/3/03

Great Britain: Regulator Publishes Draft Timetable For Distribution Price Control Review Energy regulator Ofgem has published a draft timetable for the price control review of electricity Distribution Network Operators (DNOs). Ofgem proposes publishing an initial consultation paper on the DNO price control review in late June 2003 and final proposals by the end of October 2004. The new price control will take effect from 1 April 2005. Ofgem has also invited comments on two papers written by its consultants on dealing with uncertainty in setting price controls and the existing incentive framework for price controls.
Ofgem website, 13/3/03

Great Britain: Renewables Buy-out Price Published Energy regulator Ofgem has announced that the buy-out price of the Renewables Obligation will be £30.51 (US $47.60) per MWh. This is the price at which electricity suppliers can make up any shortfall between their holding of Renewables Obligation Certificates and their obligation to supply a proportion of their total sales of electricity from renewable sources. The new rate will apply from 1 April 2003 for one year.
Ofgem press release, 13/3/03

Great Britain: Regulator To Consult On Incentives For Transco's Connections Business Energy regulator Ofgem has published a summary of responses to its consultation document on Transco's provision of gas connection services, published in November 2002. Ofgem reports that a majority of respondents believed Transco's performance was inadequate in one or more respects. Ofgem will consult on proposals intended to improve the performance of Transco's connection business within eight weeks.
Ofgem press release, 12/3/03

Albania: Draft Electricity Law Adopted In Principle The draft Law on Electric Energy, which replaces the existing Law on Electric Energy and the Law on Regulation of the Energy Sector, has been adopted in principle by the Parliamentary Commission of Economy. The law will make export of electricity a licensable activity, which it is not under the current laws.
Albanian-ATA English News Service, 27/3/03

Austria: Anti-trust Doubts Over Price Increases Energy regulator E-control and the Austrian competition authority have expressed anti-trust doubts over price increases said to cover the higher cost of buying electricity under the government's programme of support to renewable generation. Eleven companies raised their price by almost the same amount at almost the same time. The eleven companies have received a letter from both E-control and the competition authority demanding that they lower their tariffs within four weeks. If they fail to do so, they will be taken to court.
E-control press release, 25/3/03

Austria: Jumbo Gas Tax Leap The Austrian government has imposed a string of energy tax increases, expected to raise an extra US$430 million. The most spectacular change is a near 50% increase in the "energy assessment on gas", raising the levy from US$0.04/ m^3 to about US$0.06/m^3, effective from January 2004. The tax hikes have still to go through Parliament but are expected to be passed.
Platts International Gas Report, 14/3/03

Austria: Domestic Customers Suffer Relatively Official statistics show that energy market liberalisation has had negligible (2-5%) benefit for households. While savings have been around 20%, the total cost of delivered electricity has dropped by much less. The next set of tariff reductions should hopefully be more beneficial for households. According to statistics from Eurostat, tariffs for households in Austria are on average 25% lower than the European average, and 40% lower than in Germany. Only Sweden, Finland and Greece have lower tariffs. This comparison excluded taxes.
Die Presse, 13/3/03; Platts Power in Europe, 3/3/03

Belgium: CREG Forces Grid Tariff Cuts Belgian TSO Elia will have to cut its network tariffs by more than one-third for some client in the second quarter of 2003 following a decision by the Belgian regulator, the CREG. The scale of reduction depends on the client type and they range from 26% to 37.4% on annual tariffs for four key categories (resulting in tariffs between '25/kW per year to '70/kW per year). Elia itself had proposed cuts from 21.2% to 30.1%.
Platts EU Energy, 27/3/03

Belgium: Flanders Shelves Non-Flemish Free Green Transit
The Flemish government announced plans to prevent green power from outside Flanders enjoying an entitlement to free transit over the grid. Existing legislation imposes a public service obligation on network operators to carry certificated green power free of charge. Producers only have to pay for the connection to the grid. A spokesman for the Flemish Energy Minister, Steve Steyvaert, said it has become financially untenable for the network companies to carry imported electricity free of charge and there would have to be a

serious increase in electricity prices“ to cover the cost if no restriction were introduced.
Platts EU Energy, 14/3/03

Belgium: Tariff Measures For Electricity The Comité de Controle de l’Electricité et du Gaz (CCEG) adopted a recommendation to reduce tariffs by EUR 105 million (on a yearly basis) for industrial and professional clients, and to create a fund of EUR 25 million aimed at helping individual customers change their meters for a new electronic model designed for “bi-hourly” metering.
Web site of CCEG, 12/3/03

Belgium: Complaints Against Domestic Electricity Prices The Belgian consumer association Test-Achats has initiated a court action against Electrabel and Sibelgaz and is supporting a dozen of individual complaints against CCEG, the electricity regulator. The goal is to lower electricity prices estimated to be 20% higher than in neighbouring countries. Test-Achats says the CCEG manipulated the parameters used in a study on price differentials with France, Germany, the Netherlands and the UK to produce lower price cuts. If the legal action succeeds, 4 million consumers could request a refund for about 20% of their annual electricity bill. Electrabel is not concerned by this procedure as it does not supply captive consumers directly. Only “inter-communal” firms such as Sibelgaz deal with captive consumers and apply regulated tariffs set by CCEG.
Le Soir, 7/3/03; La Libre Belgique, 6/3/03

Belgium: ECS, IMEA Fined Belgium’s Competition Council has fined Electrabel Customer Solutions and a local authority utility a joint total of EUR 1 million for completing a takeover without competition clearance. The Council has also refused clearance because the takeover would strengthen Electrabel’s competitive position.
Platts Power in Europe, 3/3/03

EU: Ministers Set EU Levels For Energy Taxation Nearly 10 years after the European Union first suggested energy tax harmonization, members last week reached unanimous agreement on new minimum tax levels for commercial gas sales. For the first time, the tax levels will be applied to residential consumers of gas, electricity and coal as of January 2004.

Existing minimum motor fuel taxes will be increased to US$1.45 a gallon for unleaded gasoline from $1.05 a gallon now. The minimum tax on diesel will rise to US$1.22/gallon from 99c. Minimum taxes for commercial and industrial use of electricity will go up to 32c per gigajoule from 17c/gigajoule. The minimum tax on natural gas used as a motor fuel will increase to US$2.77/gigajoule from 49c. Gas used for heating will for the first time carry a minimum tax of 32c/gigajoule for residential consumers and 16c/gigajoule for businesses. Also for the first time, a minimum EU-wide tax will be levied on electricity consumption, at a rate of 53c/megawatt hour (MWh) for business and US$1.07/MWh for residential users.

The move is intended to reduce dependence on fossil fuels, furthering environmental goals by favouring renewable energy sources, and reducing dependence on imports. Another aim is to create a more level playing field in the EU's internal market.
Energy Compass, 28/3/03

EU: Accession Nations Join WENRA Hungary, Slovenia, Slovakia, Romania, Lithuania, Bulgaria and the Czech Republic have joined Wenra, the Western European Nuclear Regulators' Association. WENRA is a professional organization, independent from the EU, that has been set up by Western European heads of the nuclear regulatory authorities. Its purpose is to develop a single approach to nuclear safety and regulation problems within the European Union.
Platts EU Energy, 27/3/03; Bulgarian New Agency, 13 /3/03

EU: Germany Blocks Euratom Plans The debate on the future of the European Atomic Community (Euratom) Treaty intensified with a majority of German MPs voting in favour of vetoing the European Commission's plans for the treaty. The German Greens' spokesman for energy, Michaele Ustedt, affirmed that the Greens' support the European Commission's intention to help the countries of Eastern Europe dismantle their nuclear reactors, but believe the Euratom budget is not a good instrument for achieving this aim.
Agence Europe, 13/3/03

France: No Tariff Increase On 1 April As of 1 April - the traditional date for electricity price reviews - approached, tension grew around this sensitive subject. According to ***Les Echos***, the government refused a 4.8% increase in tariffs requested by EDF's CEO Francois Roussely. On the evening of 26 March, the Ministry of Finances and Economy confirmed there would be no increase on 1 April.
Le Figaro, 27/3/03

France: The CER Is Preparing Tariff Proposals The Commission de Regulation de l'Energie (CRE) is about to propose prices for transport and access to LNG installations, followed by distribution tariffs. The second directive project plans to create a legal separation of transport by 1 July 2004 and of distribution by 1 July 2007. The liberalisation calendar for gas is now well defined:

- August 2000: 1st directive - 25 million cubic meters per year (equivalent to 20% of the market, 150 eligible sites);
- 10 August 2003: 1st directive 2nd phase - 7 million cubic meters per year (28% of market and 650 eligible sites);
- July 2004: 2nd directive - all professional consumers (60% of market and 500,000 eligible sites);
- July 2007: 2nd directive, 2nd level - all consumers.

In the meantime, the CRE has decided to organise “eligibility workshops” where gas consumers can share experiences. The first of these workshops will take place on 26 Mach.
Energie Plus, 21/3/03

France: EdF Sells 987MW In Round Six Electricite de France sold 987MW of virtual power plant capacity in its sixth auction on 5 March. The capacity will be available from 1 April for periods of three, six, 12, 24 and 36 months. EdF sold 475MW of peak capacity and 512MW of base load to about 30 participants, leaving 136MW of capacity unsold. EdF has now sold 4,264MW of the 6,000MW it must sell by the end of the year to meet European Commission conditions for its acquisition of a 34% stake in Germany’s EnBW.
Platts Power in Europe, 17/3/03

France: Ministry Admits To Imperfect Market Opening The French energy market is legally open, but industry experts and government officials accept that this liberalisation may not be perfect. While 20% of the market is open to competition, and eligible customers have switched suppliers, French energy prices are still governed by long-term contracts. Those long-term contracts are likely to remain a feature of the market, said Michelle Rousseau, director for energy demand and markets at the French industry ministry. Rousseau said this was a genuine contradiction in French market opening, but is a compromise that has been struck to achieve the legally required opening of the market.
Platts EU Energy, 14/3/03

Germany: New Regulator On The Block In November 2002, EU energy ministers and the German government decided to create an energy regulator, which is to start work at the latest in July 2004. The decision will not affect the legalisation of agreements for gas and power markets. The tasks of the new regulator will include duties like anti-trust supervision, the option to set network access terms and conditions (especially if current talks on the association agreement fail to produce a new ‘Verbaendevereinbarung’), establishing methods for the calculation of network usage tariffs, and monitoring the unbundling of network operations. Currently, Germany is the only European country without a regulator.
Handelsblatt, 26/3/03; Der Tagesspiegel, 25/3/03

Germany: Threat Against Wayward Grid Companies and Investigation of Greedy Generators The German Federal Cartel Office (FCO)has been chasing ten misbehaving grid companies for a year for their excessive fees. One of the companies, Teag, will challenge the recent ruling of FCO forcing a reduction in grid access fees by 10%. On another matter, FCO has opened an investigation into whether three generation companies are charging unwarranted high prices for primary and secondary balancing power.
Platts Power in Europe, 17/3/03; Platts EU Energy, 14/3/03

Germany: Settlement Review After E.On-Ruhrgas Merger
The EC and German regulators have elected to review the concessions offered by EON to nine companies over the Ruhrgas merger. It is likely that the review will at most adjust the terms, rather than threaten the total deal. Ofgem meanwhile has written to the EC to oppose the merger as an obstacle to competition. Ofgem CEO Callum McCarthy stressed that unbundling must press ahead and that a regulator must be established.
Der Tagesspiegel, 14/3/03; Platts Power in Europe, 3/3/03

Germany: Self-regulation Seen As Unlawful Price Cartel
The Landesgericht (state court) of Berlin has ruled that talks between gas industry associations about self-regulation must be regarded as unlawful price cartels. BNE, a German association of new energy suppliers had asked to court to give them access to the current gas association agreement talks. The court denied their request but made the remark about the illegal cartel which, in the end, still satisfies BNE.
European Gas Markets, 14/3/03

Ireland: Treatment Of Green Suppliers And Generator Balancing Requirements The CER published its decision on balancing requirements for green suppliers and generators under the Trading and Settlement Code. This decision finalises the balancing positions for Green suppliers and generators. The balancing issue for Green suppliers was previously addressed in the Commission's Decision CER/01/106, dated 29th August 2001, "The Treatment of Green Supplier's Balancing Requirements under the Trading and Settlement Code".
www.cer.ie 31/3/03

Ireland: Modification To The Code Of Operations The CER published its final decision on a dispute concerning the Transmission Code of Operations Modification 4: "Flexible Capacity Services at Entry Points". This decision follows extensive consultation with interested parties in the gas market and was published in draft form on 27 January 2003.
www.cer.ie 21/3/03

Italy: Edison's Networks Divestiture Edison will sell off its electricity and gas transmission assets. Edison owns about 3,000 km of electricity network and 1,200 km of gas transmission network. Concerning the gas network, Edison has already signed a declaration of intent with Snam Rete Gas.
Il Sole 24 Ore, 18/3/03

Italy: Green Certificates Market The Ministry for Productive Activities has approved the Instruction to the electricity market rules for the part that regards green certificates. On 26 March, the Italian Market Operator (GME) held the first session of the green certificates market. A green certificate is issued for each 100 MWh of electricity produced from renewable sources. According to the Bersani Decree, each production company must hold green certificates covering a minimum of 2% of its total non-renewable electricity production or imports of the preceding year exceeding 100 GWh.
www.mercato.elettrico.org, 14/3/03

Italy: Investigation On Gas And Electricity Sector The AEEG and the Italian Competition Authority, AGCM, have started a joint investigation into the electricity and gas market liberalization process. The objective of the investigation is to acquire information on the current state of the liberalization process in order to devise possible future regulatory interventions in the sector.
http://www.autorita.energia.it/com_stampa/index.htm, 11/3/03

Italy: New Social Tariff On 6 March, the Autorità per l'energia elettrica e il gas (AEEG) published a consultation document containing its proposals for a new social tariff. Originally introduced in 1957, the current social tariff works by subsidizing consumers with low consumption, through a progressive tariff structure. The Authority proposal would introduce a special tariff for users with proven economic difficulties.
http://www.autorita.energia.it/com_stampa/index.htm, 6/3/03

Latvia: Baltic Energy Specialists Discuss Unified Energy Regulation Representatives of the three Baltic states met in Riga to discuss the regulatory pre-conditions for a single Baltic electricity market. The single market will not come into being until an inter-connection has been established with the Nordic countries or Poland.
Baltic Business Daily, 27/3/03

Netherlands: New Commission Assessing Readiness For Liberalisation Current state secretary Joop Wijn has asked Yvonne van Rooij, a former state secretary of Economic Affairs to preside over a special commission assessing whether the country's energy market is ready for full liberalisation on 1 January 2004. The commission is to deliver three reports this year. Wijn is in favour of

full liberalisation on 1 January but he wants assurances that the process will be smooth.
Ministry of Economic Affairs press release, 25/3/03

Netherlands: Electricity Price Remains the Same The Office for Energy Regulation DTe has decided to keep the price of electricity for small users at the same level for the second quarter of 2003. DTe assesses four times a year whether price rises are justified, for example when fuel prices rise. The new methodology to assess prices was approved at the end of 2002, and prices will remain constant for a second time.
DTe press release, www.nma-dte.nl, 17/3/03

Netherlands: Consultation On Regulation Of TenneT DTe has published a consultation document on the regulation of TenneT, the manager of the national high-voltage grid and TSO. The consultation concerns amendments DTe wants to make in the second regulatory period, starting 1 January 2004. One of the major changes is to calculate the new price cap on the basis of TenneT's turnover, rather than on tariffs. A second amendment concerns the performance contract DTe wants to sign with TenneT. As a TSO, TenneT has to fulfil specific duties which, DTe thinks, could be monitored and enforced with such a contract.
DTe press release, www.nma-dte.nl, 4/3/03

Netherlands: Measures To Guarantee Power Supply Secretary of State Joop Wijn has announced that he will tighten his grip on the electricity sector. Based on recommendations made by energy watchdog DTe, he is planning to set up national complaints centre which customers can notify of electricity and gas outages. Research by DTe showed that electricity companies do not report all their power failures. The government also wants to introduce minimum standards of supply reliability. Electricity distribution firms that fail to achieve the grade would be forced to pay users compensation for power outages. When setting new tariffs DTe will compare both reliability records and efficiency levels of the network companies. Wijn stressed that security of supply is high in comparison with the other EU states. He would like to keep it that way.
Ministry of Economic Affairs press release, 4/3/03; DTe press release, www.nma-dte.nl, 4/3/03

Portugal: Galp To Invest In Storage Of Natural Gas Galp Trangás, the branch of Galp Energia that operates natural gas transportation and storage, will invest EUR 90 million (US$ 96 million) in storage facilities in Pombal, Portugal. The facilities, which are to be operational by March 2004, are required to meet the mandatory strategic reserves requirement imposed by law. This measure will allow a reduction in dependence on external energy

sources in a country that imports more than 85% of its final energy consumption. In addition, the government envisages that gas transportation will be split from the rest of the gas activities by the end of June 2004.
www.negocios.pt, 21/3/03

Portugal: EDP's Public Ownership Would Block A Merger With Unión Fenosa In the context of the bid by Gas Natural for Iberdrola, the president of Unión Fenosa said that the public nature of Electricidade de Portugal, EDP, in which the Portuguese state currently owns a 31% share, would impede a merger between both electricity companies in the near term. The possibility of a merger between the two companies has also been discounted by EDP, which is already involved in the Spanish electricity market through its participation in Hidrocantábrico.
www.negocios.pt, 13/3/03

Romania: Government Amends Gas Tariff Structure The Cabinet has decided to replace the uniform retail gas price with a block tariff comprising three consumption bands from 1 October 2003.
MTI - EcoNews, 19/3/03

Russia: Electricity Sector Reforms The Council of Federations (an upper house of the Russian parliament) approved five of the six laws constituting the electricity sector reform package on 13 March. The sixth law, on Energy Efficiency, failed on the first reading and got passed only on 26 March, after the Federation council members were satisfied with the amendments taking into account the interests of the regions in distributing revenues from energy efficiency measures.
http://www.strana.ru 26/3/03; 12/3/03

Spain: Hidrocantábrico Wins The Naturcorp Privatization Hidrocantábrico, the fourth largest utility in Spain, has been awarded a controlling stake in the regional Basque gas distributor, Naturcorp, outbidding Iberdrola, Gas Natural and ENEL. Naturcorp, which already controls about 7% of Spain's gas distribution, had been valued at EUR 537 million (US$ 539 million). Hidrocantábrico's offer for 62% of the new company was composed of two parts: the transfer of gas assets valued at EUR 277 million (US$ 296 million) to Naturcorp and EUR 227 million (US$ 243 million) in cash. The new company will become the second largest gas market operator in Spain with a market share of 10%, and an 18% target for 2007. The capital of the company will be divided as follows; Hidrocantábrico with a 62% stake, EVE (Energy Basque Entity) with a 32.8% stake, and the San Sebastian city council with a 5.2% stake. However,

due to the public nature of EDP (which owns 40% of Hidrocantábrico), the operation must now be approved by the government.
ABC, 29/3/03; Financial Times, 26/3/03; El País, 25/3/03; Cinco Días, 25/3/03; ABC, 25/3/03

Spain: Gas Natural Bid Subject To Regulatory And Antitrust Files The hostile bid launched by Gas Natural for Iberdrola, valued at EUR 15.3 billion (US$ 16.4 billion), is conditional on the purchase of 75% of Iberdrola's shares, but will also require the approval from regulatory and antitrust authorities. The bid file has already been presented to the CNE (Energy Commission), which has one month to issue its analysis of the effects of the takeover in both the gas and electricity markets. The CNE will consider whether the takeover could affect the regulated activities or financial capacity of the companies, and the impact on competition. The Spanish Competition Defence Service also has one month since notification of the operation, on 15 March, to decide whether or not to submit the file to the Competition Defence Court. Following this submission, the Competition Defence Court would have two months to decide which conditions, if any, to impose on the merged entity, before submitting the file to the Ministry of Economy. The Ministry would then have another month to take the final decision, rejecting or approving the take-over, with or without conditions. In total, the process might last four months.
www.enervia.es, 28/3/03; Financial Times, 11/3/03

Spain: Domestic Gas Butane To Increase By 6.5% In April
Effective 1 April, the maximum price of the gas butane bottle will be increased by 6.5%, from EUR 8.12 (US$ 8.69) to EUR 8.65 (US$ 9.26). The Ministry of Economy has stated that the increase is due to the increase in the cost of gas by 30.3%, in transportation costs by 14.23%, and in commercialization costs for bottles by 2%. The Ministry of Economy updates the maximum price of a butane bottle every October and April.
La Gaceta, 17/3/03

Spain: Electric Utilities Agree To Withdraw Their Appeals Against The Tariffs Decree The six electricity companies that had appealed to the Spanish Supreme Court against the new tariff methodology passed in December 2002, seem to have reached agreement over each company's rights to the deficit compensation payments (see last GERN issue). The total deficit amount is EUR 1,500 million (US$ 1,605 million). It was initially assigned by the government as follows: 43.22% to Endesa, 34.00% to Iberdrola, 11.70% to Unión Fenosa, 4.59% to Viesgo, 4.28% to Hidrocantábrico and 2.25% to Elcogás.
La Gaceta, 10/3/03

Spain: Electric Utilities Appeal Against Three Ministerial Orders Concerning The Gas Business The electricity companies have appealed to the Spanish Supreme Court against the three Ministerial Orders (30/2003, 31/2003 and 32/2003 of 16 January) concerning the remuneration of regulated activities, and the tariffs and tolls in the gas sector. The companies have claimed that the lack of transparency regarding the allocation of revenues and costs results in biased treatment in favour of Gas Natural and Enagás. In addition, the companies believe that the approved tariffs distort the market because the third party access tariff is higher than the cost implicit in the full service tariff. The electricity companies claim that the asymmetries they have detected could be contrary to the Hydrocarbons Law. In addition, as Iberdrola and Endesa have already done, Unión Fenosa is considering the possibility of appealing to the Supreme Court against the obligation to pay a deposit in order to guarantee gas capacity contracted with Enagás.
El País, 10/3/03; La Gaceta, 8/3/03

Spain: Oman's State Owned Oil Company Buys 10% Of CLH
Repsol YPF, Cepsa and British Petroleum are about to finalise the sale of 10% of Compañía Logística de Hidrocaburos (CLH), the owner of Spanish oil transportation and storage assets, to Oman Oil. The main activity of Oman Oil, which is owned by the sultanate of Oman, is investment in the oil sector both in Oman and abroad. The deal will have a price similar to that paid by the other buyers of CLH, and will amount to about EUR 120 million (US$ 128 million). With the entry of Oman Oil into CLH, Repsol-YPF, Cepsa and BP are closer to fulfilling the requirement of Royal Decree 6/2000 to reduce their stakes in CLH to 25%, 15% and 5% respectively. The other shareholders of CLH are Enbridge (25%), DISA (5%), Galp (5%) and China Aviation Oil (5%).
La Gaceta, 8/3/03

Spain: CNE Believes Gas Supply Is Not Guaranteed In The Short Term The National Energy Commission, CNE, has published a report which warns of potential problems in the supply of gas during 2003. The regulator believes that the increase in demand (due mostly to the commissioning of the new Combined Cycle Gas Turbine plants) and the possible lack of capacity of existing facilities may lead to gas supply shortages during peak hours. However, the regulator agrees that these problems will have diminished considerably by winter 2003/04. On the other hand, the gas transportation company, Enagás, has issued assurances that coverage of gas demand is guaranteed.
Cinco Días, 4/3/03

Spain: Government And CNE Draw Attention To Iberdrola's Potentially Dominant Position The Spanish Competition Defence Service believes that the acquisition by Iberdrola's renewable branch, Iberenova, of Gamesa's wind plant assets reinforces Iberdrola's position in the electricity sector. Although it recognizes that the impact in terms of generation capacity is limited, the Service believes that the acquisition of capacity could raise barriers for entrants. Consequently, it has submitted the case to the Spanish Competition Defence Court. Moreover, the CNE has suggested that the acquisition of new capacity in the Special Regime could be used by the utilities as a way to bypass the limitations imposed on their installed capacity in the Ordinary Regime.
Expansión, 3/3/03

Slovakia: Government Revises Law On Regulation The Economy Ministry is proposing to revise the law on network regulation to allow for a period of consultation following publication of new prices but before their implementation. The revision could also provide for an appeal mechanism against decisions of the Regulatory Office for Network Industries (URSO). However, the Ministry has stated that it will not revise URSO's decisions.
Slovenska Tlacova Agentura, 4/3/03

Switzerland: No Nuke Tax For The Swiss The Swiss energy minister's final chance to include an incentive tax on nuclear power in the Nuclear Energy Law was crushed by representatives of the upper and lower houses on 13 March. The tax would have raised up to US$43.7m/year, which was earmarked for the promotion of renewables. The new law is ready for the referendum on 18 May, when the Swiss will vote on two impending initiatives 'Moratorium Plus' and 'Power without Atoms'. The proposals are intended to continue the suspension of nuclear energy or to abandon it completely. The Swiss Parliament advises voting against the proposals, as the nuclear energy is a major energy supplier and relatively safe.
VSE press release, www.strom.ch, 27/3/03

Switzerland: Government Pushes Electricity Law Ahead Despite September's referendum where 52.6% of the Swiss people voted against the proposed electricity market law, plans for changes are to go ahead. An expert group has been appointed to define the new electricity law, though the Swiss energy minister said on 7 March that the federal council was looking for "new ways" to liberalise the energy market gradually, without necessarily introducing a new law.
UVEK press release, www.uvek.admin.ch, 7/3/03

Ukraine: Energy Minister Accuses Regulator of Preferential Treatment for Privatised Companies At a recent cabinet meeting, Serhii Yermylov, the Fuel and Energy Minister, accused the National Electricity Regulation Commission (NERC) of inflating tariffs for privatised distribution companies on the basis that their profitability was far higher than that of state-owned distributors.
Ukranian News, 31/3/03

NORTH AMERICAN NEWS

US: SCC Advice Rejected; Warner Won't Stop Power Deregulation Gov. Mark R. Warner has rejected the State Corporation Commission's advice to suspend electric deregulation in Virginia until mid-2004. To prevent the state from losing oversight of the reliability and price of electricity in Virginia to the Federal Energy Regulatory Commission, the SCC had advised Warner to recommend to the legislature that it rebundle Virginia electric rates. Virginia law split up electric utility rates into their generation, transmission and distribution components last year to make way for competition among power suppliers. Rebundling rates would suspend retail electric competition in Virginia but at this point would affect few consumers. So far, less than one tenth of one percent of the 3 million eligible consumers are participating in the competitive market.
Richmond Times-Dispatch, 30/3/03

US: FERC Reports On Western Wholesale Power Markets On 26 March 2003, the Staff of the Federal Energy Regulatory Commission (FERC) issued a Final Report regarding its investigation into the western wholesale power markets in 2000 and 2001. The report found that there was clear evidence of market manipulation in the western markets, but the manipulation was effective largely because of an underlying supply shortage, flawed market design, and inconsistent rules, which exacerbated the impact of the manipulation. FERC has initiated a series of actions to address problems experienced in the western power markets in 2000 and 2001.
RRA Focus Notes, 28/3/03

US: California Wholesale Energy Market Gas Pricing Methodology FERC adopted a Staff recommendation to use a new gas pricing methodology to determine the refunds to be issued by generators in connection with the California energy crisis for the period 2 October 2000 through 20 June 2001. The refund amount, which will be calculated for several weeks, is expected to be greater

than the $1,800 million estimated by a FERC Administrative Law Judge on 12 December 2002. The generators include subsidiaries of Duke Energy, Reliant Resources, The Williams Companies, Dynegy and Mirant.
RRA Focus Notes, 28/3/03

US: Electricity Rate Shock Predicted When Ohio Deregulation Expires Customers of FirstEnergy Corp. could be in for "rate shock" after 2005 when deregulation in Ohio is complete and the utility can raise rates, possibly well above current locked-in prices, a top company executive said yesterday. Richard Marsh, chief financial officer for Akron-based FirstEnergy, the parent company of Toledo Edison, said commercial, industrial, and residential customers "are being served at rates far below even wholesale rates" because Ohio's deregulation plan locked them into such prices through 2005. Those figures, which are wholesale numbers that don't include other fees charged by the utility, are well below today's wholesale price of more than 5 cents a kilowatt hour, the figure for which power sold at a recent New Jersey auction, Mr. Marsh told analysts.
The Blade, 27/3/03

US: Energy Industry Gives FERC Index Plan Mixed Review
Federal plans to require more open natural gas and electricity price reporting could be key to rebuilding an industry reeling from charges of fraud, but may face stiff resistance from some players, experts said. The Federal Energy Regulatory Commission said it would seek to require all power and gas traders in the over-the-counter market to report all their deals or risk losing their trading privileges. Some players hailed the move as essential to the industry, which has failed to reach consensus on creating reliable price indexes since Enron Corp.'s collapse in late 2001, the California energy crisis, and criminal charges brought against gas traders for fraudulent price reporting.
Reuters, 27/3/03

US: FERC Tentatively Oks Midwest ISO Market Monitor Plan
The U.S. Federal Energy Regulatory Commission said it conditionally approved the Midwest wholesale power grid's market monitoring plan, despite criticism it does not include a price cap to prevent runaway prices when supplies are tight. U.S. utilities, publicly owned generators and merchant suppliers have closely watched the Midwest Independent Transmission System Operator's (ISO) proposal to create an independent market monitor. The plan came before FERC at a time the agency has been trying to finalize its own rules to ensure fair competition and trading in all regional power markets. The newly created Midwest ISO stretches across 15 states, controlling the flow of electricity over some 86,000 miles of power transmission lines from the Appalachians to the Rockies and into part of Canada. FERC issued the decision in docket ER03-323.
Reuters, 14/3/03

US: FERC Commissioner Nominations Present George Bush has announced his intention to nominate Suedeen G. Kelly (D) to an unexpired term on the Federal Energy Regulatory Commission (FERC) extending through 30 June 2004. Ms. Kelly is currently an attorney at the firm of Modrall, Sperling, Roehl, Harris & Sisk, and a Professor of Law at the University of New Mexico School of Law. Once Ms. Kelly is formally nominated by President Bush, the nomination will be submitted to the U.S. Senate for confirmation. In a separate matter, the Senate Energy and Natural Resources Committee approved Bush's nomination of Joseph T. Kelliher to a term on the FERC extending through 30 June 2007.
RRA Focus Notes, 14/3/03

US: California Commissioner Confirmation The California Senate has confirmed, by a 32-to-3 vote, Governor Gray Davis's (D) reappointment of Michael R. Peevey (D) to a six-year term on the California Public Utilities Commission extending through 31 December 2008.
RRA Focus Notes, 14/3/03

US: Texas Power Market Hit By Price Spike, Gaming A recent surge in Texas power prices and evidence of market "gaming" have dealt a black eye to the state's deregulated electricity market, often hailed as a national model since the debacle in California. Texas, which is subject to little oversight from the Federal Energy Resources Commission (FERC) because of its isolated grid, has seen some of the predatory trading practices that plagued California, which may have helped push one small new player into bankruptcy protection last week.
Reuters, 13/3/02

US: California Compiles New Evidence of Price-Gouging California will submit a final batch of evidence to the Federal Energy Regulatory Commission on Monday to prove manipulation of its power market during its 2000-01 energy crisis merits US$7,500 million in refunds, state and utility officials said. The new evidence, collected from wholesale electricity suppliers, aims to show deliberate price-gouging by the firms at a time when California was reeling from blackouts, the bankruptcy of a major utility and billions in economic damage. Dozens of firms such as El Paso Corp., Dynegy Inc. and Williams Cos. have denied any wrongdoing. A coalition of California's attorney general, the public utilities commission, the state's electricity oversight board, and Edison International's Southern California Edison utility say the new evidence supports their demand for refunds.
Reuters, 3/3/03

Canada: Canadian Utility Blasts California Energy "Rant" BC Hydro has accused California officials of using innuendo and false data to make the Canadian utility a political scapegoat for the state's own mistakes during the 2000-2001 energy crisis. In a bluntly worded statement, to be filed with U.S. regulators, BC Hydro's Powerex subsidiary denied California's new allegations that the provincially owned utility and other power exporters manipulated electricity supplies to create the supply crisis and send prices soaring. This month, the state and two of its utilities gave the U.S. Federal Energy Regulatory Commission documents that they said were "an entire arsenal" of evidence that would prove power suppliers acted improperly and should be required to pay billions of dollars in refunds.
Reuters, 19/3/03

Mexico: Gas To Fire 50% Of Generation By 2011 In the expansion of Mexico's power generation capacity by 50% to 63,000MW by 2011, natural gas generation will increase to 50% of total generation from today's 15% and hydro power will fall to 20% from today's 25%, state power company CFE said in a statement.
Business News Americas (BNamericas.com), 21/3/03

Mexico: Industry Calls For Speedy Electricity Reform The industrial sector is calling on Mexico's politicians to make some progress in reforms of the country's electricity sector, which, according to Mr. Javier Prieto de la Fuente, president of Concamin (Confederacion de Camara Industriales), is in urgent need of structural reform and a role for the private sector in increasing competition.
Comtex, 21/3/03

Mexico: CFE To Invest US$16,000 million In Power Generation The CFE (Comision Federal de Electricidad) is developing a US$16,000 million investment program which includes 15 generation plants currently under construction and another 13 which are at the tendering stage. These projects are intended to deal with the growing demand for power, which is increasing by around 5% per year. Work is expected to begin soon on the Altamira, Tuxpan, Valladolid, Hermosillo and Mexicali, the latter being a dual gas and solar energy plant.
El Economista/SABI via COMTEX, 21/3/03

Mexico: Two Groups Remain To Compete For El Cajon Contract Of the three groups which had expressed interest in competing for the contract to construct the El Cajon hydroelectric project, one, formed by Constructora Cota, Tradeco Infraestructura, Compania Contratista Internacional and Consorcio Aristos, has been disqualified because it was unable to meet the technical requirements. The remaining contenders are the group formed by

ICA with La Peninsular Compania Constructora and Energomachexport Power Machina, and the group formed by General Electric Internacional de Mexico, Construccese Comercio Camargo Correa and Constructora Andrade Gutierrez. The CFE (Federal Electricity Commission) is currently reviewing the proposals of these two groups for the project, which has a budget of up to US$812 million, and which has to have a minimum of 40% Mexican participation.
Comtex, 10/3/03

Mexico: Drought, Gas Supply Cuts Threaten Mexico Power Crisis Mexico's state-owned power utility said on Friday it is taking steps to avoid a power crisis this summer after low rainfall produced drought conditions in southeastern Mexico and as natural gas supplies are low.
Reuters, 7/3/03

CENTRAL AND SOUTH AMERICAN NEWS

Argentina: Price Hikes Stay Stalled Argentine president Eduardo Duhalde's proposal to raise natural gas and electricity rates has again been blocked by the courts, confirming expectations among energy executives that a 14-month-old rate freeze will continue until after the next government takes office on 25 May. Meanwhile, Argentine natural gas pipeline operator Transportadora de Gas del Sur (TGS) defaulted on a US$100 million bond last week. TGS's ability to repay its borrowings was further hurt by the government's move to freeze gas rates in pesos.
Platts International Gas Report, 28/3/03

Bolivia: Energy Minister Resigns Over Split Of Hydrocarbons, Electricity Sectors The Bolivian government announced that Engineer Fernando Illanes has resigned from being Energy and Hydrocarbons Minister. The reason for his resignation was Illane's disagreement with the organization of the Executive Branch approved by the National Congress. The disagreement concerns the administrative separation of the hydrocarbons and electricity sectors. Energy Policy Deputy Minister Johnny Nogales, regarded as the promoter of government efforts to change the structure of the Bolivian energy sector to improve the use of the country's huge gas reserves, also submitted his resignation.
Government Information Ministry web site, 20/3/03

Bolivia: Government May Delay Gas Pipeline Decision It is likely that the Bolivian government will not announce its decision as to the possible route for the country's natural gas to reach a maritime port in either Peru or Chile within the time frame it had previously promised. The delay is due to the fact that a US buyer for the gas has yet to be found.
SABI (South American Business Information) - El Comercio (Peru), 18/3/03

Brazil: Energy Sector's Loss In 2002 Surpasses R$7 billion Pressed by the drop in consumption and by the impact of exchange rate devaluation on dollar debts, the energy companies presented in 2002 the worst results in the post-privatization period, with losses over R$7,000 million (US $1,970 million). Losses of the generator Cesp (Energy Company of Sao Paulo), for instance, reached R$ 3,400 million (US $956 million), four times 2001's outturn.
LANS, 31/3/03

Brazil: Governor Orders State Utility To Halt Payments To Endesa The newly elected governor of Brazil's Parana State has ordered state-owned utility COPEL to suspend all payments for power purchased under the terms of an 800MW offtake agreement with Endesa Espana unit CIEN and may also halt COPEL's payments to the 468MW Araucaria power plant which is 60% owned by El Paso Energy.

The suspension of payments is retroactive to 1 January. Governor Roberto Requiao also threatened to cancel the agreements altogether, if COPEL does not succeed in winning dramatic revisions to the contracts' take-or-pay and dollarized pricing terms. Requiao justified his action on the grounds that the deals damage state finances by locking in high prices and volumes at a time when Brazil has a surplus of hydropower and wholesale prices stand at R$ 4/MWh (US$ 1.10).
Platts Global Power Report, 20/2/03

ASIA-PACIFIC NEWS

Australia: Arrangements Approved For The Amadeus-Basin-To-Darwin Pipeline The Australian Competition and Consumer Commission (ACCC) has issued a final approval of the terms and conditions for transportation services proposed by NT Gas for the Amadeus-Basin-to-Darwin Pipeline (ABDP). The ACCC approved a 10-year access period for the ABDP, rather than the usual five-year period, to coincide with the existing lease arrangement.
www.accc.gov.au, 31/3/03

Australia: Changes To National Electricity Code Accepted: The Australian Competition and Consumer Commission (ACCC) has recently announced the acceptance of a number of changes to the National Electricity Code. The changes relate to the Victorian framework for transmission regulation and are designed to ensure greater clarity in the allocation of roles and responsibilities between the Victorian Energy Networks Corporation and SPI PowerNet.
www.accc.gov.au, 19/3/03

Australia: Power Companies Charged With Breach Of Code: The National Electricity Code Administrator (NECA) has charged NRG Flinders, Origin Energy and International Power for allegedly breaching market rules. The charges come in the wake of abnormally high wholesale spot market prices after gas supplies to Adelaide fell owing to damage to the Moomba gas processing plant.
www.neca.com.au, 10/3/03

Bangladesh Wants To Control Losses There are high rates of technical losses in the distribution systems and power sector losses reached US$141 million in 2001/02. Development agencies have urged the government to form plans to control losses and also to collect outstanding bills.
Platts Power in Asia, 20/3/03; The Independent, 3/3/03.

Bangladesh: Bill Passed Amid Walkout The Energy Regulatory Commission Bill 2003 was passed on 10 March despite a walkout by some opposition MPs. The bill aims to pave the way for a regional electricity market, but opposing MPs alleged it would encourage gas exports to India and was being passed to appoint "some ruling party supporters and activists to different posts" of the proposed BERC.
The Independent, 11/3/03

China: Renewable Project Sells Carbon Credits The first plant allowed to sell carbon credits to the Netherlands under the 1997 Kyoto protocol was a renewable energy project, a 42MW wind farm. The payments received will be used to expand the plant's capacity. The Dutch government has agreed to purchase credits from several worldwide projects including in India, Indonesia and central and south America.
Platts Power in Asia, 20/3/03

China: Share Offer Postponed Guangdong Guanding Power Grid Group scrapped a US$1,500 million sale of shares in order to allow the company to merge first with poorer counterparts. This order from Beijing is a setback for the provincial government, which would have gained more from the sale of shares before the merger.
National Post, 3/3/03

India: Reforms On The Horizon The focus in India this session is on passing economic legislation including the Electricity Bill and Petroleum Regulatory Board Bill. The Electricity Bill would permit IPPs to sell directly to customers (undermining the State Electricity Boards) and encourage private investment in generation.
The Hindu Business Line, 14/3/03

Indonesia Gets A Power Watchdog As part of the liberalisation of the industry in 2007, The Indonesian government intends to set up a watchdog for the power industry – the Power Market Supervisory Agency - by September. The agency will determine the timetable for market competition in different provinces.
The Jakarta Post, 13/3/03

Pakistan: Bickering Among IPPs And Public Utilities The public electricity producers and distributors, WAPDA and Karachi Electricity Supply Commission, which have a combined installed capacity of 17.6GW, are against the direct sale of electricity from IPPs. The two claim they have exclusive rights to purchase electricity from existing IPPs. Meanwhile, the IPPs have been accused of bribing officials and hiking up rates by the former PNL government. WAPDA is near financial bankruptcy and plans have been unveiled for it to be broken up into 12 companies; 3 generation, 8 distribution and one transmission company.

Pakistan's Privatisation Commission (PC) decided to divest shares of several public sector utilities, including the Oil and Gas Development Company, through the stock exchange.
The Economist Intelligence Unit Ltd, 25/3/03, 14/3/03; Asia Pulse, 11/3/03; Platts Power in Asia, 6/3/03

Thailand Supply Reforms Ruled Out, Generation Changes March On: The delayed reform of Thailand's electricity supply industry took another knock when the Prime Minister suggested the scheme was not necessary at present. On the other hand, Egco, one the major Thai IPPs, has restructured its operations, by selling shares in non-core investments and investing in shares in small IPPs to expand capacity from 2.7GW to 5GW.
Platts Power in Asia, 20/3/03

CONTACTS

National Economic Research Associates
15 Stratford Place
London W1C 1BE
United Kingdom
Tel: +44 (20) 7659 8500
Fax: +44 (20) 7659 8501
Contact: Graham Shuttleworth, David Hough

National Economic Research Associates
One Main Street
Cambridge, Massachusetts 02142
USA
Tel: +1 (617) 621-0444
Fax: +1 (617) 621 0336
Contact: Jeff Makholm

National Economic Research Associates
Level 6, 50 Bridge Street
Sydney
NSW, 2000
Australia
Tel: +61 (2) 8272 6506
Fax: +61 (2) 8272 6549
Contact: Greg Houston, Ann Whitfield

National Economic Research Associates
Paseo de la Castellana, 13
28046 Madrid
Spain
Tel: +34 (91) 212 6400
Fax: +34 (91) 521 7876
Contact: David Robinson, Oscar Arnedillo

National Economic Research Associates
Via XXIV Maggio, 43
Roma 00187
Italy
Tel: +39 (06) 488 810
Fax: +39 (06) 485 838
Contact: Francesco Lo Passo

NERA also has offices in:

Washington, DC
(+1) 202 466 3510
Cambridge, MA
(+1) 617 621 0444
Chicago, IL
(+1) 312 573 2800
Ithaca, NY
(+1) 607 277 3007
Los Angeles, CA
(+1) 213 346 3000
New York, NY
(+1) 212 345 3000
Philadelphia, PA
(+1) 215 864 3880
San Francisco, CA
(+1) 415 291 1000
Brussels, Belgium
(+32) 2 740 2140
Sao Paolo
(+55) 11.3048.1837

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