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Global Energy Regulation

Reporting on energy regulation around the world August 2003

IN THIS ISSUE

EUROPEAN NEWS

Great Britain: Regulator To Investigate Power Cut Energy regulator Ofgem is to investigate the power cut that occurred in South London and parts of Kent on 28/8/03. The power cut resulted in the loss of 480 MWh of load and lasted around 30 minutes. National Grid Company is to submit a report to Ofgem and the Department of Trade and Industry on the disruption in service. Ofgem plans to conclude its investigation by end-September.
Ofgem press release, 29/8/03

Great Britain: Regulator Reviews Long-Term Auction of System Entry Capacity Energy regulator Ofgem has published its review of the long-term auctions for entry capacity rights to the National Transmission System conducted by Transco in January 2003. Ofgem identified several weaknesses in the design of the auction: (1) in some periods, when there was excess demand, Transco allocated capacity on a pro-rata basis, rather than by price; and (2) some bidding behaviour appeared to be the result of participants wanting to keep the auction open rather than a reflection of true demand. The next auction is to be held in September 2003.
Ofgem press release 21/8/03

Great Britain: Regulator Directs Changes To Transco's Licence Energy regulator Ofgem has directed that Transco's Gas Transporter licence be modified to facilitate the addition of two new entry points to the National Transmission System at Milford Haven, Pembrokeshire and Barton Stacey, Hampshire. The new entry points are to be used for the development of gas storage facilities. The licence modification took effect from 11 August 2003.
Ofgem website, 19/8/03

Great Britain: Regulator And Government Consult On Transmission Charging Under BETTA Energy regulator Ofgem and the Department for Trade and Industry have published a joint consultation document in the series on BETTA (British Electricity Trading and Transmission Arrangements). The paper: (1) sets out proposals for establishing a GB transmission charging regime and the GB system operator's responsibilities within it; and (2) examines how the transmission charging regime might impact on the Government's policy objectives for the growth in renewables.
DTI press release, 18/8/03

Great Britain: Regulator Decides Not To Formally Investigate Gas Supply Interruptions Energy regulator Ofgem has not found evidence to justify a formal investigation of the unprecedented gas supply interruptions that occurred on 17 and 18 June. On the basis of the evidence it received, Ofgem concluded that the interruptions were caused by a combination of offshore problems. Ofgem has stated that it will: (1) seek further information from shippers over their actions; (2) work with the Department of Trade and Industry to improve the flow of information from the offshore industry; and (3) examine whether the rules governing the operation of the Rough gas storage facility enhance the security of supply.
Ofgem press release, 6/8/03

Great Britain: Undertakings Sought From Centrica Over Acquisition Of Rough Gas Storage Facility The Secretary of State (SoS) for Trade and Industry has accepted the conclusions of the Competition Commission (CC) that Centrica's completed acquisition of Dynegy Storage Ltd and Dynegy Onshore Processing Ltd may be expected to operate against the public interest. The SoS has requested that the Office of Fair Trading and energy regulator Ofgem seek undertakings for behavioural remedies from Centrica. The remedies proposed by the CC include: (1) the sale of Rough's full storage capacity on non-discriminatory terms; (2) the auction of remaining unsold capacity no less than 30 days before the start of each storage year, with no reserve price; (3) an incentive to expand Rough's capacity; (4) maintenance of legal, financial and physical separation of the storage business from the group's other businesses; and (5) arrangements for an independent review of Centrica's compliance with the undertakings. The SoS has set a deadline of 1 December 2003 for Centrica's acceptance of the full set of undertakings and stated that divestment of the assets remained an option of Centrica is not prepared to give all the undertakings.
DTI press release, 1/8/03; Ofgem press release, 1/8/03; OFT website, 1/8/03

Great Britain: Regulator Publishes Decision On Transfer Objections Energy regulator Ofgem has published a decision document regarding the circumstances in which a supplier can object to the transfer of one of its Industrial & Commercial (I&C) customers. Rather than prescribing the circumstances in which a supplier can object to the transfer of I&C customers, Ofgem has decided that the circumstances be negotiated between the parties. Ofgem intends to publish notification of the necessary licence changes in September and proposes implementation by November.
Ofgem website, 1/8/03

Austria: Possibility Of Major Blackout According to energy regulator E-Control, a major blackout in Austria is very unlikely. Although minor blackouts can't be ruled out and do happen, a blackout like in the USA is almost impossible. However, the Verbund said that Austria only just escaped a power blackout on 27 August. A critical situation arose in the supra-regional Austrian power grid after a breakdown of the Hungary-Croatia 380 kV line. The Verbund had to use all its available capacity to keep up the mains power supply.
Platts Power in Europe, 1/9/03; E-Control press release, 18/8/03

Austria: Grid Tariffs To Be Cut The Minister of Economics Bartenstein has instructed network operators to reduce grid use charges by 2.5% per annum over the next four years. Charges have to fall faster if the amount of power transmitted rises. If the amount of transmitted power falls, charges may fall more slowly. To provide an incentive, the most efficient grid operators will only have to reduce their charges by 1.5% per annum.
Platts EU Energy, 29/8/03

Belgium: Consumer Organisation Observes Large Price Differences Among Suppliers According to a recent survey by consumer organisation Test Aankoop, electricity price differences among suppliers in Flanders amount to almost 65% in some cases. However, since the beginning of retail competition in Flanders on 1 July 2003, so far less than 1% of consumers have switched supplier. In its survey, Test Aankoop also urges regulator CREG to set a uniform distribution tariff across Flanders, instead of the 18 different regional tariffs that now exist. The current practice leads to unfair discrimination against certain consumers, according to Test Aankoop.
Agentschap Belga, 28/8/03

Belgium: Elia Seeks Judicial Review On Rates The Belgian transmission network operator Elia announced its decision to appeal against the tariff proposal submitted by regulator CREG in November 2002. The disagreement between both parties focuses on the 2.9% deprecation rate on assets that CREG has proposed. Elia insists

that this rate should be 4.2%, equal to the level in neighbouring countries.
De Financieel Economische Tijd, 2/8/03

Denmark: Designing Competition Policies For The Nordic Electricity Market The Danish Competition Authority (KS) has released a report that summarises key ideas for the design of a more coherent competition policy in the Nordic market for electric power. KS finds that deregulation of the Nordic electricity sector so far has been largely successful, but aims to increase competition and co-operation in the enforcement of national competition policy. KS stresses that further action is required to overcome obstacles to competition in the Nordic electricity market, such as bottlenecks in the grid, market concentration and barriers to entry by electricity suppliers.
Danish Competition Authority, 20/6/03,
http://www.ks.dk/publikationer/konkurrence/03/

EU: EDF Gets Control Of EDF Trading The EC has authorised EDF to acquire Louis Dreyfus' remaining share in their joint venture EdF Trading, which trades in energy products, particularly electricity, and has the exclusive right to supply EdF with fossil fuels. As the two parties have not competed against each other, the purchase is thought not to reduce competition in any markets.
European Report 28/8/03

France: EDF Sells Stake In Graninge AB To Eon Subsidiary
In its continuing effort to rationalise its foreign operations, EDF has announced the sale of its 36.3% stake in Swedish utility company Graninge AB to Sydkraft AB, owned by German utility Eon. Criticisms from French politicians, including Finance Minister Francis Mer, have spurred EDF to revise its foreign strategy and reduce its level of indebtedness.
EDF press release, http://www.edf.fr/, 14/8/03, Financial Times Deutschland, 8/8/03

France: Heat Necessitates Extraordinary Measures To Avoid Power Shortages Due to the high temperature levels seen in August, peak power demand in France exceeded last year's level by more than 10%, to reach over 53,000 MW. Although the president of energy regulator CRE, Jean Syrota, claimed that France has ample production facilities at its disposal, Electricite de France (EDF) admitted the precariousness of the situation. EDF was forced, as a result of the heat, to reduce power generation at nuclear plants where temperatures were nearing maximum authorised levels and obtained approval from the nuclear security agency (ASN) to discharge warmer water than normally allowed.
Le Figaro, 11/8/03

France: CRE Submits Tariff Proposal For Gas Network And LNG Terminal Use Energy regulator CRE's new tariff proposal, submitted to the ministers of economy and energy, applies to the natural gas transportation networks of Gaz de France, Compagnie Francaise du Methane and Gaz du Sud Ouest, as well as to the LNG terminals owned by Gaz de France. CRE has set the rate-of-return (ROR) at 7.75%, for transportation assets that became operational before 2004, while the ROR for assets that will become operational from 2004 will be 9%. The higher tariff is meant to encourage new network development. The proposed ROR for LNG assets is 9.75%. The tariffs are expected to be implemented on 1 January 2004 with a duration of 12 to 18 months.
CRE Press Release, http://www.cre.fr/, 30/7/03

Germany: Task Force "Network Access" Dismissed The Federal German Minister of Economics and Labour, Mr Wolfgang Clement, has dismissed the task force "Network Access" two days after the publication of the "Monitoring Report". According to a spokesman of the Ministry, the reasons were indiscretions on part of members of the group who also worked in the private energy industry. Given this betrayal of confidence, a continuation of the task force's work seemed impossible. The task force was established in April 2001 under Mr Clement's predecessor, Mr Müller. Its main task were the advancement of network access and the handling of complaints of energy supply companies and households. A different organisational unit within the Ministry will now carry these tasks out until the new regulatory body for electricity and gas has been established.
Financial Times Deutschland, 4/9/03, Frankfurter Allgemeine Zeitung, 4/9/03

Germany: Shape Of The German Energy And Gas Regulator
The German Federal Minister of Economics and Labour, Mr Wolfgang Clement, released its "Monitoring Report" on 31 August 2003. Under EU directives 2003/54/EC (electricity regulation) and 2003/55/EC (gas regulation), the new German regulator for both energy and gas will be linked with the existing Regulatory Authority for Telecommunications and Posts (RegTP) and not the Federal Cartel Office (FCO). The regulator's role will be to ensure an effective, fair and discrimination free access to network capacities, in order to promote competition. Mr Clement suggests that the gas market will be subject to an "entry-exit model" whereby the federal gas network will be subdivided into different zones. Network authorities then have to grant suppliers access at any point the network, and only charge accordingly. (Till now, gas suppliers have had to organise the complete transportation process once customers had decided to order their gas from a certain supplier.) The new regulatory authority will start its work on 1 July 2004.
Federal Minister of Economics and Labour (BMWA), 31/8/03, www.bmwi.de

Ireland: Regulator Publishes Proposals For Unmetered Supply Competition The Commission of Energy Regulation (CER) has published a paper by Electricity Supply Board (ESB) regarding the introduction of unmetered supply (UMS) competition. The document contains options for the introduction of UMS competition and provides a recommended solution, including an approximation of the costs of implementation to be incurred by ESB.
www.cer.ie, 21/8/03

Ireland: Regulator Consults On Gas Market Opening Principles The Commission for Energy Regulation (CER) has published for consultation the proposals and recommendations received from the Gas Market Opening Working Group (GMOWG). GMOWG is a working group composed of industry representatives who are charged with making recommendations to the Commission for further and full market opening for natural gas. The final proposals will form the basis of the detailed procedures and rules for market opening, to be developed by the GMOWG.
www.cer.ie, 7/8/03

Ireland: Notification Made Of Modification To The Gas Transmission Code Of Operations Bord Gáis Transmission has issued notification of the implementation of Modification 4a to the Gas Transmission Code of Operations. The modification is intended to facilitate the transfer of capacity by Irish Shippers from an existing entry point to an alternative entry point where gas from a new gas source is made available at that entry point. The modification is to be implemented on 2 September 2003.
www.cer.ie, 7/8/03

Ireland: Regulator Decides On Gas Distribution Connection Policy And Tariffs The Commission for Energy Regulation (CER) has published its decision on tariffs for the distribution of natural gas. The tariff decision takes effect from 1 October 2003 until 30 September 2007. The CER has also published its decision regarding the policy for connection to the gas distribution network.
www.cer.ie, 7/8/03

Ireland: Regulator Publishes Decision Over Level Of PSO Levy The Commission for Energy Regulation (CER) has published its decision on the amount of the Public Service Obligation (PSO) levy effective from 1 January 2004. The PSO levy compensates Electricity Supply Board (ESB) for the additional cost of complying with obligations to purchase the output of certain peat and renewable electricity plant.
www.cer.ie, 5/8/03

Italy: New Decree To Prevent Black-outs. The Cabinet has approved a decree that aims to restore generating capacity, in order to prevent further black-outs, by allowing an increase in the temperature of waste water from power plants and by loosening the constraints imposed on emissions, to permit a temporary increase in production from some plants.
Staffetta Quotidiana, 30/8/03

Italy: Transitory Market For Supply To Non-Eligible Clients Starts Operations. The transitory market for supply to non-eligible customers (about 60% of total electricity consumption) starts operation on 9 August 2003. The transitory system is preparation for the electricity market that is expected to start operation in January 2004.
AEEG website, www.autorita.energia.it, 8/8/03

Italy: AEEG's New Discussion Papers On Electricity Market. The AEEG issued two new discussion papers, one on bilateral contracts and one on the equalisation mechanisms for distribution tariffs for the period 2000-2003. AEEG believes that bilateral contracts should be free and AEEG's proposals included in the discussion paper aim at setting equal treatment for contracts in the power exchange and bilateral contracts.
AEEG website, www.autorita.energia.it, 8/8/03

Netherlands: Network Operators Plan To Recoup Losses On Clients of Energy XS Former business clients of Energy XS may have to pay twice for the transport of electricity they bought from the now bankrupt supplier. Many of Energy XS's clients paid a combined bill to the company for electricity supply and transport, leaving Energy XS to pay network companies for their transport services. At the time of bankruptcy, unpaid bills to network companies amounted to several million euros, which network companies now intend to claim from Energy XS's former customers. According to industry association Energiened, the contractual relationship of the network operators is with the customers, not with the supplier.
Het Financieele Dagblad, 28/8/03

Netherlands: Regulator Establishes New Tariff Code DTe has revised the Tariff Code (TarievenCode) on which electricity network operators base their tariff proposals to DTe for electricity transport services. The revised Code includes new regulations relating to tariffs for public lighting and an obligation for operators to prepare detailed invoices for provision of non-standard connections to, for example, large companies. The revised Code will go into effect on 1 January 2004.
DTe press release, 27/8/03

Netherlands: Bankruptcy of Energy XS Causes Confusion
Following the bankruptcy of Energy XS, reports have emerged of aggressive approaches to and excessive billing of former Energy XS clients by their suppliers of last resort. Several companies appointed as supplier of last resort are said to have tried pressurising clients into supply contracts using confidential customer information given to them by their affiliated network operator. Network operators are required by law to appoint a supplier of last resort, and all have appointed their affiliated supply company. Meanwhile, energy regulator DTe issued a press release to clarify the procedural rules in the case of a bankruptcy. It stressed the right of customers to use the period of 10 working days to choose a new supplier as defined by law. Furthermore, DTe said it will take any reports of approaches to customers by suppliers extremely seriously and will investigate whether their actions contravene the 1998 Electricity Act.
Het Financieele Dagblad, 22/8/03, 21/08/03, DTe press release, 21/8/03

Netherlands: Gasunie Introduces New Price Formulae
Competition is growing in the Dutch gas market. Gasunie still controls 100% of the residential market but it has already lost 35% of the industrial and commercial sector since liberalisation. Gasunie's answer is offering more flexible pricing formulae. Details of the five alternative price systems will be disclosed in September, but the alternatives vary mainly between a fixed price, a coal/oil indexation or Brent indexation, a cap and floor price and a combination of the above.
European Gas Markets, 20/8/03.

Netherlands: Electricity Supplier Energy XS Files For Bankruptcy Energy XS, established two-and-a-half years ago and possessing a market share of nearly 3%, is the first energy company to go bankrupt since liberalisation of the Dutch energy market several years ago. According to company president and shareholder Jaap van der Velde, Energy XS is no longer able to purchase electricity from its suppliers. Energy XS could not comply with Eon's demand (its main supplier) for a bank guarantee of EUR 15 million. Van der Velde cites increased risk adversity on the side of energy generators since the liberalisation of the market as the reason for Eon's demand.
Het Financieele Dagblad, 18/8/03, 16/8/03

Portugal: The Government Approves New Regulations To Move Closer To The Iberian Electricity Market The Portuguese Government approved, on 20 August 2003, two decrees (Decreto-Lei 184/2003 and Decreto-Lei 185/2003) that bring closer the creation of the Iberian electricity market (MIBEL). In particular, DL 184/2003 regulates some aspects of the electricity retail activity (licences, rights and duties of the suppliers, etc) and electricity imports and exports (definition and registry of foreign agents, etc). DL 185/2003 refers to

rules governing market agents (rights and duties of market agents, such as public service obligations, the existence of bilateral agreements, the role of the Portuguese market operator). In addition, this last regulation allows for the elimination of the long-term electricity supply contracts existing between the transmission operator, REN, and producers, accounting for the majority of the electricity production, and contemplates the payment of compensation to affected parties.
Enervia, 22/8/03

Portugal: ERSE Allows EDP To Increase 2005 Tariffs To Recover Reorganization Costs The Portuguese Energy Regulator, ERSE, has decided to allow an increase in 2005 tariffs for EDP Distribução to enable recovery of the expected costs of its personnel reorganization plan approved for 2003 and 2004. These costs amount to EUR 485.7 million (US$ 547.7 million). However, ERSE has not approved, in spite of the utility's proposal, an increase in 2003 tariffs or any modification of the 2002-2004 regulatory parameters to recover the same costs incurred in the period 1998-2002, on the basis that doing so would be contrary to current commitments to consumers. EDP accepted the regulator's decision, even though only half its request had been approved.
www.negocios.pt, 11/8/03, 8/8/03; www.erse.pt, 8/8/03

Portugal: The Control Of Oil And Gas Companies To Be Debated In September The future of Galp Energia, the company that operates both gas and oil regulated businesses in Portugal, is to be debated in September. ENI, the Italian oil company which holds the biggest stake in Galp Energia, is attempting to obtain full control of Galp's retail oil business in Portugal and Spain, while refining would be carried out wholly by the Portuguese government. ENI is also interested in obtaining a share of the natural gas business, while the position of the Portuguese government is to incorporate all the gas assets into EDP.
www.negocios.pt, 1/8/03

Spain: The Economy Ministry Issues A Draft Regulation On The Electricity Tariff Deficit The Spanish Economy Ministry has already presented to the CNE the draft Ministerial Order on the recovery by the Spanish utilities of the electricity 2000-2002 tariff deficit. The draft regulation considers that the shortfall in the revenues of the electricity regulated activities during 2000 to 2002 amount to EUR 1,514.66 million (US$ 1,708.09 million), plus EUR 250 million (US$ 281.93 million) corresponding to the extra peninsular electricity systems. The draft order foresees the securitisation of this amount.
ABC, 11/8/03

Spain: The Regional Government Of Andalusia Opens Two Files On Endesa The regional government of Andalusia has opened two files on Endesa. The first one follows the blackout that affected more than 300,000 customers in the region on 1 August, while the second one is a consequence of the fire caused in Granada by an electricity facility belonging to Endesa. In addition, the Catalonian Government has decided to reject Endesa's request for EUR 9 million (US$ 10.2 million) as compensation for the increase in costs that the utility faces as a result of regional quality-of-service legislation imposed by the Catalonian Government, and which does not exist in other regions.
La Gaceta, 9/8/03; www.abc.es, 7/8/03; Expansión, 2/8/03

Spain: The Court Of Auditors Reports Failures To Pay The CNE Fee The Spanish Court of Auditors has sent a report to Congress on the management and financing of the National Energy Commission (CNE) during 2001. The CNE is financed through a monthly fee that is mandatory for the Spanish utilities and is passed on to consumers in the form of a percentage included in the electricity and gas tariffs. The main conclusion of the auditors' report is that only 34.2% of the electricity fees and 23.7% of the gas fees were paid on time to CNE. The report also concludes that the problem is mainly due to poor monitoring by the CNE, and encourages the CNE to improve its control over utilities' payments.
Expansión, 8/8/03

Spain: The Supreme Court Requires The Competition Authorities To Investigate The Oil Companies The Spanish Supreme Court has concurred with the Spanish Confederation of Petrol Stations (CEEES) on the necessity of launching an investigation into the way in which British Petroleum, Repsol, and Cepsa set prices in petrol stations. In 1995, the CEEES accused the three oil companies of selling petrol at different prices depending on the owner of the petrol station. In 1998 the National High Court ruled against the petrol companies and asked the Competition Authorities to investigate further the CEEES's accusations. However, the oil companies appealed against this decision in the Supreme Court, which has now reaffirmed the judicial decision issued by the National Court. The Supreme Court calls for the Competition Authorities to investigate whether the three oil companies abused their dominant position through discriminatory pricing policies.
La Gaceta, 5/8/03

Turkey: Government Blocks EMRA's Electricity Tariff Plans.
The Government has ordered the Energy Market Regulatory Authority to review its proposed methodology for setting regional tariffs. The methodology, which EMRA first announced in March for implementation in mid-2003, passed on local distribution losses to

customers. It would have reduced electricity prices in towns such as Izmir and increased them by up to 70% in the poorer south-east of the country. EMRA's tariffs for Diyarbakir would have been double those in Izmir, which the Government found unacceptable.
IBS Energy Line, 29/8/03

NORTH AMERICAN NEWS

US: Price Of Deregulation: A Flickering Power Grid With the lights back on after the biggest blackout in North American history, consumers are learning that no single authority is in charge of the grid, and few have an incentive to invest the money needed to improve its reliability. Deregulation increased the vulnerability of the grid to failure, regulators and industry executives broadly agree. Electricity transmission over high-voltage lines and the distribution into homes and buildings remains regulated. Power companies received only a relatively low, government-set return on their investment in the grid, so they allocate far less to improving transmission reliability than to building power plants. As a result, much more electricity is moving over virtually the same transmission wires, pushing them to carry loads they were not built to handle, according to many regulators and industry specialists.
International Herald Tribune, 25/8/03

US: Data: Ohio Drained Power Before Outage The region where investigators suspect the eight-state blackout originated became a black hole in the hours before the outage, sucking electricity from two power companies' generators and threatening to burn transmission lines, the utilities say. Even before last week's blackout, federal regulators were keeping close tabs on the way power is managed in the Midwest. Since May, the Federal Energy Regulatory Commission has been on site monitoring the Midwest Independent Transmission System Operator, which began operating less than two years ago and oversees the Ohio utilities that suffered line failures.
Associated Press, 23/8/03

US: Blackout Pinned On 3 Failed Lines In Ohio The failure of three transmission lines in northern Ohio was the likely trigger of the nation's biggest power blackout. Experts are working to understand why the disruption spread throughout the Northeast and Midwest and into Canada, and was not contained. The transmission system in northern Ohio is operated by FirstEnergy Corp. Company officials have declined to discuss details of their investigation into the blackout.
Associated Press, 16/8/03

US: Pennsylvania Commission Order Aims To Bolster Sustainable Energy Efforts The state Public Utility Commission approved on Thursday an order that is intended to create a permanent organizational framework for development of sustainable energy resources. Pennsylvania has four regional sustainable energy development funds with a collective US$100 million. They were created out of settlements with major electric utilities during the PUC's restructuring of the state's electricity industry in the late 1990s. The funds promote projects like wind farms, solar power systems, smart thermostat programs and the construction of buildings using energy-conservation technologies. So far, the funds have provided about US$20 million in loans and US$1.8 million in grants to more than 100 sustainable energy projects.
The Patriot-News, 8/8/03

US: Utilities Oppose Rules On Cash Pool Management Some U.S. electric utilities have objected to new federal rules meant to prevent them from raiding their affiliates for cash, which would require firms to give notice if their capitalization drops below 30 percent. Reacting to abuses by Enron Corporation and other companies, the Federal Energy Regulatory Commission is cracking down on the way utilities move money from parent to subsidiary units through so-called "cash pool" programs. The agency issued an interim rule in June requiring utilities to document such programs. At the same time, it issued a proposal to require utilities to give notice if their capitalization falls below 30 percent, which it could finalize later this year.
Reuters, 8/8/03

US: FERC Sets Industry-Wide Audit Of Transmission Tariff Accounting FERC staff plans to begin an industry-wide audit of the accounting related to "formula rate" open access transmission tariffs, the agency disclosed in letters recently sent to two utilities that have been selected for the audit, Georgia Power Co. and Entergy Louisiana Inc. FERC staff said that the overall audit objective is to determine compliance with the Commission's accounting and reporting requirements and regulations as they relate to: (i) the various accounts incorporated in formula rate transmission tariffs; and (ii) transactions under the tariffs. FERC staff will also review the companies' internal controls in these areas. The audit scope will cover the period from 1 January 2001 through 31 December 2002.
NGI's Power Market Today, 7/8/03

US: New Mexico Utility Struggles To Meet Electricity Demand Utilities including PNM have been forced to find ways to get more electricity through existing lines because demand has soared to where it threatens to overwhelm the nation's aging power grid. Building new transmission lines has become a bureaucratic

nightmare and extremely expensive and promising new technologies are still cost prohibitive and years away, utility officials say.
Albuquerque Journal, 7/8/03

US: Sweeping U.S. Inquiry Into Blackout Is Set Up The U.S. Department of Energy has agreed to lead a sweeping investigation to determine precisely how a huge segment of the country's electrical system collapsed last week, inflicting widespread damage on local economies from Detroit to New York, as well as in Canada. Energy Department officials said the investigation would employ hundreds of experts from U.S. agencies, national laboratories and the organizations that control the flow of electricity on the nation's power grid, and would take responsibility for discovering an answer out of the hands of an industry organization that had been leading the initial inquiry.
International Herald Tribune, 2/8/03

US: Michigan Commission Rules Detroit Edison's Stranded Costs Are Negative The Michigan Public Service Commission (PSC) has ruled that Detroit Edison's net stranded costs for 2000 and 2001 are negative and retained the zero transition charge for stranded cost recovery that it set for DE on 20 December 2001, when it initially ruled on the company's stranded costs for 2000. The PSC utilized the stranded cost methodology developed by its Staff that it initially adopted in the December 2001 decision, and rejected DE's efforts to modify the Staff's methodology. Under the method, the PSC computes annually net stranded costs on a historical basis.
RRA-Focus Notes, 1/8/03

US: New Jersey Electricity Bills Expected To Climb As Caps On Rates Expire For millions of New Jersey residents who have had artificially reduced electric prices for the past four years, it's time to pay up. Electric bills for August will rise in part because rate caps established as part of the state's 1999 electric competition law have expired. The law set a four-year transition period during which prices would be reduced by up to 15 percent while competition among electricity providers was supposed to take hold. Although that competition has not materialized in any meaningful way for residential customers — only one alternative supplier serves New Jersey today — the caps came off today. That means a 15 percent monthly increase in the electricity bill of the typical customer of Public Service Electric & Gas. For customers of Conectiv, which does business in South Jersey, the increase for a typical customer will be 6 percent.
The Philadelphia Inquirer, 1/8/03

US: Electricity Rates Drop Today For Southern California Edison Customers Beginning on 1 August 2003, electricity rates for customers of Southern California Edison (SCE) dropped by 8% to 19%. The rate change is based on SCE's previous forecast that during July it would complete recovery of US$3.6 billion in uncollected power procurement costs incurred on behalf of customers during the 2000-2001 California energy crisis. SCE filed a rate reduction plan last January, anticipating a midyear completion of its cost recovery effort and the possibility of reduced rates in early fall. Subsequently, a settlement was reached with representatives of various customer groups that included the use of forecasted rather than after-the-fact cost-recovery verification and made possible earlier rate reductions. Based on forecasts that pointed to full recovery in July, the California Public Utilities Commission (CPUC) voted on 10 July to authorize rate reductions.
PR Newswire, 1/8/03

Mexico: CFE Postpones IPP Tenders CFE postponed further its timetable for tenders, due to uncertainties over natural gas supply and lower demand growth. The last IPP procured by tender was La Laguna II, on 1 August 2002, and even though CFE expected to have 5 tender procedures this year, it has only launched the tender for Valladolid. Next year, CFE expects to call for proposals for Tuxpan V, Altamira V, Tamazunchale, Valladolid y Agua Prieta II, with an added capacity of 4,661 MW.
Reforma 29/8/03

Mexico: Public Tender For Altamira LNG Plant The Federal Electricity Commission (CFE) will receive the technical proposals from companies interested in building a liquefied natural gas plant (LNG) in Altamira, Tamaulipas, with capacity of 500 mcfd. Mr. Eugenio Laris, director of CFE's Financed Investments, declared that the company is hoping to get at least one proposal.
Reforma 18/8/03

Mexico: Private Investors Complain Of Lack Of Guarantees In Electricity Sector Private investors in the Mexican energy system continue to voice their preoccupation with the uncertainty created by current legislation, because it imposes high risks on the recovery of investments.
El Economista via Energy Central 15/8/03

Mexico: PRI And PAN Offer To Consolidate The Electricity Reform The national leaders of the two main political parties: Revolucionario Institucional (PRI) and Acción Nacional (PAN) committed with President Fox to work together to consolidate the necessary legislative reforms. «It is time for agreements», said the

PRI's leader Roberto Madrazo. According to PAN's leader, Congress can still have an extraordinary session to discuss the electricity reform.
La Jornada 6/8/03

CENTRAL AND SOUTH AMERICAN NEWS

Argentina: Low Regulated Gas Prices May Cause Supply Problems Due to low regulated gas prices in Argentina, investment in gas exploration has dwindled, leading to increased risks of gas shortages in Argentina's export markets such as Chile. At present, the regulated gas price is US$0.33 per thousand cubic feet, compared to a pre-crisis level of US$ 1. Argentine President Nestor Kirchner has tied price increases to the renegotiation of contracts with public utilities, making any changes unlikely until late 2004. However, other government officials have indicated that some increases may be possible after local elections in November this year.
Business News Americas, 22/8/03

Chile: Minister Revises Plan For Power Transmission Rates
Chile's Economy and Energy Minister Jorge Rodriguez has modified his proposal for a new law regulating transmission rates so that consumers will pay more and generators less. Rodriguez' plan - according to some commentators, an attempt to reach political consensus - proposes that consumers pay 30% of costs and producers 70%, as opposed to the 20%-80% split suggested previously.
Business News Americas, 5/8/03

Colombia: Energy Ministry Opens Bidding Process For Transmission Line The Colombian Energy Ministry has invited bids to design, build and operate a 1,000km transmission line that will interconnect the North-East with the South. The line, with an estimated cost of US$ 350 million, will enable transmission of relatively cheap hydropower generated in the South to reach the northern parts of the country, where most generation is thermal. Besides improving security of supply in the North-East, the new line is also expected to lead to a fall in electricity prices of up to 3% across the national grid.
Business News Americas, 26/8/03

Venezuela: Industry Association Urges Government Action To Restore Health of Electricity Industry Electricity industry association Caveinel pleaded with state agencies to settle their accumulated unpaid bills and the government to abide by regulations requiring tariff reviews every 6 months in order to attract much-

needed investment in Venezuela's electricity industry. Suspension by the current and previous administration of inflation and exchange rate adjustments to hold down end-user tariffs have also contributed to the present state of the electricity industry. According to Caveinel, several billions of dollars of investments are required to bring Venezuela's electricity industry up to scratch.
Platts Global Power Report, 7/8/03

ASIA-PACIFIC NEWS

Australia: Joint Review Of Metrology To Be Undertaken A joint review of the potential for demand-side participation in the electricity market in the form of metering has commenced, encompassing the regulatory jurisdictions of New South Wales, Victoria, Queensland, South Australia, Australian Capital Territory and Tasmania. The objectives of the review are: to identify any barriers to consumers implementing metering solutions; propose solutions to reducing those barriers; and consider options for implementing nationally consistent metering procedures. The review is due to be completed by the end of this year.
www.nemmco.com.au, 18/8/03

Australia: ACCC Grants Extension Of Reserve Trader Sunset The Australian Competition and Consumer Commission (ACCC) has authorised an extension to the reserve trader provisions of the National Electricity Code. The provisions allow the National Electricity Market Management Company (NEMMCO) to enter into contracts with code participants to provide reserve generation and ensure supply. The current provisions were due to expire on 1 July 2003. However the ACCC has determined that the electricity market has not yet developed to the extent required to ensure sufficient capacity and supply without intervention.
www.accc.gov.au, 6/8/03

China: Regional Electricity Markets In 3 Years The State Electricity Regulatory Commission has said that it will take China 3 years to build six regional electricity markets. Several rules have already been published to regulate the proposed markets. A number of blackouts have hit China this summer, particularly in the prosperous Yangtze River Delta, thanks to record temperatures and lagging infrastructure development. Private enterprise in small power plants may help the problem of power supply in future.
SonoCast China Business Daily News 6/8/03; Asia Pulse 6/8/03

Japan: Low Summer Temperatures Relieve Power Shortage Worries This year's unusually cool summer in Japan has kept demand for power at low levels and removed fears of power shortages in the Tokyo area. At present, 12 of the 19 nuclear reactors owned by the Tokyo Electric Power Company (Tepco) are out of service following scandals about inspections and maintenance last year. While summer power demand in Tepco's service area can reach peak levels of 64,500 MW, in the present situation Tepco would only be able to supply 62,500 MW. So far this year however, demand has not exceeded 56,500 MW.
Web Denki Shimbun, http://www.shimbun.denki.or.jp/, 27/8/03, 26/8/03

Japan: METI To Stimulate Distributed Generation The Agency for Natural Resources and Energy of Japan's Ministry for Economy, Trade and Industry (METI) announced plans to introduce incentive regulation next year to stimulate the use of distributed energy generation. By increasing the diversity of energy sources and by decreasing the burden on transmission lines, the Agency hopes to strengthen security of supply.
Web Denki Shimbun, http://www.shimbun.denki.or.jp/, 26/8/03

Japan: Tepco Accepts Fuel Tax The Tokyo Electric Power Company reluctantly accepted a tax on spent nuclear fuel in the Kashiwazaki area. This is one of the first local taxes on spent nuclear fuel in Japan
Platts Power in Asia 7/8/03

Philippines: ERC Will Adopt New Rate-Setting Method The Energy Regulatory Commission (ERC) is to apply a method for setting rates. The new methodology will be applied to power distribution utilities and will use performance-based regulation in place of the current return-on-rate-base regulation.
Business World 14/8/03

Philippines: Power Rate Cut On Line For Meralco Meralco has reached a compromise with state owned Napocor. Meralco had wanted to break its contract to buy power from Napocor, to buy power at cheaper rates from affiliates. The parties have agreed that Meralco will buy electricity from Napocor at lower rates (a cut of 0.12 pesos/kWh or 0.2 UScents/kWh), pay Napocor a total of 20,000 million pesos (US$364million) and is committed to lower monthly purchases.
AFX Asia 13/8/03

Taiwan: Good News For Consumers The Ministry of Economic Affairs announced a reduction in summer electricity tariffs charged by the state-owned power company, Taipower. The changes will be back-dated to 1 June. TaiPower will also create a fourth tariff band to add to the existing three bands.
Platts Power in Asia 7/8/03

Thailand: Energy Overhaul A major restructuring of the energy sector has been proposed by the National Economic and Social Advisory Council. In particular, the vice chairman suggested policy-making, operations and regulation be separated into different organisations to improve accountability, transparency and independence. EGAT currently sets its own policy as well as carrying out production and transmission. Proposals were to be put to a national energy workshop chaired by the Prime Minister in late August.
The Nation, 20/8/03

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