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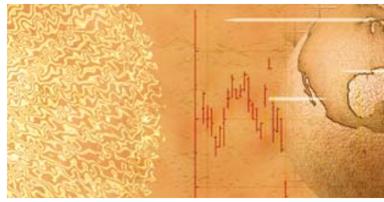
Global Energy Regulation



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Ofgem Proposes Green Tariff Guidelines

Ofgem has proposed new marketing guidelines to give customers more confidence in green energy tariffs. The guidelines set out the principles to which suppliers should conform when marketing green tariffs and propose an accreditation scheme to assure customers that these principles are being adhered to. Around 350,000 domestic customers and an increasing number of businesses have signed up to green supply deals, but research shows there is significant skepticism regarding environmental claims made by suppliers in relation to these tariffs. The two key principles contained in the guidelines require that green tariffs must deliver environmental benefits and transparency to customers.

Ofgem Press Release, 16/07/08

Northwest EU Regulators Move To Improve Transparency

Ofgem is coordinating an initiative with other northwest European energy regulators to encourage gas network companies to voluntarily improve transparency of information on gas flows and available capacity. The aim is to make European energy markets more competitive. According to Ofgem, the project has already provided new information allowing users to assess gas flows and capacity at cross-border points on the gas networks. These interconnection points are crucial to the flow of gas around Europe and historically it has been difficult to understand where additional capacity may be available for use. Ofgem also states that delays are occurring in the publication of information relating to several data types, including the probability of supply interruption for major customers, and daily flows of gas.

Ofgem Press Release, 25/07/08

Ofgem Issues Guidelines On Social Tariffs

Ofgem has issued new guidelines on the types of initiatives that energy suppliers can include towards the social spending commitments agreed upon with government. Suppliers have agreed to increase total expenditure on social programmes by £225 million between 2008 and 2011. Ofgem has said that for a supplier's social tariff to count towards its commitments it must be as good as the lowest tariff they offer to customers in that area, including online deals.
Ofgem Press Release, 25/07/08

Austria

Regulator Welcomes Creation Of Regional Office For The Allocation Of Interconnector Capacity

The Austrian regulator, E-Control, has welcomed the creation of an independent auction office for the allocation of interconnector capacity on electricity transmission lines. E-Control is responsible for the coordination of regional electricity market integration in Europe's "Central East" region (CEE). The office, based in Freising, Germany, will be responsible for capacity allocation of interconnectors in CEE and replaces a number of only sparely coordinated procedures of national Transmission System Operators. The capacity allocation will encompass daily, monthly, and yearly capacities.
E-Control, 21/07/08

Competition Watchdog And Energy Regulator Form "Competition Initiative Gas"

The Austrian competition watchdog, the Bundeswettbewerbsbehörde, and the energy regulator, E-Control, have founded the "Competition Initiative Gas" (WIG). The initiative is intended to promote competition in both the wholesale and retail gas markets, which have to date been developing slowly. WIG will focus on three aspects: (1) improving access to various gas suppliers; (2) improving access to flexibility services, such as storage; and (3) providing more choice and better information for customers.
Bundeswettbewerbsbehörde, 18/07/08

Bulgaria

Suppliers Launch Legal Challenge To Power Price Decision

Czech energy company CEZ and the Austrian EVN have launched a challenge to the Bulgarian energy regulator's retail electricity price decision in the Supreme Administrative Court. EVN is arguing that the Bulgarian energy regulator's proposed 14% increase in retail electricity prices from 1 July 2008 is insufficient to finance grid modernisation. The regulator announced lower prise increases than it had initially planned, after the government asked that it take account of the impact of the rise on general inflation in the country. E.ON has indicated that it will also contest the regulator's proposed 17.46% tariff increase in the Supreme Administrative Court.

South East Europe News Digest, 04/07/08; Reuters News, 11/07/08

Antitrust Authority Approves New Energy National Champion

Bulgaria's antitrust regulator has approved government plans to establish a national energy champion, Bulgarian Energy Holding (BEH), which will act as a joint holding company for the existing state-owned energy interests. BEH is expected to be formed later this year, and will incorporate assets of five state-run companies: Bulgaria's sole nuclear power plant Kozloduy, gas company Bulgargaz, power grid operator NEK, coal-fired power plant Maritsa East 2, and the Maritsa East coal mines.

SeeNews, 01/07/08; Global Insight Daily Analysis, 02/07/08

European Union

European Court Of Justice Rules That The Spanish Energy Regulator's Extended Functions Are Against European Community Legislation

The European Court of Justice has declared that the power to approve or impose requirements on mergers granted to the Spanish energy regulator by the government in 2006 violates European law. Specifically, the Court indicated that the power limits the free movement of capital. The Spanish regulator used the power to impose restrictions on the bids of E.ON and Enel/Acciona for Spanish company Endesa. Some of these restrictions were found to be unlawful by different European administrative bodies. However, the European Court of Justice recognized that the regulator is allowed to impose restrictions on operations that may pose risks on the security of supply.

Cinco Días, 18/07/08; EFE, 17/07/08; Reuters, 17/07/08

ERGEG And CESR Consult On A Proposed EU Market Abuse Framework For Energy Markets

The European Regulators' Group for Electricity and Gas (ERGEG) and the Committee of European Securities Regulators (CESR) have published a joint consultation paper on market abuse issues relating to energy trading. In the consultation paper, ERGEG and CESR recommend that the European Commission consider the development of a specific EU market abuse framework for the electricity and gas sector. They acknowledge that there are substantial interdependencies between electricity and gas markets and other markets, such as emission allowances, coal, and oil markets. ERGEG and CESR indicate that the existing EU securities legislation (i.e., the Market Abuse Directive, or MAD) may not properly address potential market integrity issues in the electricity and gas markets. This is because the MAD applies almost exclusively to financial instruments admitted to trading in a regulated market, but does not cover physical products (e.g., spot market products) or derivatives markets' products, unless they are admitted for trading on a regulated market. CESR and ERGEG also call for legally binding disclosure obligations in energy sector regulation including sanction mechanisms. The regulators drafted their advice following a request from the EU Commission as part of the Third Energy Package.

ERGEG and CESR, 21/07/08

Germany

German Regulator Raises Return On Capital

The Bundesnetzagentur (BNetzA), the German regulator, has raised the regulated return on equity (RoE) for new investments in both the electricity and gas networks to 9.29% before tax. For old assets, the rate is 7.56% before tax. These rates will be valid from 1 January 2009, when incentive regulation is introduced in Germany and will be used to determine revenue caps valid from this date. The BNetzA increased the RoE for the electricity network sector as compared to the draft decision in order to take account of corporate income tax and the solidarity tax. The final decision followed comprehensive proceedings and detailed consultations with experts and affected parties. The revised rates will result in additional revenues amounting to €270-300 million annually for network operators. Another change proposed by the BNetzA to improve the expected rate of return for network operators only applies to investments in network expansions or network restructuring. These changes are expected to increase the expected return on investment for these individual projects by approximately 10%.

Bundesnetzagentur, 07/07/08

Regulator Introduces Procedure To Eliminate Contradirectional Balancing

The Bundesnetzagentur, the German regulator, has introduced a procedure to determine the use of balancing energy. Balancing energy is required to offset a surplus or deficit of power in the German electricity networks. The present practice may result in negative balancing energy in a particular control area being used to offset a surplus, while positive balancing energy in another area is used to offset a deficit of power at the same time. This situation is also known as contradirectional non-harmonised use of balancing energy.
The determination procedure aims to avoid this situation and reduce the need for and costs of balancing energy. Interested parties can submit their comments until 22 August 2008.
Bundesnetzagentur, 25/07/08

Ireland

Endesa Pays €50m For ESB Power Stations

Power stations at Tarbert in County Kerry and Great Island in County Kerry have been sold to Endesa for €450 million as part of the process agreed by ESB with the energy regulator to reduce its share of national power generation to 40%. They have a combined generation capacity of 800 MW.
Business and Finance Daily News Service, 31/07/08

Bord Gais Sets Price Rise At 21.3%

Bord Gais has confirmed its winter price rises, following approval from the Commission for Energy Regulation for a 20% rate increase, due to steep rises in wholesale gas prices on international markets. Domestic gas prices will rise 21.3% to €5.47 per c/kwh, while business tariffs will increase by up to 27.1% for heavy users.
Business and Finance Daily News Service, 30/07/08; Irish Times, 26/07/08

Italy

Aeeg To Simplify Regulation

Aeeg, the Italian regulator, has created a group with the aim of simplifying regulation (Nucleo per la semplificazione). The group has analysed regulatory decisions made in 2005, 2006, and 2007, and has identified more than 300 decisions that are no longer applicable.
AEEG website, 03/07/08

New Communication System For Transmission Of Data And Information To The Regulator

Aeeg has launched the “Anagrafica Operatori,” a new online communication system that will enhance the speed and security of communication (including transmission of data) between the regulator and energy companies. Participation in the system is mandatory for all companies providing electricity and gas public utility services. The new system allows access using digital certificates, which are not required by very small companies.

AEEG website, 02/07/08

Netherlands

NMa Publishes X-Factors And Standard Volumes

On 28 July, the board of the Dutch competition authority (NMa) published its calculation of x-factors and standard volumes for gas distribution companies on the website of the Office of Energy Regulation, Energiekamer. The x-factors and standard volumes apply to the third regulatory period in the Dutch gas sector, which covers the calendar years 2008 to 2010 inclusive. The publication of x-factors and standard volumes follows the earlier publication of gas distribution tariffs in June.

Energiekamer website, 28/07/08; Case number 102449

NMa Publishes Draft Regulation Gas Transmission Tariffs

The NMa has published its proposal for the regulation of gas transmission tariffs on the Energiekamer website. Stakeholders have until 31 August to submit their views with the NMa. The proposal is published in the form of three draft decisions, which discuss the NMa’s proposed form of regulation to apply to Gas Transport Services’ (GTS) activities related to gas transmission, balancing, and quality conversion. The proposal applies to the tariffs charged by GTS, the gas transmission operator in the Netherlands, over the period 2009 to 2012 inclusive.

Energiekamer website, 21/07/08

NMa Rules On Network Connection Dispute Appeals

Electricity distributor Continuon won its appeal against an NMa decision of December 2007. In the December 2007 edition of the GERN, we reported that, in a dispute between network operator Continuon and its customers Stichting De Basis and Van Wijnen Holding BV, the NMa had ruled that Continuon was to follow the Gas Tariff Code when setting its tariffs for these customers' connections. As both connections had been built prior to the introduction of the Tariff Code in September 1999, Continuon had assigned both customers to a higher tariff class than specified in the Tariff Code. Last December the NMa ruled in favor of De Basis and Van Wijnen, but Nuon has now successfully appealed on the grounds that both customers' contracted transport capacity justified a higher tariff class.

Energiekamer website 02/07/08; Case numbers 102497-54 and 102486-57.

Portugal

ERSE Introduces Changes In Electricity Regulation

ERSE, the Portuguese Energy Regulator, has published its proposed changes to the Tariff and Commercial Codes. The main changes are the introduction of incentive-based regulation in electricity transmission, and the supply of last resort services in mainland Portugal and in the distribution and retail activities in the Islands of Azores and Madeira. ERSE is also proposing to impose an obligation on Energias de Portugal (EDP), Portugal's energy company, to have a separate corporate image for distribution and supplier of last resort.

Agência Lusa 24/07/08; ERSE website 24/07/08

Romania

ANRE Raises Regulated Gas And Electricity Prices

The National Energy Regulatory Authority (ANRE) has stated that regulated gas prices will rise by up to 12.5% and regulated electricity prices will rise by 4.4% from 1 July. The new regulated gas price for E.ON GAZ Romania will be RON104.41 per megawatt hour (MWh), a rise of 11.6%, and RON104.70 per MWh for Distrigaz Sud SA of Bucharest, a rise of 12.5%. The increase reflects rising gas import prices. The new electricity prices for household users will be RON0.3125 per kWh from 1 July 2008, which also reflects rising fuel costs, as well as the cost of meeting EU emissions regulations.

Rompress, 01/07/08; Business Review website, 07/07/08

ANRE Approves Tariff Regulation And TPA Exemptions For Pipeline

The National Energy Regulatory Authority (ANRE) has approved a request by the Nabucco International Company (NIC) that the Romanian segment of the Nabucco gas pipeline to be exempted from price regulation and Third Party Access (TPA) requirements. The derogation covering 50% of available capacity will run for 25 years from the date when the first segment of Nabucco becomes operational. ANRE attached several conditions to the exemptions, including the requirement for a "revision of pricing methods" 20 years after the pipeline becomes operational, the company conducting a "public offer" to contract out the pipeline's capacity before construction work begins, and designing tariffs that are within 10% of the European average charged for similar projects.

Rompress, 02/07/08; Mediafax website, 01/07/08

Spain

Endesa And Red Eléctrica Fined On The Barcelona Blackout Investigation

The Catalan regional government has decided to impose fines on Endesa and Red Eléctrica for a blackout that affected more than 300,000 costumers in parts of Barcelona and its surrounds for more than two days on July 2007. Fines were set at US$15.7 million (€10 million) for Endesa, the distribution company in the zone affected by the power cut, and US$17.3 million (€11 million) for Red Eléctrica, the Spanish electricity transmission company.

El Periódico, 21/07/08; Enervía, 09/07/08; El Mundo, 08/07/08; EFE, 08/07/08

Government Sets Natural Gas Tariffs Of Last Resort

Full liberalisation of the Spanish natural gas retail market became effective on 1 July with the elimination of all regulated tariffs. These were replaced by maximum prices for the Supply of Last Resort for consumers that had not exercised their eligibility to choose a market offer. The Spanish Government has set the maximum prices for the Supply of Last Resort for domestic consumers an average of 3.19% above the regulated tariffs in force until June.

www.finanzas.com, *11/07/08; Reuters, 10/07/08*

Switzerland

Feed-in Remuneration Triggers Boom In Green Energy Investments

Producers of renewable electricity from hydro power (up to 10 MW), photovoltaic energy, wind power, geothermal power, and biomass energy have been able to register their facilities for the compensatory feed-in remuneration since May 2008. According to the Swiss Federal Office of Energy (SFOE), around 5,000 applications have been received to date, 3,500 of which were received on 1 and 2 May alone. This rush to register reflects the enormous interest in renewable energy in Switzerland and points to an emerging investment boom, the SFOE said. From the middle of August 2008, registered producers will receive official notification informing them whether their facilities are eligible for feed-in remuneration.

SFOE, 07/07/08

Launch Of Balance Group For Renewable Energies

The Swiss Federal Office of Energy (SFOE) has commissioned Energie Pool Schweiz AG to process energy and financial flows related to the compensatory feed-in remuneration, which will be managed via the balance group for renewable energies (BG-RE). From 1 January 2009, Energie Pool Schweiz AG will be responsible for: (1) purchasing targeted electricity from renewable energies (compensatory feed-in remuneration); (2) remuneration of producers at the rates defined by the Federal Council; (3) day-ahead forecasts of the production volumes of these plants; (4) sale, at the market price, of the purchased electricity to all other balance groups with connected end consumers; and (5) collection of the difference between the compensatory feed-in remuneration rates and the market price from the swissgrid fund set up for this purpose.

SFOE, 21/07/08

Turkey

Distribution Grid Privatisations Progress

Turkey's Privatisation Agency (OIB) has announced that 16 companies have pre-qualified to participate in the privatisation tender for the Meram Aras regional electricity distribution network, and a further seven for the Aras grid. However, the privatisation process may yet be blocked following a legal challenge from the chamber of electrical engineers (EMO) to the council of state, the top Turkish administrative court. They argue that the proposed privatisation contravenes energy market law, which regulates sales to foreigners and monopolisation, contradicts with the constitution, and lacks transparency.

Turkey Sectors and Companies Today, 21/07/08;
Global Insight Daily Analysis, 21/07/08

North American News

US

Georgia Coal-Fired Plant Blocked In First Application Of Supreme Court Greenhouse Gases Ruling

A judge in Georgia has blocked construction of a 1,200 MW coal-fired power plant, reversing a state decision approving its construction. The judge cited a 2007 US Supreme Court ruling that the federal government has authority to regulate greenhouse gases, saying that the state violated the US Clean Air Act by failing to require the plant to limit CO2 emissions. This is the first time plant construction has been blocked by a judge citing the Supreme Court decision.

The Washington Post, 01/07/08; Investor's Business Daily, 02/07/08

Midwest Independent System Operator Submits Plan To Speed Approval Of Grid Links

The Midwest Independent System Operator (MISO) has submitted a plan to the Federal Energy Regulatory Commission designed to ease the backlog of new generation capacity applying to connect to the Midwestern power grid. MISO says it is seeking to replace its "first come, first served" application process with a "first-ready, first served" process. The new process would take into account a project's likelihood of going forward and how quickly it is being developed. The plan is likely to speed additions of new generation—particularly wind power—to the power grid.

Inside F.E.R.C., 07/07/08; Electric Power Daily, 30/06/08

SEC's Proposed Rule Would Provide More Useful And Accurate Picture Of Oil And Gas Reserves; Industry Reporting Could Include Unproved Reserves Deemed "Probable" And "Possible"

The Securities and Exchange Commission (SEC) has proposed changes to its reporting requirements for oil and natural gas companies in order "to provide investors with a more meaningful and comprehensive understanding of oil and gas reserves, which should help investors evaluate the relative value of oil and gas companies." The proposed rule changes would enable companies to disclose not only proven reserves but also unproved reserves, labeled "probable" or "possible." Reserve reports would need to be professionally audited, according to Society of Petroleum Engineers criteria.

Foster Natural Gas Report, 04/07/08; SEC website, 28/06/08

US Regulator Accuses El Paso Energy Firm Of Fraud

The US Securities and Exchange Commission has charged El Paso Corporation with fraud. It claimed that El Paso had issued “misleading” financial statements relating from 1999 to 2003, overstating its oil and gas reserves to investors. El Paso has agreed to settle the SEC’s civil legal action without admitting to or denying the regulator’s claims.

Agence France Presse, 11/07/08; SEC website, 11/07/08

State Regulators Object To Proposed Federal Carbon Fee

The National Association of Regulatory Utility Commissioners (NARUC) says that state regulators oppose provisions of a proposed federal law that would add a fee to rates for electricity generated by fossil fuels. The fee, which would be used to finance carbon capture and storage projects, would be passed through to consumers without the approval of state regulators. NARUC says the law “would authorize utilities to vote to exempt themselves from any regulatory oversight to recover costs from captive ratepayers.” If the law passes, the fees would go into a utility-controlled fund that could be used to create a private carbon storage research corporation operating in conjunction with the Electric Power Research Institute.

Environment & Energy Daily, 11/07/08; Energy Washington Week, 16/07/08

Nuclear Licensing Process Slower Than Expected

The new process implemented by the US Nuclear Regulatory Commission (NRC) to streamline approval of new nuclear power plants is so far not speeding up licensing. NRC Chairman Dale Klein says that delays are emerging because the NRC often does not get all of the information it needs for licensing from nuclear vendors. The NRC is currently reviewing nine license applications, and only one of those applications involves a plant design already certified by the NRC: the GE Advanced Boiling Water Reactor. The remaining eight applications cover four different reactor designs.

Megawatt Daily, 15/07/08; Energy Trader, 01/07/08

NERC Announces Plan To Protect The US Power Grid

The North American Electric Reliability Corporation (NERC) has developed a new plan to protect the US power grid from cyber and physical attack. The plan creates a system to develop “emergency/crisis” reliability standards, and to increase coordination between NERC and other US and Canadian agencies. It also involves beginning a rapid review of NERC’s existing critical infrastructure protection standards. NERC’s new reliability effort grows out of concerns created by the massive August 2003 blackout, and, more recently, the Florida blackout in February 2008.

Megawatt Daily, 15/07/08; SC Magazine, 21/07/08

Texas Approves New Transmission To Accommodate Wind Power

The Public Utility Commission of Texas has given preliminary approval for a massive increase in transmission network investment. The approval of US$4.9 billion in new transmission network investments is to allow the biggest expansion of renewable energy in US history, bringing 18,000 MW of new wind generation from western Texas to the eastern part of the state within 10 years. The new wind generation and transmission capacity will make Texas by far the largest producer of wind power in the US. The new 18,000 MW alone is 50% more than the combined wind generation capacity of the 14 next largest wind power producing states.

Power Market Today, 18/07/08; Transmission & Distribution World, 14/07/08

El Paso Submits To FERC A Major Case Lifting Rates Approximately 25% Despite "Fierce" Competition

El Paso has submitted a rate filing to the Federal Energy Regulatory Commission (FERC) that proposes a 25% rate increase next year, increasing the rate base by US$197 million to US$1.87 million from the US$1.69 billion rate base filed in the 2006 rate case. El Paso has also proposed a 13% return on equity (ROE), producing a pre-tax return of 15.94% and an overall cost of capital of 11.05%. The new base tariff rates would produce annual revenue of approximately US$650 million. The rate increase is driven by a perceived conflict between fierce competition and increased business risk. The California Public Utilities Commission and other local utilities have challenged the rate case and requested a hearing and suspension.

Foster Natural Gas Report, 11/07/08; 18/07/08

Illinois May End Its Ban On New Nuclear Plants

Illinois has imposed a moratorium on new nuclear plant construction since 1987, but the state's General Assembly has created a task force to consider whether the moratorium should end. Illinois already has six nuclear plants—more than any other state—and obtains more than half of its electricity from nuclear power. Illinois is one of several states considering removing legislative bans on new nuclear plants. The California Assembly is considering legislation to end that state's nuclear moratorium, and the Kentucky legislature may revoke its 1984 ban on new reactor construction.

Daily Herald, 19/07/08; Energy Daily, 20/07/08

Consumer, Environmental Groups Demand Changes In Ohio Deregulation Implementation

Numerous consumer and environmental groups have filed comments with the Ohio Public Utilities Commission (PUC) urging major changes in draft rules for implementing Ohio's electricity market reform law. The groups argue that the proposed rules fail to reflect the law's intention to deliver the lowest possible power prices and to achieve energy efficiency goals. The Ohio law creates something of a hybrid between traditional regulated rates and market-based rates, in an effort to avoid power price spikes that have occurred in other states that implemented deregulation without adequate market competition.

The consumer and environmental groups are concerned that the draft implementation rules are unclear about how the PUC will compare regulated and market-based rates, and ensure that consumers pay whichever is cheaper.

Dayton Daily News, 03/07/08; The Columbus Dispatch, 23/07/08

Rivals Won't Drop Alaska Pipeline Plan; Transcanada Gets State's Support, But Deal Not Done

The Alaska House of Representatives has granted a licence to TransCanada Corp. to commence preliminary work on a project to build a gas pipeline from Alaska, and has also awarded a subsidy of up to US$500 million to support the work. However, this subsidy does not confirm TransCanada as the final winner. Rival company ConocoPhillips and its partner, BP PLC, will continue with their own plans for a pipeline from Alaska.

National Post, 24/07/08; Calgary Herald, 24/07/08

Mexico

Secretary Of Energy Reaffirms The Need To Introduce Reforms To PEMEX

The Secretary of Energy, Georgina Kessel, has insisted on the need to approve a package of reforms for Petroleos Mexicanos (PEMEX), which President Felipe Calderón has sent to Congress. The reforms ensure that oil revenues are not shared with other companies, and that the State continues to control the full exploitation of oil. The package provides increased financial and managerial autonomy to PEMEX including greater decision making, administrative, and recruitment powers. PEMEX would be authorized to freely choose and change its internal administrative organization to adopt new models of administration and production. Thus, PEMEX could outsource functions to specialized refining facility companies, in order to reduce its dependence on foreign refined

products. The Secretary of Energy said the reforms also seek to strengthen the regulatory authorities by expanding the powers of the Ministry of Energy and the Energy Regulatory Commission (CRE), in addition to creating the Petroleum Commission, which would function as the technical arm of the Energy Secretariat in the field of oil and gas exploration and exploitation of hydrocarbons.
SENER website, 17/07/08

Central And South American News

Argentina

New Increase In Retail Power Prices

Argentina's planning minister, Julio de Vido, has announced an increase in power prices paid by residential and commercial users. The increase for residential users would be an average 8.1% and it would affect the country's largest residential users, those who consume more than 600 KWh every two months, which represents almost one quarter of residential households of the country. Commercial users will face an increase of 10% in their prices. Since the macroeconomic crisis that affected Argentina in 2001, retail and wholesale prices in infrastructure sectors have been in effect frozen in relation to inflation. The announcement of price increases in retail power rates is very welcome by the industry.
Bnamericas, 30/07/08

Endesa's Released Financial Results For Latin America Operations For First Semester Of Year

Endesa, the Spanish-based multinational company, recently released its financial results for the first half of 2008. Its Latin America (Latam) operations are in Argentina, Brazil, Chile, Colombia, and Peru. Key financial indicators for Latam's operations during the first semester of 2008 were: (1) EBIDTA reached €1.3 billion, or 32% of, (2) Net income was €617M, which represented a 30% increase on a year-on-year basis. Endesa's Latam operations represent 38% of Endesa's total revenues and EBIDTA and 10% of total profits. Key regulatory developments that affected Latam's operations during the first half of the year were:

- In Brazil, Ampla's tariff review was completed with an average 10.95% rise in the end price for customers. The Coelce tariff review was also concluded, with an average increase in the end customer sales price of 8.43%.

- In Chile, the Unconventional Renewable Energy Law came into effect on 1 April. This legislation stipulates that 5% of total power be generated from renewable sources between 2010 and 2014. This mandatory threshold will be increased by 0.5% per annum from 2015 to a maximum of 10% in 2024. Further, the definitive node price report for the May-October 2008 period was published, setting the node price plus surcharges at US $137.36/MWh

- In Peru, a Decree Law was passed, establishing that renewable resources shall represent 5% of the country's total energy consumption in the next five years. Also, the regulator released its proposed 'busbar' price for setting tariffs between May 2008 and April 2009 of US$38.93/Mwh, an increase of 3.6%.

Endesa website, 28/07/08; Bnamericas, 30/07/08

Chile

Government Extends The Electricity Rationing Period Until October

Since 2007, the government has continued to introduce measures to ration electricity consumption due to the recent emergence of several energy supply problems facing Chile. The energy rationing efforts have led to a reduction of electricity consumption of 4.2% between March 2007 and June 2008. However, there are still important constraints to the supply of electricity in the country, such that the government has decided to extend the measures related to rationing until October.

CNE website, 24/07/08

Bill to Create A New Ministry Of Energy Makes Inroads In The Chamber Of Deputies

The Commission of Mining and Energy of the Chamber of Deputies has approved the Executive Branch's proposal for the creation of a new Ministry of Energy. The proposal recommends that all executive powers in matters of policy, laws, and regulations, plans, and programs will be entrusted to the Ministry of Energy, which will be responsible for the stewardship of the energy sector in the country. The functions relating to technical regulation—the economic sector (tariff analysis, identification of technical standards and quality) will remain within the jurisdiction of the National Energy Commission (CNE), as currently developed. The new Ministry will be also in charge of supervising concessions of geothermal projects and establishing prices affecting the stabilization funds from oil prices.

CNE website, 30/06/08

Asia Pacific News

Australia

Australia Releases Its Green Paper On Carbon Pollution Reduction

In July 2008, the Australian federal government released its green paper outlining its plan to tackle climate change and reduce carbon emissions. The centerpiece of the government's strategy is an emissions trading scheme that is intended to be implemented in 2010. The emissions trading scheme will cover the stationary energy, transport, fugitive emissions, industrial processes, waste, and forestry sectors. The government has announced that, to offset the impact on the price of fuel, fuel taxes will be cut on a cent-for-cent basis for at least the first three years of the scheme. Additionally, some assistance will be provided to existing coal fired generators.

Department of Climate Change news release, 16/07/08

Australian Energy Market Commission Finds Retail Competition In South Australia Is Effective

The Australian Energy Market Commission (AEMC) released the draft report on its review of the effectiveness of retail competition in the electricity and gas markets in South Australia. The preliminary finding of the draft report is that competition for both small natural gas and electricity customers is effective. Overall the majority of small customers are aware of retail competition and 60% of customers have switched to market contracts. The AEMC is expected to release its final report in September 2008.

AER news release, 04/07/08;

Queensland Competition Authority Approves Pass-Through Of Costs Relating To Severe Tropical Cyclone Larry

In 2006 Cyclone Larry, a Category 5 cyclone, crossed the north Queensland coast causing significant damage to the region including the electricity network owned by Ergon Energy. Under the Queensland Competition Authority's (QCA) 2005 Final Determination, Ergon Energy is allowed to pass the cost of major exogenous and unforeseen events through to customers. In deciding upon Ergon Energy's cost pass-through application, the QCA stated that if it were not for the merit of the event itself, the cost pass-through would have failed to meet the QCA's information requirements.

QCA news release, 28/07/08

China

China To Adjust Electricity Prices

The National Development and Reform Commission (NDRC) will set out new detailed rules and regulations that will adjust on-grid electricity prices across the country. Although a final decision is still pending, it is expected that on average, China's on-grid electricity prices will rise by 0.017 yuan per kilowatt-hour (kWh), with higher growth in Beijing and Shanghai of more than 0.02 yuan/kWh. In addition to these proposals, the sale price of electricity was also increased by 0.025 yuan/kWh on 1 July for industrial users across China, except the Tibet Autonomous Region. It is hoped that the higher electricity sales price will encourage power firms to increase electricity supply.

Asia Pulse, 01/07/08; Xinhua's China Economic Information Service, 01/07/08

Government Approves Grid Investment Plan

China's State Council has approved the National Development and Reform Commission's plan to improve the country's power grids. The plan includes investments in transmission lines, grid frameworks, and substations for critical power projects, and locating power plants away from areas prone to natural disasters.

China Business Newswire, 03/07/08; Interfax-China, 03/07/08

National Energy Administration Commences Operation

China's newly-established National Energy Administration (NEA) has commenced operation. The NEA is attached to the National Development and Reform Commission. The establishment of the new agency is aimed at strengthening the centralised management of the energy sector, managing rising energy costs, and ensuring the sustainable and steady development of the sector. The energy sector was previously administered by the State Electricity Regulatory Commission, NDRC and the Ministry of Commerce.

Xinhua China Economic Information Service, 29/07/08; China Daily website, 30/07/08

India

OERC Says Renewables Target Will Not Be Met

The Orissa Electricity Regulatory Commission has expressed concern that its target of sourcing 3% of power from renewable sources in 2007-2008 will not be possible due to bureaucratic constraints and the resulting delays in bringing new hydroelectric projects online. The original target was due to rise by 0.5% per year until 2011-2012.

The Hindu, 03/07/08; SteelGuru.com, 23/07/08

PSERC Raises Tariffs

The Punjab State Electricity Regulatory Commission recently announced an average 2.6% increase in electricity tariffs across all sectors for 2008-2009, to be retroactively implemented from 1 April 2008. Domestic tariffs will increase by 3.5%, and agriculture sector tariffs by 4.5%. Despite the tariff increase to end-users, the subsidy paid by the Parkash Singh Badal government through agricultural sector tariffs will still increase by 37%.

The Press Trust of India, 04/07/08; Thaindian News, 05/07/08

KSEB Imposes Tariff Rises For Large Energy Users

The Kerala State Electricity Board has decided to increase high tension (HT) and extra high tension (EHT) tariffs. The tariff rise is required to fund new investment in thermal generation to fill a gap due to problems sourcing power from other states. HT and EHT consumers now get power at reduced rates of Rs 3.25 and Rs 3.50 per unit, but power from new thermal generation will cost more than Rs 11 a unit. Under the new tariff structure, HT and EHT consumers will be allowed to buy 75% of their power needs at the existing tariff but will have to pay a higher rate for consumption above this level.

New Indian Express, 08/07/08; The Hindu Business Line, 24/07/08

Indonesia

Government Announces Demand Management Initiatives

In a move to manage electricity demand and prevent outages, the government is drafting a regulation that would require businesses to cut electricity consumption by 10-20%, in an effort to reduce peak load by 200-300 MW. The regulation is expected to take effect in the middle of August, and will apply to the private non-manufacturing sectors, including hotels, shopping centres, and private offices. The move follows an earlier ruling that manufacturers must shift at least two workdays a month to the weekend to shift demand peaks. The government has also announced that it will establish a joint board involving five ministries to oversee the introduction of this initiative.

Jakarta Post, 25/07/08; Today (Singapore), 25/07/08

New Biodiesel Requirement For Industry

Under a new regulation, from October the government will require that industrially used gasoil contain at least 2.5% biodiesel. Each year, industrial users in Indonesia consume 8 million kiloliters of gasoil. The regulation is part of achieving the government's policy of a reduction in dependency on oil.

Platts Oilgram News, 17/07/08; Biofuels Digest website, 10/07/08

Philippines

Manila Electric Co. Seeks To Dismiss "Refund" Class Action

Manila Electric Co. is seeking the dismissal of a class suit filed by a consumer group against the power distributor, the National Power Corp., and the Energy Regulatory Commission, which demanded a refund of up to P13 billion in "illegal" electricity charges. A consumer group called "Refund" is filing for the return to consumers of various charges, including systems loss charges, value added taxes, and charges contributing towards Meralco's pension fund. Refund plans to submit a petition gathered through a signature campaign to support its case.

Philippine Daily Inquirer, 03/07/08; GMA News website, 21/07/08

Iligan Sale Process Begins

Power Sector Assets and Liabilities Management Corp. (Psalm) has announced that it will auction the 114 MW Iligan I & II Diesel Power Plant Complex in Northern Mindanao on 15 October, despite delays in auctioning four other power plants this year: the 0.8 MW Amlan Hydroelectric Power Plant, the 289 MW Tiwi and 458.53 MW Makban geothermal power facilities, and the 620MW Limay Combined Cycle Power Plant in Bataan.

Manila Standard, 08/07/08; Philippine Daily Inquirer, 07/07/08

Thailand

Government Proposes Ethanol Reforms

The Industry Ministry has indicated that it will undertake legal and tax reforms to promote the use of ethanol to ease the current ethanol supply surplus and support technology development for the industry. Manufacturers argue that more light-handed regulation and lower taxation would allow them to export surplus ethanol where demand is rising. At present, the price of ethanol is controlled by oil refineries and licensed traders, as ethanol producers are legally obliged to sell their ethanol for fuel use solely to this group of operators.

Thai News Service, 15/07/08; Company Reports, 12/07/08

ERC Begins Work By Requiring New Licences

The newly established Energy Regulatory Commission (ERC) plans to require that energy business operators acquire official licences by the end of the year, using new powers granted to the agency under the Energy Business Act that came into effect in December. The ERC has held a public hearing concerning a draft regulation for licences.

Bangkok Post, 01/07/08; Thailand Tonight website, 30/06/08

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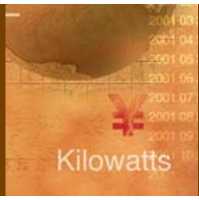

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