NERA
Economic Consulting

Reporting on energy regulation issues around the world

Global Energy Regulation

March 2009
Issue 118

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European News

UK

Addressing Market Power in the Electricity Wholesale Market

Ofgem issued a consultation document on addressing concerns about market power in the electricity wholesale sector. This consultation therefore considers three broad approaches to tackling this issue, on which Ofgem requested feedback from stakeholders: 1) changes to existing market arrangements; 2) changes to existing assets and/or ownership of assets; 3) and specific mechanisms for addressing market power concerns.

Ofgem website, 30/03/09

Ofgem Consults On Undue Discrimination Rule

Ofgem is consulting on its proposed “undue discrimination” rule that would prohibit differences in prices between consumers that are not justified by differences in cost. Another proposal would oblige energy suppliers to send customers an annual statement covering, among other things, their tariff name, the customer’s consumption and a reminder of the customer’s right to switch. Ofgem may also force suppliers to provide written quotations after doorstep sales and proof that the offer made on the doorstep is better than the customer’s existing deal. Finally, Ofgem may introduce new protection for small businesses, including clearer contract terms and conditions, and an end to automatic roll-over when fixed-term contracts expire.

Ofgem website, 23/03/09

Final Opportunity To Comment On New Offshore Transmission Regulatory Framework

The government and Ofgem have announced a “final opportunity to comment” on the new regulatory framework for offshore transmission lines. The new regulatory regime will create offshore transmission licences to be granted through a competitive tender managed by Ofgem. Successful bidders will be known as Offshore Transmission Owners (OFTOs). The government and Ofgem said that the proposed arrangements amount to a “light touch” regulatory regime, since there will be no need for a regular review of the prices charged by the OFTOs.

Ofgem website, 23/03/09

Ofgem Publishes Review Of Direct Debit Arrangements

Ofgem has published a review into the direct debit arrangements of the six major energy suppliers, following complaints by customers late last year about significant increases in automatic direct debit charges. Ofgem found no evidence of over-recovery through direct debits or of systematic errors in the payments. However, Ofgem criticised suppliers for a lack of transparency and poor communication with consumers that left some struggling to understand why they why they were paying more.

Ofgem website, 27/03/09

Belgium

Electrabel Appeals Nuclear Tax

Electrabel has appealed to the Constitutional Court against the €250 million (US$ 332 million) windfall tax on nuclear power generators on the basis that it is discriminatory and disproportionate. The government imposed this tax in December 2008, claiming that nuclear power plants are being amortized faster than expected and obtaining large profits.

Les Echos, 30/3/09; Reuters 29/03/09; Agence France Presse, 28/03/09

Belgian Government Will Not Receive GDF Suez Golden Share

Belgium's Prime Minister announced that the Belgian government will not be granted a golden share in French utility GDF Suez. Last July French President Nicolas Sarkozy promised the Belgian government it would receive the right to veto strategic decisions related to Belgium's energy supply. Instead, a special committee of representatives of GDF Suez and the French and the Belgian energy ministers will look after Belgium's energy interests.

Reuters, 20/03/09; Agence Belga, 20/03/09

Bulgaria

Bulgargaz Requests Gas Price Reduction In Q2 2009

Bulgargaz, the Bulgarian state-owned gas monopolist, has said that it will ask the regulator to approve a reduction of 10.53% gas prices, to €281.18 per 1,000 cubic metres, for the second quarter of the year, less than the reduction of 11.56% it had planned previously. The price reduction is possible due to falling prices on world fuel markets, but the cut is smaller than originally planned due to appreciation in the US dollar against the Bulgarian lev. The regulator has yet to review the proposal.

SeeNews, 10/03/09; South East Europe News Digest, 20/03/09

European Union

EU Commission Steps Up Pressure On EDF

The European Commission has extended its investigation into the electricity tariff arrangements between French energy giant EDF and energy-intensive customers. In the Commission's view, the ability of large electricity consumers to choose a special "return tariff" at below-market prices for a two-year period, could represent a distortion of competition in the European markets, giving large national firms a competitive advantage. On 10 March, European Commission officials made unannounced inspections of the firm's premises in Paris. The EU competition watchdog said in a statement that the reason for these raids is a suspected abuse of a dominant position. EU officials have been searching for evidence of actions by the company that raised prices on the wholesale electricity market.

Reuters News, 11/03/09; Financial Times, 11/03/09,
Dow Jones International News, 11/03/09

EU Commission Approves Gas Grid Divestiture Of RWE

The European Commission has settled the antitrust case with RWE after accepting a legally binding commitment from the company to sell off its gas pipelines. The planned divestiture covers a 4,000 km high-pressure gas transmission network in Western Germany. European Competition Commissioner Neelie Kroes said that, after this sale, RWE will no longer be able to take advantage of owning the grid in downstream competition.

European Spot Gas Markets, 18/03/09; German News Digest, 18/03/09

Commission Fines ENI On Abuse Of Dominance In Gas Transmission

The European Commission has sent a list of antitrust charges to Italian oil and natural gas company ENI, regarding its alleged abuse of a dominant position in natural gas transmission. ENI allegedly refused to grant access to capacity available on the transportation network and strategically limited investments in the international transmission pipeline system. The Commission's document focuses on the operation of ENI's TAG pipeline, which brings natural gas from Russia through Austria, and TENP pipeline, which brings gas from Germany. The investigation against ENI was opened in 2007.

Dow Jones International News, 19/03/09; Financial Times, 19/03/09

European Parliament Reaches Agreement On Energy Market Reform

After years of debate, the European Union has reached a provisional agreement on the reform of European energy markets. The deal focused on new rules to limit the grip of energy giants on electricity and gas transmission networks. On 23 March, a compromise was achieved between the Commission proposal, which required energy giants to sell their transmission grids, and the opposing view of several member countries, including Germany and France. The key to the compromise is that grid management will be monitored by an independent regulator and that consumers' rights will be strengthened, including the reduction of charges associated with switching supplier. The compromise is expected to be approved by the full Parliament before elections in June.

Financial Times, 24/03/09; The Wall Street Journal Europe, 25/03/09

France

Regulator Publishes GDF Suez Pricing Formula

The French energy regulator, the Commission de Régulation de l'Énergie (CRE), has published the formula for calculating the supply costs of GDF Suez. CRE said that the formula increases the information available to customers and explains the correlation between oil indices and regulated tariffs. The regulated tariffs take into account the costs of supply, transport, storage and retailing. According to the CRE, the new formula takes better account of the correlation with oil price indices that appear in the supply contracts of GDF Suez. CRE said that the publication of the formula also increased transparency for competing suppliers.

Commission de Régulation de l'Énergie's website, 11/03/09

Germany

Regulator Launches Determination Proceedings On Metering

The German regulator, the Bundesnetzagentur (BNetzA), will establish standardised business processes and standard contracts for the operation of metering points and metering services in the electricity and gas sector, to apply throughout Germany. For this purpose the BNetzA has now launched separate proceedings for each sector. The BNetzA said that it wants to provide a clear and fair framework for innovation. On smart meters, the BNetzA said that it would set out a framework for their widespread adoption through a market-driven process with a maximum of competition and a minimum of restrictions for consumers and businesses, as far as was economically justifiable. The amended Energy Industry Act and the Metering Access Ordinance say that universal use of smart meters should be achieved within a period of six years.

Bundesnetzagentur's website, 12/03/09

Italy

New Decrease In Electricity And Gas Reference Prices

Aeeg, the Italian energy regulator, has published new electricity and gas reference prices for the second quarter of 2009, i.e., the prices that have to be offered to small customers who have not chosen an alternative supplier on the market. The electricity reference price falls by 2% and gas reference price by 7.5%. The annual electricity bill of the representative household is expected to decrease, on average, by about €9 and the gas bill by about €83. Such reductions are due to the fall in oil prices since September 2008.
AEEG's web site, 30/03/09

Aeeg Approves Inspection Plan Of Electricity Distributors

Aeeg has approved a plan for the inspection of six electricity distributors to ascertain whether (1) they have properly recorded metering data related to consumption of low voltage customers and made it available to retailers, and (2) whether they have met obligations on installation of hourly meters for medium and high voltage customers.
AEEG's web site, 11/03/09

Netherlands

Minister Proposes Changes To Energy Legislation

The Dutch Minister of Economic Affairs, Maria van der Hoeven, formally submitted a number of proposed changes to the electricity and gas law to the Dutch House of Representatives. The proposed changes include prioritising the transport of sustainable electricity by network operators, by constraining the output of conventionally generated electricity in the event of network constraints, and taking measures to safeguard the access of sustainable generators to electricity networks. A second proposal aims to reduce uncertainty to network operators over investment in expanding the networks. The Minister proposes that such investments will be incorporated into the calculation of network tariffs so long as the "usefulness and necessity" of such investments has been verified by the Minister (for transmission networks) or the Dutch competition authority, NMa (for distribution networks). Thirdly, the Minister proposes that NMa will have the authority to bring network tariffs down to an "efficient" cost level immediately at the start of each regulatory period, if it believes current tariffs deviate "too much" from this level. The Minister's proposals are currently awaiting discussion in the House of Representatives.
Dutch Ministry of Economic Affairs website, 27/03/09

Portugal

Gas Tariff Decrease

The Portuguese energy regulator, ERSE, approved an average decrease in gas tariffs for industrial customers of 12.4% for the first quarter of 2009. The tariff decrease is due to the fall in international wholesale gas prices.
ERSE webpage, 27/03/09

Russia

Gas Reforms To Go Ahead

According to a Presidential aide, Mr Arkadii Dvorkovich, plans for gas market liberalisation will not change despite a reduction in investment. “Liberalisation of the gas market will help to establish a more transparent and clearer system of pricing”, said Mr Dvorkovich. He added that energy market liberalisation is a strategic problem and there is no reason to deviate from efforts to solve it.
Interfax, Prime TASS, 31/03/09

Federal Grid Company Receives Cash From The State

The Ministry of Energy transferred 29,178 million roubles (US$ 858 million) to the accounts of the Federal Grid Company (FSK) in exchange for 58,356 million shares of FSK. This transaction is part of FSK’s issue of 146,500 million new shares with the total value of 75,250 million roubles (US$ 2,154 million). The issue was approved by the board in October 2008. All the shares must be placed by 27 July 2009.
FSK website 25/03/2009; SKRIN 27/03/09

Floating Nuclear Plants To Be Installed Off The Cost Of North-Eastern Siberia

The Federal Atomic Agency agreed with the government of the Sakha Republic (Yakutia) to install four floating nuclear plants. The plants will be commissioned in 2013-2015. The estimated project cost is 30 billion roubles ($838 million). According to the presidential administration of the Sakha Republic, commissioning the floating nuclear plants will increase the quality and reliability of power supply in the region and will reduce the costs of fuel for power generation.
Ria Novosti 11/03/09; SKRIN 12/03/09

Spain

Competition Commission Imposes Fine On Gas Natural In A Case Of Abuse Of Market Dominance In The Gas Distribution Activity

The Spanish National Competition Commission (CNC) fined Gas Natural €492,000 (US$ 650,000) for abuse of market dominance in a matter concerning a connection to the gas distribution network. The CNC considers that Gas Natural hindered the access of a gas distributor (part of the Endesa holding) to several parts of its network. Gas Natural has declared that it will appeal against the decision.

IM Energía, 30/03/09; EFE, 27/03/09

Energy Regulator Concludes That The Enel-Acciona Deal Does Not Harm Competition

The Spanish energy regulator (CNE) has issued a report requested by the National Competition Commission on the planned acquisition of Acciona's 25% share in Endesa by Enel, in exchange for Endesa's wind and hydro generation plants. The CNE found no evidence that the deal would harm competition in electricity markets.

IM Energía, 27/03/09; EFE, 26/03/09

Eighth Electricity SoLR Auction For Spain And Portugal Held

The eighth electricity SoLR (Supply of Last Resort) auction for the acquisition of forward energy contracts to supply Spanish and Portuguese tariff customers was held on 26 March. Quarterly baseload contracts with a capacity of 2,400 MW were auctioned in conjunction with 450 MW of a quarterly peak-load contract. The baseload contract requires that sellers deliver baseload energy during the first quarter of 2009 at a fixed price. The peak-load contract requires that sellers deliver the specified capacity every hour between 8 AM and 8 PM (except for Saturdays, Sundays and Spanish national holidays) during the first quarter of 2009 at a fixed price. The auction resulted in prices of €36.58/MWh for the baseload product and €38.22/MWh for the peak-load product.

IM Energía, 27/03/09; Energía Diario, 26/03/09

Seventh Virtual Power Plant Auction In Spain Held

The two major Spanish electricity companies, Endesa and Iberdrola, held their seventh auction to sell Virtual Power Plant (VPP) capacity options. The exercise prices for baseload and peak-load options were set by the Ministry of Industry at €22/MWh and €29/MWh, respectively. Options for 2,230MW (equivalent half-yearly MW) were offered and approximately 56% were finally awarded. For baseload deliveries, the final prices of options for half-year and annual delivery were €10,217/MW-month and €12,062/MW-month, respectively. For peak-load deliveries, the final prices for half-year and annual delivery were €2,740/MW-month and €3,455/MW-month, respectively. This auction was held after the government complied with the Spanish Supreme Court's order to specify a methodology for determining the auction reserve prices.

www.subasta-epe.com, 24/03/09; IM Energía, 26/03/09

New Rules For The Allocation of Electricity Interconnection Between Spain And France

Red Eléctrica de España (REE) and Réseau de Transport d'Electricité (RTE), the Spanish and French electricity transmission networks, have introduced new rules for allocating capacity on the interconnection between Spain and France. These rules include a system of explicit auctions with different time horizons (from annual to intraday). They also include a new mechanism of compensation for reductions in allocated capacity and an automatic system for daily resale of unused capacity. The new rules will apply from 1 May 2009.

IM Energía, 30/03/09; www.ree.es, 27/03/09

Turkey

Regulator Reduces Electricity Prices By 1.5-2.0%

The Turkish Energy Market Regulatory Authority (EMRA) has reduced electricity prices for domestic and industrial users by between 1.5% and 2%, depending on the type of contract. On average, the reduction amounted to 1.58% for domestic users and 1.66% for industrial users. The move follows reports of a decline in the costs of distribution companies due to falling electricity consumption and purchase prices. The reduced prices are effective as of 1 April 2009.

Today's Zaman website, 21/03/09; Hurriyet Dailynews website, 21/03/09

North American News

US

House Democrats Introduce Bill To Curb Carbon Trading Volatility

Two leading Democrats introduced the Safe Markets Development Act to the House Ways and Means Committee. The bill, dubbed "training wheels" for any future cap-and-trade market, would call for an independent review board composed of climate experts and the heads of the US Environmental Protection Agency and the Energy and Treasury Departments to set prices for carbon dioxide emissions allowances. The prices would be designed to meet pre-set emissions reduction goals while at the same time eliminating market volatility, allowing companies that participate in the cap-and-trade program to predict emissions costs accurately. The board would review and adjust prices annually, as needed, for eight years to meet the cap-and-trade program's emissions targets. After the market's initial eight year period the price of carbon allowances would be determined in a more traditional cap-and-trade system.

Environment & Energy Daily, 24/03/09;
Congressional Documents and Publications, 24/03/09

Maryland's Ambitious Carbon Reduction Scheme Is Expected To Move Ahead

A bill requiring emissions to be cut in Maryland to 25% below 2006 levels by 2020 is expected to be approved by the House of Delegates next week. House Bill 315 easily passed through the Senate on 2 March by a vote of 36 to 9. However, last year a similar bill imposing a 90% cut in emissions by 2050 was approved by the Senate but was rejected by the House of Delegates after the state's manufacturing sector joined forces with the labor unions and lobbied against it. This time around the plan will not require the manufacturing sector, which is responsible for 4% to 7% of the state's overall emissions, to reduce greenhouse gas emissions. Additionally, the bill does not require the Maryland Department of the Environment to adopt a final plan until 31 December 2012.

SNL Interactive, 23/03/09; Washington Post, 20/03/09

Illinois Power Agency Launches Procurement Process

Ameren Illinois Utilities (AIU), which includes AmerenCILCO, AmerenCIPS and AmerenIP, is seeking to procure capacity from 1 June 2009 through to 31 May 2012. As a result the Illinois Power Agency has initiated the first of a series of planned solicitations on behalf of AIU. The solicitation will seek to procure 100% of AIU's monthly capacity requirements for 2009/10, 50% for 2010/11 and 33% for 2011/12. Capacity bids are due 13 April. Additional RFPs will be issued for renewable energy credits and financially settled energy products.

Megawatt Daily, 23/03/09; Levitan.com/AIURFP, 20/03/09

North Carolina Regulators Approve Piedmont Conservation Programmes

The North Carolina Utilities Commission has approved a conservation programme proposed by Piedmont Natural Gas to help its customers save on gas usage. The plan focuses on a residential low-income energy efficiency programme, a commercial non-profit energy efficiency programme and an equipment rebate programme. Essentially, Piedmont's programme will provide grants to customers for installing gas-saving measures such as insulation and high-efficiency water and space-heating equipment. Funding will come from a total of US$1,275,000 recovered from the company's cost of service. The regulators have given Piedmont the flexibility to shift funding from one programme to another to meet variations in demand.
www.snl.com, *24/03/09;* www.ncuc.commerce.stte.nc.us, *20/03/09*

FERC Approves El Paso Natural Gas Fuel Savings Sharing Mechanism

FERC has accepted proposals put forward by El Paso Natural Gas for a fuel savings sharing mechanism. The mechanism will allow the company and its shippers to share any savings arising from a project to reduce the amount of fuel consumption and "lost and unaccounted-for fuel" (LAUF) on its system over the next seven years. Eighty percent of the savings will be returned to El Paso and 20 percent to the shippers. Thereafter, all of the fuel and LAUF savings will be passed on to El Paso's customers. FERC will require El Paso to clarify exactly how the mechanism will be implemented.
www.snl.com, *23/03/09;* www.ferc.gov, *19/03/09*

Midwest Independent System Operator Pressed To Take Over Load Forecasts

Independent Power Producers (IPPs) and marketers serving the market overseen by the Midwest Independent System Operator (MISO) are calling for the grid operator to conduct load forecasts. Currently, MISO collects 50/50 load forecasts from load serving entities (LSEs) meaning actual load has a 50% chance of being higher or lower than the submitted forecast. The marketers and IPPs say that having MISO produce its own load forecast removes any bias from the forecasts submitted by the LSEs, which are used to determine the load requirements for the entities themselves. MISO is said to be in a unique position to conduct forecasts because it is an independent organization that spans the entire region, unlike state commissions. Others, including utilities, argue that having MISO produce its own forecasts would be redundant and add extra costs. They also argue that electric distribution companies have long-term experience and access to proprietary data, allowing them to produce more accurate forecasts.
Megawatt Daily, 19/03/09; Megawatt Daily, 11/03/09

FERC Approves Rates And Incentives For ITC Great Plains

The Federal Energy Regulatory Commission approved a rate-of-return and incentives for ITC Great Plains transmission facilities in Kansas and elsewhere in the Southwest Power Pool (SPP) footprint. ITC Great Plains is acquiring two existing substations from Mid-Kansas electric, which will qualify it as an independent transmission owner under SPP regulations. The federal order approves the requested return on equity for the substations and two of ITC Great Plains's principal projects, the KETA Project and the Kansas V-Plan. The KETA Project and the V-Plan are both high voltage transmission lines that the company says will facilitate the interconnection and transmission of 7,000 MW of new renewable power. FERC acknowledged the importance of independent transmission operators and approved the rates to help expedite investment in the high voltage energy grid in the region.

Megawatt Daily, 18/03/09; PR Newswire, 18/03/09

Xcel Says Natural Gas Rates Will Drop By 31% In Colorado Next Month

Xcel Energy has submitted a 31% proposed rate cut to the Colorado Public Utilities Commission, which could result in a fall of 41% to 45% in residential and small-business gas bills during April. The Maine gas utility Unitil has also filed with its state Public Utilities Commission for a rate decrease of 26%. Both utilities cite the drop in the wholesale price of gas as the cause.

www.boston.com, *25/03/09; Daily Camera (Boulder, Co.), 19/03/09;*
Associated Press Newswires, 18/03/09, 17/03/09

California Independent System Operator To Launch New Wholesale Energy Market On 31 March

The California Independent System Operator (CAISO) recently affirmed that California's new wholesale energy market is ready to be launched as planned on 31 March. The new market, dubbed the Market Redesign and Technology Upgrade (MRTU), provides many improvements over the current system including locational marginal pricing, financial transmission rights, and a day-ahead energy market. Previously, the launch had been delayed due to technical issues and administrative litigation. Initial trading is scheduled to begin 1 April. The Federal Energy Regulatory Commission (FERC) approved CAISO's MRTU schedule on 13 March.

Megawatt Daily, 17/03/09; www.Energylegalblog.com, *14/03/09*

Columbia Gas Puts US$572K Into Hardship Fund

The Pennsylvania Public Utility Commission has allowed Columbia Gas to use proceeds from a legal settlement to enhance its residential hardship fund. Columbia plans to allocate US$572,862 toward the hardship fund, which gives grants to lower-income customers, and US$196,080 toward credits for small businesses. The money derives from a FERC-approved agreement requiring two Columbia affiliates, Columbia Gas Transmission and Columbia Gulf Transmission, to disgorge US$9 million of profits to their customers.
The profits were judged to have been made through "illegally provided parking and lending services".

Pittsburgh Tribune-Review, 14/03/09; www.snl.com, 12/03/09

Maryland Regulators Ban Utility Shutoffs For Now, Will Search For Ways To Help Customers Pay Bills

The Maryland Public Service Commission has temporarily barred utilities from disconnecting gas and electricity supplies to delinquent customers. The PSC will now require Baltimore Gas & Electric and Pepco to devise a plan that will enable customers in arrears to pay their bills in a fair and timely manner. More than 127,000 customers face potential cut-offs after 1 April, when restrictions meant to protect customers from disconnection during cold weather cease.

Associated Press Newswires, 11/03/09; www.examiner.com, 11/03/09

Bill To Increase Federal Grid Siting Powers

On 5 March, Senate Majority leader Harry Reid introduced legislation to expand the ability of the Federal Energy Regulatory Commission (FERC) to integrate renewable and low-carbon energy into the existing transmission grid.
The bill requires FERC to identify "renewable energy zones" where potential exists to produce electricity from renewable sources. FERC will approve interconnection-wide plans for green transmission and issue permits to projects where 75% of a transmission line's capacity is available to renewable generators. In addition, on 9 March 2009, Senate Energy and Natural Resources Committee Chairman Jeff Bingaman released a draft bill that would allow transmission developers to apply directly to FERC for approval to build high voltage lines deemed necessary to meet national priorities such as the development of renewable power.

Environment & Energy Daily, 10/03/09; Environment & Energy Daily, 06/03/09

Central And South American News

Brazil

ANEEL Authorizes Increase In Electricity Charges For Two Distributors

The Brazilian energy regulator ANEEL has published the new tariffs of two electricity distribution companies. Celpe, which serves 185 municipalities in Pernambuco and Paraiba States, will see an increase in charges of 1.57% for residential customers, and 6.86% for industrial customers. ANEEL also reviewed the distribution charges for Ampla, which distributes electricity to 2.3 million customers in the State of Rio De Janeiro, and decided on a 1.23% reduction in the rates paid by households. Charges for industrial customers will vary depending on the voltage, so the average effect of the tariff review for Ampla is an increase of 0.82%.

Latin America News Digest, 04/03/09; Business News Americas, 16/03/09

Colombia

Colombian And Panamanian Regulators Reach Agreement To Harmonize Power Exchange

Colombian energy regulator CREG (Comisión de Regulación de Energía y Gas) and Panamanian energy regulator ASEP (Autoridad Nacional de los Servicios Públicos de Panamá) have signed a binding agreement to coordinate future changes to their respective regulatory frameworks, in order to develop the interconnection between both countries and consequently to boost the exchange of electricity. Some details of the agreement have already been outlined, including the creation of a Colombia-Panama Interconnection Committee, which will be in charge of developing the project.

CREG Website, 26/03/09; Business News Americas, 26/03/09

Peru

Regulator Proposes Electricity Rates Increases To Offset Costs

Peru's energy regulator OSINERGMIN has published its proposed annual revisions to electricity tariffs, which come into effect in May. The proposal implies an increase in electricity charges for residential and regulated industrial customers of 6% and 6.5% respectively. The authority explained that the increase was due largely to additional costs imposed by emergency measures adopted to ensure continuous power supplies during 2008.

Agencia Peruana De Noticias, 18/03/09; Business News Americas, 18/03/09

Asia Pacific News

Australia

Regulator Hands Down Draft Decision On Public Lighting (NSW)

The Australian Energy Regulator (AER) has issued its supplementary draft decision on the prices of public lighting services provided by the NSW electricity distribution businesses for the regulatory period covering 2009/10 to 2013/14. The AER proposes a reduction in the charges for existing public lighting assets for Country Energy and EnergyAustralia, and a slight increase in charges for Integral Energy. The AER considers the efficient cost of installing new public lighting assets to be higher than previously estimated, and has proposed price increases in 2009/10 for these assets. Overall the AER estimates that average bills will decrease in 2009/10 for councils served by Country Energy and EnergyAustralia (by 33% and 7% respectively), while bills for Integral Energy's councils will increase by 1%.

AER website, 16/03/09

Regulator Sets Lower Charges For Energy Efficient Lighting (Victoria)

The AER has approved lower charges for energy efficient public street lighting in Victoria. Local councils are responsible for providing public street lighting services and incur the associated charges for electricity distribution service. Local councils have attempted to renegotiate these charges with distributors since 2006. The AER has approved charges that are approximately 20% below those proposed by distributors. According to the AER, lower charges will still ensure councils are charged a fair and reasonable price for the operation and maintenance of energy efficient public street lighting. Distributors are required to resubmit revised charges for approval by 3 April 2009.

AER website, 05/03/09

New Zealand

Electricity Commission To Approve Grid Investments

The New Zealand Electricity Commission has indicated that it will approve Transpower's electricity transmission grid investment proposals, worth nearly NZ$27 million (US$15.3 million), to improve reliability in Wellington and the Wairarapa. Transpower intends to install a new transformer at Wilton substation in 2011 that will connect the transmission network to the network that supplies customers in Wellington. The second investment will replace a number of conductors and refurbish some towers, and will be completed in 2010.

Electricity Commission website, 25/03/09

China

SERC Announces Ongoing Electricity Price Rises

The State Electricity Regulatory Commission (SERC) has announced that prices will continue to increase in line with rising production costs. Increased investment in the power grid to accommodate expected demand growth from 2011 is partly to blame for the rising prices.

Asia Pulse, 30/03/09; Xinhua's China Economic Information Service, 26/03/09

India

Increased efforts To Encourage Wind Power In Tamil Nadu

The Tamil Nadu Electricity Regulatory Commission (TNERC) increased the tariffs for procurement of wind energy by 20%. The tariff hike is the first change since 2006, when the state signed 20-year power purchase agreements with Independent Power Producers. The new tariff will apply to new Power Purchase Agreements (PPAs) and existing facilities installed after 15 September 2008.

The Economic Times, 21/03/09; The Hindu, 22/03/09

CERC To Ensure Open Access

The Central Electricity Regulatory Commission (CERC) has demanded that state governments comply with the 2003 Electricity Act, which requires state electricity boards to procure power through competitive bidding. CERC has stated its view that the current sole-buyer model prevailing in many states hinders open access. In such cases, says CERC, the state electricity board acts as the sole buyer of electricity, and then sells the power on at inflated prices to states suffering power shortages.

The Financial Express, 19/03/09; The Press Trust of India, 19/03/09

Philippines

Energy Regulatory Commission Orders Napacor To Reduce Rate Rise

The Energy Regulation Commission insisted that the state-owned National Power Corporation (Napacor) cut back the recent rate increase for electricity on the Visayas grid. The move reverses an earlier decision to allow a P1.15/kWh (US$0.03/kWh) increase, taken in February this year.

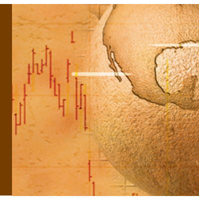
The Philippine Daily Inquirer, 26/03/09; The Manila Times, 27/03/09

Thailand

Energy Regulatory Commission Approves Tariff Hike

The Energy Regulation Commission (ERC) announced a 10% hike in natural gas pipeline tariffs, effective from 1 April 2009. The increase, which is the first in ten years, applies to natural gas pipelines operated by PTT plc. The regulator did not grant PTT the full extent of the tariff rise it requested, allowing lower investment and maintenance spending than PTT had budgeted for.

Platts Commodity News, 26/03/09; Bangkok Post, 27/03/09;
Thai News Service, 30/03/09



Our Practice

NERA is at the forefront of the continuing transformation of energy industries worldwide. Our experts have developed approaches for introducing competition in segments such as power generation, where competition is workable, and for improving the regulation of sectors where it is not. We work with companies and governmental bodies worldwide to design competitive power markets and to develop tariffs and rules of access for regulated transmission and distribution systems for electricity and gas and transport of oil and oil products. With industry restructuring, we also help companies develop strategies for exploring new opportunities and minimising new risks, including issues related to climate change and other environmental initiatives.

NERA helps our clients to develop new regulatory strategies and, when needed, support our clients with analysis and testimony before regulatory commissions, antitrust and competition policy agencies, and domestic and international courts. Our economists help clients to decide which lines of business to pursue; to divest assets no longer consistent with their strategy; to identify and evaluate opportunities for mergers, acquisitions and investment; and to develop bidding, trading, contracting, and marketing strategies and organisations. Our work also includes designing and conducting energy auctions and providing strategy and valuation advice on mergers and acquisitions, the financing of energy companies, and the financial restructuring of distressed companies.

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NERA produces two newsletters that report and analyse energy matters around the world. *Energy Regulation Briefs* summarise NERA's views on the economics behind topical developments in energy sector regulation. Previous issues have discussed regulators' use of "benchmarking," FERC's Order 2000, problems in the California electricity sector, and competition policy in the UK electricity market. The *Global Energy Regulation Newsletter* compiles brief summaries of news stories about energy regulation around the world. The coverage includes network regulation, industry restructuring, and the organisation of electricity and gas markets. The "GERN" allows energy sector professionals to easily keep in touch with looming problems, the latest developments in regulatory methods, and innovative solutions. To view the latest editions or to receive our newsletters each time they are published, click here: **www.nera.com/newsletters.asp**.

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