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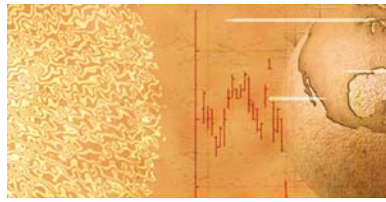
Global Energy Regulation



May 2006
Issue 84

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European News

UK:

FoE Lodges Kilroot Complaint

Friends of the Earth (FoE) has lodged an official complaint with the European Union about AES Kilroot's off-take contract with Northern Ireland Electricity (NIE). FoE claims that contract effectively gives AES Kilroot immunity from the EU Emissions Trading Scheme (EUETS), because it can pass costs, including the cost of installing flue gas desulphurisation, directly to the customer.
Platts Power UK, 27/4/06

GEMA Issues Statement of Objections Against National Grid Following Competition Act Investigation

The Gas and Electricity Markets Authority has issued a statement of objections against National Grid as part of a Competition Act investigation into the provision of domestic-sized gas meters. Ofgem found that National Grid had entered into long-term exclusive contracts for the provision of these meters with energy suppliers. Ofgem believes that the contracts lock in suppliers for a significant share of their gas meter requirements, thereby restricting the development of competition.
Ofgem Press Release, 17/5/06

Gas Storage Is Matter Of National Energy Security, Darling Tells Planners

Trade and Industry Secretary Alistair Darling laid down a new 'Statement of Need' in Parliament encouraging planning professionals and local decision makers to consider the national interest when looking at planning applications.
DTI Press Release, 16/5/06

NIAER Invites Comments On The Introduction Of Regulation (EC) No 1775/2005

The Northern Ireland Authority for Energy Regulation has published a consultation on the impact of Regulation (EC) No 1775/2005 on Northern Ireland's gas network. The Regulation imposes a number of obligations on pipeline operators, including the provision of services that are currently unavailable in NI in the form stated in the Regulation, such as: interruptible capacity priced to reflect the probability of interruption; short-term (down to one-day) access to firm capacity; online information on capacity and the balancing status of network users; and secondary trading of short-term capacity.

Ofreg Press Release, 5/5/06

Rule Change Means Greater Market Transparency

Ofgem has proposed to allow energy suppliers, traders and customers access to more information about gas supplies into the UK from the North Sea, interconnector pipelines, storage sites and Liquefied Natural Gas terminals. The UK Offshore Operators Association has been asking its members if it should appeal against the proposals.

Utility Week, 5/5/06; *Ofgem Press Release,* 3/5/06

Ofgem To Regulate National Grid's Electricity System Operator Costs

National Grid Electricity Transmission Ltd (NGET) has rejected Ofgem's proposed System Operator incentive-based approach, leaving Ofgem's governing Authority to decide whether or not to refer the matter to the Competition Commission. The Authority decided not to refer the matter but to use existing licence requirements to regulate NGET's external costs over the next year. Ofgem intends to develop a new incentive scheme for NGET's internal and external balancing costs to come into force from April 2007.

Ofgem Press Release, 4/5/06

Austria:

New Security Of Supply Legislation

The Austrian parliament has passed the proposed Security of Supply Law. The law aims to enhance security of electricity and gas supply in Austria and to encourage competition in the market. Walter Boltz, the head of the Austrian electricity regulator E-Control, said that the new legislation would be advantageous for final customers.

Austria Presse Agentur, 24/5/06

OMV And Verbund To Merge

Austria's federal power utility Verbund and national oil and gas group OMV agreed this month to merge. However, their merger can proceed only if the Austrian parliament amends the 1947 Nationalisation Law requiring at least 51% government ownership of any electricity utility.
Der Standard, 13/5/06

Belgium:

European Commission Accuses Distrigaz Of Restricting Competition

The European Commission has issued a statement of objections against Belgian gas incumbent Distrigaz. The Commission considers that Distrigaz is closing the Belgian gas market to competitors, through long-term supply contracts (longer than 1 year) with industrial customers.
Platts EU Energy, 19/5/06

Regulator Publishes Consultant's Report

The Belgian federal energy regulator, Commission de Régulation de l'Énergie et du Gaz (CREG), published a consultant report analysing concerns that Electrabel's dominant position might deter new entrants to the Belgian electricity market. The consultant concluded there was no evidence that Electrabel has taken advantage of its dominant position in the Belgian electricity market, but still recommended that Electrabel should release about 8000 MW of capacity in Belgium through virtual power plant (VPP) auctions, to remove any incentive to manipulate its dominant position.
Platts EU Energy, 19/5/06

Bulgaria:

Six Heating Utilities To Be Sold By Year's End

The buyers of six heating utilities in Varna, Plovdiv, Shumen, Rousse, Pernik and Sliven must be selected by year's end. The procedure for the Varna utility is expected to begin on 10 June at the earliest. The state will probably preserve a minority interest and, in Rousse and Shumen, electricity generating capacity will be excluded from the offer.
PARI Daily, 30/5/06

European Union:

ERGEG (European Regulators Groups for Electricity and Gas) Consults On Gas Storage In Europe

A consultation document entitled “2006 Interim Report on Monitoring the Implementation of the GGPSSO (Guidelines for Good third party access Practice for Storage System Operators)” was presented to the latest meeting of the Madrid Forum, a group of European energy departments, regulators and gas sector stakeholders. The document shows the state of implementation as at 1 April 2006 of the Storage Guidelines adopted last year as rules for the gas storage market, under articles 2.9 and 19 of European Directive 2003/55/EC. The objective is to guarantee minimum levels of, and equal access to, gas storage for all European operators.

AEEG Website, 20/5/06

Commission Investigates EU Gas Companies

The European Commission has conducted a series of inspections at the premises of certain gas companies in Germany, Italy, France, Belgium and Austria. The Commission considers that these utilities may have infringed EU competition regulations; in particular, they could have abused a dominant position or restricted competition in the EU gas market. The Commission has not officially confirmed the identity of the companies concerned.

El País, 18/5/06; Enervia, 18/5/06

Commission Opens Infringement Procedure On Spain

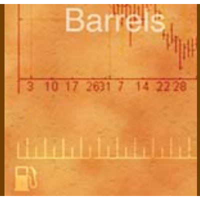
The European Commission has started legal action against Spain due to regulations approved by the Spanish government in February 2005, which extend the powers of Spanish energy regulator (Comisión Nacional de Energía, CNE) to stop mergers. These regulations were approved after German company E.ON made a takeover bid for Endesa. The Commission believes that the CNE’s new powers may infringe EU regulations on non-discrimination by nationality, the right of establishment and the free movement of capital.

Platts Power in Europe, 8/5/06

Regulators Draft Guides On Unbundling And Gas Balancing

The European Regulators Group for Electricity and Gas (ERGEG) has drafted a guide on how to improve the unbundling between network operators and suppliers in the energy markets. Among other things, ERGEG proposes that network operators should publish information on their affiliations with other companies and on their transactions. These draft guidelines, which are not binding, are open to comment until 20 June 2006.

Platts EU Energy, 5/5/06



France:

Privatisation Law Submitted For Legal Advice

The French Government has submitted the draft bill on the privatisation of Gaz de France (GdF) to the Conseil d'État, the French highest advisory body. This law, which could be approved by the French Parliament before next autumn, paves the way for the merger between Suez and GdF. Under the draft bill, the French State will retain a controlling minority stake, of at least 30%, and will benefit from a "golden share" in the merged company. This golden share will allow the French Government to veto certain decisions, which has been criticised by the European Commission. In addition, the draft bill stipulates that regulated gas and electricity tariffs will be maintained in France after the energy markets are fully liberalised on 1 July 2007.

Global Insight Daily Analysis, 30/5/06, 24/5/06; Les Echos, 23/5/06; Platts Commodity News, 22/5/06

Government Freezes Gas Tariffs

The French Government has decided to freeze gas tariffs in France until July 2007, when the French gas market becomes fully liberalised. This decision follows the 5.8% tariff increase that entered into force on 1 May 2006.

Le Monde, 26/5/06; Investir.fr, 16/5/06

Regulator Announces Coordinated Interconnection Rules With Spain

The French energy regulator, Commission de Régulation de l'Énergie (CRE), and the Spanish Industry Ministry have approved new rules for allocating capacity on the electricity interconnection between France and Spain. From 1 June 2006, cross-border capacity will be allocated through coordinated auctions. Although only intra-day capacity will be sold in the first auctions, the aim is to launch annual, monthly and daily auctions.

European Daily Electricity Markets, 10/5/06; CRE Press Release, 10/5/06

Government Allows For The Creation Of Long Term Electricity Supply Consortiums

The French Government has published regulations in the Official Journal that allow large electricity consumers to take part in a consortium for the purchase of electricity. These consortiums will enjoy tax advantages and their objective will be to sign long term electricity supply contracts with generators, in order to secure stable electricity prices. These regulations benefit around 60 firms, or around 20% of the liberalised electricity consumption in the country.

Le Figaro, 6/5/06; Agence France Presse, 5/5/06

Regulator Opens Consultation On Energy Network Operations

The French energy regulator, Commission de Régulation de l'Énergie (CRE), has opened two consultation processes in relation to the operation of the gas and electricity networks. The first consultation, to be completed by 6 June 2006, aims to evaluate the balancing mechanism for gas transport currently used by French gas network operators GRTgaz and TIGF (mainly for underground storage). The second consultation focuses on electricity transmission and distribution, and specifically the technical standards for access to the electricity network drafted by the French electricity network operators.
CRE Press Release, 5/5/06

Germany:

Ministry To Claw Back Surplus EU CO2 Allowances

The German environment ministry plans to make an ex-post adjustment to its Phase 1 allocation of certificates for the EU's CO_2 emissions trading scheme, to claw back approximately 10 million surplus allowances granted in 2005. However, the measure will not be implemented unless a case before the European Court of Justice on measures to prevent over-allocation and trading misuse of CO_2 allowances confirms the German position.
Platts EU Energy, 19/5/06

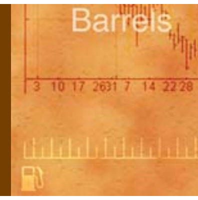
Bundesnetzagentur Clarifies Grid Tariffs

Several electricity network operators announced higher grid tariffs as of 1 May, arguing that the federal energy regulator, the Bundesnetzagentur, had not met the deadline for making a final decision on tariffs, as per Germany's energy market law. The Bundesnetzagentur countered that the companies' submissions had not been complete and that therefore the deadline cited by the network operators was not applicable.
Bundesnetzagentur, 15/5/06

Ireland:

Electricity Power To Be Doubled For North/South Link

ESB National Grid and Northern Ireland Electricity are to construct a new line to double the capacity of the North/South electricity interconnector by 2012, to more than 600 MW, at a cost of EUR 180 million. ESB National Grid said that capacity on the line would be made available to electricity traders through an auction system overseen by the Commission for Energy Regulation (CER).
Irish Independent, 31/5/06



Bord Gáis Seeks Rise In Prices

Bord Gáis, the state-owned gas provider, has opened discussions with the energy regulator over a review of its gas prices next winter. An increase in the wholesale price of gas has led the company to indicate that it wants an increase of 30-40% from next October.

Irish Times, 8/5/06

Italy:

"Code Of Commercial Conduct" To Protect Electricity Consumers' Interests

Italian energy regulator AEEG has approved a "Code of Commercial Conduct" intended to protect low voltage eligible customers (currently 7 million small businesses). The Code regulates the pre-contractual phase, through rules on transparency and accuracy that operators must apply when promoting their offers and discussing a change of supplier. The main objective is to guarantee customers the information they need to compare prices. From 1 July 2007, the Code will also protect customers who are currently non-eligible.

AEEG website, 31/5/06

New Proposals For The Protection Of Gas Consumers And Small Operators

Italian energy regulator AEEG has issued a consultation document with new proposals on updating the "raw material" component of the economic conditions for supply of natural gas, which affects 31.5% of the reference tariff (including tax). The document also discusses the obligation to renegotiate wholesale contracts and new measures to boost the market. The document is available on www.autorita.energia.it.

AEEG Website, 17 /5/06

Netherlands:

Hearing On Proposed Market Coupling Between Netherlands, Belgium And France

The joint network operators for electricity propose an implicit auction on the cross-border connections between the Netherlands, Belgium and France (also known as market coupling). Parties have the opportunity to present their view on this intended decision on 13 June 2006 between 14.00 and 16.30 at the office of the NMa.

DTe website, 31/5/06

Rule On Electricity Imports Is Unlawful

From 2000, electricity producers Essent, Electrabel, E.ON and Nuon profited from priority access to import capacity, for which there was no legal justification, said the Appeal Court for Business Affairs (CBB). The state may now face claims for compensation of hundreds of million of Euros from those unable to import electricity from cheaper sources outside the Netherlands.

Het Financieële Dagblad, 26/5/06

Decision On Flexibility Services Tariff Structure In Gas Tariff Code

On 22 May 2006, the Council of the NMa (Dutch Competition Authority) took a decision (102206/11) to change the rate structure, as a result of a proposal from the joint network operators on the introduction of a rate structure for flexibility services. The decision provides a basis in the gas tariff code for passing on the costs that Gas Transport Services B.V. incurs for offering flexibility services. The decision takes effect retrospectively from 1 January 2006.

DTe website, 22/5/06

Portugal:

Public Service Obligation To EDP In Electricity

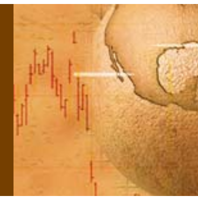
EDP will be responsible for electricity Public Service Obligations (PSO) once the electricity market is fully liberalised on 4 September. EDP will then be responsible for providing electricity to every single customer independently of its location. The remuneration for the PSO has not been fixed yet and regulatory uncertainty may take time to be resolved.

Diário Económico, 22/5/06

The Government To Privatise Galp And REN

The Portuguese Finance Minister, Mr. Teixeira dos Santos, announced that the government intends to promote the restructuring and regulation of the energy sector. One of the proposed measures is the privatisation of REN and Galp, which is due to be carried out this year. However, before the privatisation, the high-pressure transportation gas assets of Transgás have to be transferred from Galp to REN.

Agência Financiera, 17/5/06



REN And Galp To Share Gas Storage Facilities

REN and Galp reached agreement on how to divide the use of the gas storage facilities located in Carriço. This issue had blocked agreement between the parties over transfer of Transgás assets. Because the regulations impose obligations on REN in relation with gas security of supply, REN will have a priority access to Galp's storage facilities when there are problems with security of supply.
Diário Económico, 16/5/06

EDP Reinforces Its Position In Portgás And Setgás

EDP announced it has increased its shareholding in gas distributors Portgás and Setgás to 72% and 19.8% respectively, in a deal worth EUR 58.7 million (US$ 73.4 million). Portgás is the second largest gas distributor in Portugal. Setgás mainly operates in the Setúbal area. The deal is subject to a number of conditions, including approval by the antitrust authority (AdC).
Agência Financiera, 11/5/06

Domestic Customers To Pay For The Extra Cost Of Renewables

Domestic customers are going to pay the majority of the additional cost of renewables not included in current tariffs, i.e. EUR 103.3 million (US$129.1 million). The Portuguese energy regulator, ERSE, has estimated that the approximately 22,000 high voltage clients will pay only EUR 394,000 (US$ 492,500) while the 5.9 million domestic customers will pay the remaining amount.
Diário Económico, 4/5/06

Romania:

Two Break Away In Race For Electrica Muntenia Sud Stake

Two bidders have offered more than US$965 million for a stake in Romanian power distribution company, Electrica Muntenia Sud, according to the Romanian minister of economy and commerce. The privatisation committee is expected to announce the names of the companies making the best two offers in two or three weeks. CEZ, Enel, Gaz de France International, Iberdrola and RWE submitted improved bids for an initial 50% stake, rising to 67.5% after a capital injection.
European Daily Electricity Markets, 10/5/06

Romania: Romanian Cabinet Endorses Bill On Establishment Of European Energy Community

The Romanian government has adopted a bill that sets out the basis for an energy market of the European Union and the non-EU Balkan states.
BBC Monitoring European, 10/5/06

Russia:

Russia May Entrench Gazprom Export Monopoly By Law

Russia's parliament will vote in June whether to grant gas monopoly Gazprom the exclusive right to export gas despite Moscow's pledge to the European Union gradually to liberalise its gas markets. Deputies Valery Yazev and Yuri Lipatov have submitted a draft law on gas exports which stipulates that Gazprom and its export arm Gazexport should be granted exclusive gas export rights.
Reuters, 6/6/06

Spain:

Regulator To Analyse Electricity Prices In May

The Spanish Ministry of Industry asked the energy regulator, Comisión Nacional de Energía (CNE), to analyse the price increase in the wholesale electricity market on Wednesday 24 May and Thursday 25 May. Average prices on those days were 65% and 70% higher than on the previous Wednesday and Thursday, respectively.
El País, 27/5/06; Gaceta de los Negocios, 27/5/06

Government Appeals Suspension By Supreme Court of Gas Natural Takeover Bid For Endesa

The Spanish Government and Gas Natural (GN) have appealed the Spanish Supreme Court decision to suspend GN's takeover bid for Endesa.
El País, 19/5/06; El Mundo, 19/5/06; Expansión, 19/5/06

Single Iberian Electricity Market Will Start To Operate On 1 July

The Spanish and Portuguese energy regulators, CNE and ERSE, have approved the rules that will govern the use of the interconnection between their two countries in the context of the MIBEL, the Iberian Electricity Market. The MIBEL will be launched on 1 July and mechanisms for the harmonisation of electricity tariffs in Spain and Portugal are expected be defined one year later.
El Mundo, 16/5/06; Gaceta de los Negocios, 16/5/06

Gas Natural To Be The Only Provider Of The "Shelter Tariff"

A draft bill names Gas Natural as the unique provider of the "shelter tariff" that will apply to those families and to those small and medium firms that choose not to buy their gas in the free market. This "shelter tariff" will be effective from 1 January 2007, when full-service gas tariffs are eliminated.

Gaceta de los negocios, 14/5/06

Switzerland:

Recourse Commission Clears Swissgrid

The Recourse Commission (Reko) granted the appeal by electricity transmission company Swissgrid against conditions imposed by the Competition Commission (Weko). Weko had required Swissgrid to allow non-discriminatory third party access to its network and to ensure that members of its supervisory and management board were not also members of other electricity companies. Following Reko's decision, Swissgrid now plans to start operation without these obligations in the second half of 2006.

Der Bund Verlag AG, 4/5/06

Turkey:

Turkish Court Annuls Sale Of Shares In Oil Refiner Tupras

The Turkish appeal court has annulled the sale of a 14.76% stake in Tupras, following claims that the sale breached privatisation regulations by offering the shares for sale via the Istanbul bourse, without first advertising the sale. The shares have been freely traded on the Istanbul bourse for over a year; further legal hearings are expected to rule on whether any attempt will be made to re-possess them. The decision has no effect on the sale of 51% of Tupras to a consortium of Turkey's Koc group and Shell last year, the cancellation of which was recently rejected by Turkey's highest administrative court.

Platts Commodity News, 23/5/06; Global Insight Daily Analysis, 9/5/06

Parliament Passes Electricity Privatisation Law

The Turkish parliament has passed a law paving the way for privatisation of Turkish electricity distribution companies. The government plans to sell the electricity distribution businesses in 20 regions. The tenders were initially planned to take place from March 2005 but the final decision on the launch date will be taken by the privatisation administration.

Turkey Sectors and Companies Today, 11/5/06

North American News

US:

Peco To Reduce Natural Gas Rate Tomorrow

Falling costs for buying natural gas in the wholesale market has enabled the Peco Energy Co. to pass on a 7% reduction in the natural gas rate to its customers in south eastern Pennsylvania. The purchased gas rate has fallen from US$1.65 to $1.45 per hundred cubic feet between June and December.
The Philadelphia Inquirer, 31/5/06

PNM Seeking Natural Gas Delivery Rate Increase

Public Service Company of New Mexico (PNM) has asked state regulators to increase delivery fees for its natural gas customers from next April, as a result of the growing natural gas system and rising fuel and infrastructure costs. PNM wants to raise the fees by 4.7% for residential customers and by 2.7% for businesses.
Dow Jones International News, 31/5/06

Questar Gas Settlement Reduces Rates

The Public Service Commission of Utah has approved a US$9.7 million reduction in natural gas rates charged by Questar Gas that will take effect on 1 June. The rate reduction is part of a package agreed between Utah public interest groups and Questar, which includes a new tariff to support increased conservation efforts.
Associated Press Newswires, 27/5/06

National Grid Files Merger Application

British utility National Grid plc and KeySpan Corp., which delivers gas to New England and electricity in New York, have filed a joint application with the U.S. Federal Energy Regulatory Commission for merger approval. National Grid announced a US$7,300 million cash purchase of KeySpan earlier this year. A decision by FERC is due in October, allowing the deal to close in early 2007. The merger will create the third-largest energy-delivery utility in the United States.
Associated Press Newswires, 26/5/06

PSC Member Sues Own Board Over PPL Decision

The vice chairman of Montana's Public Service Commission is suing the board over a seven-year-old decision he says led to the most harmful aspects of deregulation. The lawsuit filed by PSC commissioner Brad Molnar says the PSC made an illegal decision in 1999 that eventually let PPL Montana charge market rates for its power and asks that the decision be thrown out in court.
The Associated Press, 25/5/06

NorthWestern Tells PSC That Auction Will Be Tested In June

NorthWestern Energy told the Public Service Commission that it is going to run an auction for power contracts in June despite resistance from the state Consumer Counsel. NorthWestern, based in Sioux Falls, South Dakota, has accused PPL Montana of holding monopoly power over electricity in the state and hopes the auction will lead to more competitive pricing. Federal regulators have ruled that PPL Montana does not hold monopoly power in Montana.
The Associated Press, 25/5/06

Analysts Call For Reduction To Proposed Utility-Rate Increase

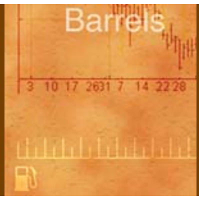
The staff of the Nevada Public Utilities Commission and consumer advocate Eric Witkoski's Bureau of Consumer Protection both filed written testimony recommending that Nevada Power Company reduce its proposed rate increase this summer. Nevada Power wants to recover US$171.4 million from customers to cover past costs of fuel used to generate electricity and of power bought on the wholesale market.
Las Vegas Review, 20/5/06

El Paso Settles Shareholder Suit On Gas Operations

El Paso Corp. has agreed to settle a shareholder lawsuit that accused its officers and directors of breaching fiduciary duties when managing the company's energy business in California. The company said in a regulatory filing that the settlement includes a payment of about US$16.8 million to the company from its insurers under directors and officers liability insurance used to pay legal costs.
Reuters News, 19/5/06

CAISO Urges FERC To Reject Major Changes In Market Redesign

The California Independent System Operator (CAISO) sent reply comments to FERC, arguing that its Market Redesign and Technology Upgrade (MRTU) tariff, filed on 9 February 2006, should not be substantially gutted or revised. Instead CAISO wants the federal regulators to approve the MRTU tariff with revisions/clarifications agreed with the state grid operator. The tariff filing was CAISO's initial response to various FERC-identified alleged "flaws" in its real-time markets.
NGI's Power Market Today, 17/5/06



Sierra Pacific Power Seeks 10% Rate Hike For Natural Gas

Sierra Pacific Power Co. has asked state regulators to approve a 10% increase in natural gas rates for residential customers with effect from December this year. The new rates recover costs of supplying natural gas that the company incurred between April 2005 and March 2006 and set a new forward-looking rate based upon the projected price of natural gas next winter. After audit, a decision on the request is expected later this year.

Associated Press Newswires, 16/5/06

Kansas Gas Service Asks For US$73 Million Rate Increase

Kansas Gas Service Co. has asked state regulators for a US$73.3 million rate increase to pay for improving its distribution system and for higher employee benefits and property taxes. The request, if approved by the Kansas Corporation Commission, will cost the average residential customer an additional $7.65 per month.

Dow Jones International News, 15/5/06

Judge Won't Alter Sempra Settlement; A Request To Allow The State To File Additional Suits Related To The Energy Crisis Is Denied.

Lawyers, acting on behalf of utility customers, successfully achieved an agreement resolving claims that Sempra Energy conspired to thwart competition in the natural gas market in California in 2000/01, but they have now been refused permission to file additional lawsuits related to this settlement. A California judge said that Sempra Energy's US$1,890 million settlement should not be modified to allow the state to file further suits over the claims.

Los Angeles Times, 12/5/06

Consumers Energy Gets Approval For Rate Increase

Michigan Public Service Commission has approved an interim rate increase of US$18.4 million for Consumers Energy, to reflect the increased cost of gas and the continuation of safety-related expenditures.

Detroit Free Press, 11/5/06

Audit: AGL Overcharged Customers

An audit of Atlanta Gas Light conducted by the Georgia Public Service Commission has found that the company overcharged its customers for an environmental cleanup of coal tar contamination over the past few years. The audit report was also critical of excessive and unreasonable charges on community relations expenses, including public relations program charges and contractor costs. The PSC has recommended that AGL reimburse its customers US$664,810. AGL agrees with only a small part of the commission's findings and has agreed to refund a total of US$50, representing a late bill payment fee incurred by another AGL contractor.
The Atlanta Journal – Constitution, 11/5/06

Crown Landing, Dominion Cove Point, And Port Arthur LNG Terminals And Companion Pipelines Win Environmental Approval

FERC has awarded final environmental impact statements (EIS) to three LNG projects and related pipelines, following federal interagency review under the National Environmental Policy Act (NEPA). The projects are: (1) BP's Crown Landing LLC and Texas Eastern Transmission LP (CP04-416), (2) Dominion Cove Point LNG LP and Dominion Transmission Inc. (CP05-131), and (3) Sempra's Port Arthur LNG LP and Port Arthur Pipeline LP. The final EIS concluded in each case that approval of the project would have limited adverse impact, assuming compliance with recommended mitigation measures.
Foster Natural Gas Report, 5/5/06

FERC Chairman Acts To Further Centralise Liquefied Natural Gas Portfolio; Chris Zerby Moves Up

FERC Chairman Joseph Kelliher announced the establishment of a new Liquefied Natural Gas (LNG) Compliance Branch within the Office of Energy Projects (OEP). Chris Zerby has been appointed to lead it. The expert staff of the new branch will review final facility design and engineering for compliance with FERC orders and continue to conduct safety inspections and oversight of operating LNG facilities.
Foster Natural Gas Report, 5/5/06

Mexico:

Sharyland Utilities Breaks Ground On 'DC Tie' Between Texas and Mexico

A ceremonial groundbreaking was held today at the Sharyland Plantation in Mission, Texas, for the new US$40 million 150 MW High Voltage Direct Current (DC) Tie project. The DC Tie, located along the Rio Grande, will link the ERCOT grid with the Mexican national grid maintained by the Comisión Federal de Electricidad

PRNewswire 8/5/06

Central and South American News

Argentina:

Incentives To PromoteThe Development And Use of Hydrogen

Argentina's lower house of Congress is reviewing a bill to promote hydrogen as an energy source. The bill calls for the creation of a fund of 19 million pesos (US$6.2 million) that would finance technology, production and applications for hydrogen.

Platts Commodity News, 22/5/06; Business News Americas, 8/5/06

Bolivia:

Council Of Ministers "Nationalises" Hydrocarbons

Bolivia's Council of Ministers has signed a decree by which the Bolivian state regains property and full control of hydrocarbons. The state nationalised the shares needed by YPFB, the national oil and gas company, to reach a majority stake (50% + 1) in firms operating in the sector. Firms will have to sign new contracts within 180 days in order to continue operating in the country. The whole production of hydrocarbons will be handed over to YPFB, which will be in charge of sales during the 180-day transition period and will only give the previous owners 18% of the revenues generated.

Expansión, 2/5/06; Cinco Días, 2/5/06; Associated Press, 2/5/06

Brazil:

New Electricity Capacity Auction Scheduled For 5 September

Brazil's government has scheduled the second 2006 electricity capacity auction for 5 September. The government expects to offer mainly contracts for hydroelectric plants with capacity over 800MW. In addition, the government has decided to postpone the first 2006 electricity auction from 12 June to 29 June.

Reuters News, 29/5/06; Business News Americas, 25/5/06

CTEEP To Be Privatised

Sao Paulo's state government will offer ordinary shares in transmission company CTEEP on the Sao Paulo stock exchange on 28 June 2006. The state government plans to raise around 755.6 million Brazilian Reais (US$324.8 million). Aneel has authorised an annual revenue increase of 7.2 million reais (US$3.2 million) for CTEEP, once it carries out refurbishment work on part of its network.

Latin America News Digest, 25/5/06

Costa Rica:

Regulator Approves 15% Tariff Increase For CNFL

Costa Rica's public services regulator, Aresep, has approved a 15% tariff increase for power distributor CNFL. The increase, which will come into effect on 1 June, follows a decision made in April by Aresep, under which CNFL's payments to the state power company, ICE, were raised by 19.75%.

Business News Americas, 5/5/06

Ecuador:

Government Cancels Occidental Operating Contracts

The Ecuadorian Government has cancelled contracts with the U.S.-based oil company Occidental Petroleum Corp, based on the allegedly improper transfer of a 40% stake of the Block 15 oil field to the company EnCana in 2000. The government has rejected international arbitration and says that it will invite state-owned companies to bid to operate the oil fields seized by the government.

Platts Commodity News, 22/5/06, 16/5/06; US Fed News, 16/5/06

Guatemala:

Energy Regulator Intervenes In Wholesale Electricity Market

After Guatemala's government declared a national emergency, Guatemala's energy regulator, CNEE, has set maximum prices for electricity in the wholesale market and has threatened to penalise those firms who exit the market. In addition, CNEE has ruled that "before using an expensive machine to generate electricity, exports to other countries should be reduced or stopped".

Noticias Financieras, 20/5/06; Business News Americas, 15/5/06

Venezuela:

Government Raises Oil Extraction Tax

Venezuela's government has set the royalty for extracting oil at 33%, to be paid by oil companies in cash. This measure will especially affect oil projects in the Orinoco river basin, which currently pay a 16.67% royalty.

Dow Jones International News, 26/5/06; El Universal, 10/5/06

National Assembly Wants The State To Have A Majority Stake In The Orinoco Projects

Venezuela's National Assembly asked the government to pass a legal instrument to give the State a majority stake in exploration and production projects in the eastern part of the Orinoco river basin. The Energy Minister, Mr. Ramírez, has announced that he will ask the Supreme Court to abolish a regulation that limits State ownership in those projects to 49%.

Financial Wire, 25/5/06; Dow Jones, 23/5/06

Asia Pacific News

Australia:

QCA Rejects Revised Access Arrangements

The Queensland Competition Authority issued its final decision rejecting the revised access arrangements for the gas distribution networks of Envestra and Allgas. In both cases the Authority accepted the rate of return proposed by the network providers of 8.80% and 8.75%, respectively, but rejected their estimates of capital expenditure for the next regulatory period. Both companies are required to submit amended access arrangements in June conforming to the Authority's decision.

www.qca.org.au, 22/5/06

India:

Stick To Grid Discipline Or Face Action/UP Fined For Violating Grid 'Dharma'

The Indian power regulator, CERC, has asked all stakeholders to follow strict grid discipline or face action. The regulator is concerned by shortages and load shedding resulting from the overdrawal of power by states in Northern India. Meanwhile, invoking powers under section 142 of the Electricity Act 2003, CERC imposed a token fine of around US$2,000 on the Uttar Pradesh Power Corporation Ltd for indiscriminate overdrawal during the period 27-30 April.

The Press Trust of India Limited, 28/4/06; Hindustan Times, 9/5/06

Govt May Allow Regulators To Fix Open Access Surcharge

The Indian government is likely to amend the National Tariff Policy to allow state power regulators to fix the open access surcharge. The Policy announced by the power ministry in January had introduced a uniform formula for all state regulators to calculate the cross-subsidy surcharge for open access in distribution. However, regulators had said that one uniform formula was difficult to apply in different states and wanted the flexibility to fix the surcharge.

The Press Trust of India Limited, 11/5/06

CERC Asks Power Ministry To Look Into Viability Of Mega Power Projects

CERC has asked the Ministry of Power to get firm commitments from distribution companies that would buy power from 4,000 MW ultra mega power projects. The power ministry has been on a roadshow to Europe, USA, Canada, Australia and China in a bid to attract foreign investors into the ultra mega power projects with expressions of interest already made for four projects in Madhya Pradesh, Gujarat, Karnataka and Maharashtra. The issue of payment security was also raised by both domestic and international developers.

The Economic Times, 4/5/06

Indonesia:

Government Confirms Decision Not To Regulate Coal Prices

The Director General of Geothermal and Coal at the Department of Energy and Mineral Resources stated that the government agrees coal prices for domestic demands would be based on a market mechanism and not regulated.

Bisnis Indonesia, 29/4/06

Pertamina Ends Monopoly On Oil Fuel Distribution

The Indonesian government has ended a monopoly held by state oil and gas company Pertamina over subsidised oil fuel distribution. Following a meeting between Pertamina, private companies and the downstream oil and gas regulatory body (BPH Migas), it was agreed that private companies, including foreign companies, can sell subsidised oil fuel in cooperation with Pertamina. Distribution licenses will be distributed through a public service obligation (PSO) auction in July 2006.

Asia Pulse, 15/5/06

New Zealand:

Minister Delays Decision On Change Of Regulator For Transpower

The Minister of Energy has rejected a proposal for the regulation of state-owned transmission operator Transpower to come under one body. Currently it is subject to price monitoring by the Commerce Commission, while the Electricity Commission reviews its investment decisions and sets rules on service and quality standards. Under the proposal, all regulatory functions would have passed to the Electricity Commission, but the Minister has elected to delay his decision for a year, pending completion of a Commerce Commission investigation into Transpower's pricing decisions and in recognition of the high current workload of the Electricity Commission.

The Press, 23/5/06; New Zealand Herald, 23/5/06

Philippines:

Philippines' Power Plant Auction Fails/All Transco's Assets Set To Be Auctioned

The Philippines failed to sell a power plant this month, when the government rejected bids that were below the reserve price. This follows other problematic sales. Analysts said potential investors were hesitant to bid aggressively for power assets because of high regulatory and commercial risks. Meanwhile the Power Sector Assets and Liabilities Management Corp. (PSALM) is expected to divest all of Transco's assets through a 25-year concession contract next September.

Financial Times, 29/4/06; BusinessWorld, 26/5/06

Power Distributors Nix Direct Connection To Transmission Lines

Distribution utilities have opposed a proposal by the National Transmission Corp. to allow direct connection of large power users to transmission lines, arguing this would distort the market and allow large users to avoid paying the local franchise tax and the lifeline rate subsidies for poor consumers.

BusinessWorld, 9/5/06

PEMC Assumes Task Of Registration Of Participants In Retail Power Market

The Philippine Electricity Market Corporation (PEMC) has been designated as a central registration body for participants in the retail market. PEMC will also be responsible for the switching requirements of retail customers. The contestable market will start with those with a peak load of over 1 megawatt.

Manila Bulletin, 3/5/06

Pakistan:

SC Notices Govt On Overcharging Of Petroleum Products

The Supreme Court has issued notices to the federal government and oil companies in three identical constitutional petitions accusing the federal government of overcharging on petroleum products. Senator Rukhsana Zuberi has claimed that the sub-committee of the Senate on oil pricing has detected overcharging under the heading of additional duties and taxes since the deregulation of oil pricing in the year 2001.

Pakistan Press International Information Services, 3/5/06

Pakistan's Cabinet Committee Approves New LNG Policy

The Economic Coordination Committee of Pakistan's federal cabinet has approved the country's first LNG policy. The government is expected to announce the new policy by the end of June. The Prime Minster said yesterday that the LNG policy would open the country's LNG and gas industry for the private sector by setting out new guidelines to help regulate LNG imports, giving third-party access to LNG terminals, sales of regasified LNG and promoting investments.

Gas Matters Today Asia, 20/4/06

Thailand:

PTT Plc Acts Against Pressure To Scrap Privatisation Move

PTT Plc has launched a defence strategy against growing public pressure to nullify its privatisation of five years ago. The Federation of Consumer Organisations has threatened to move for nullification based on claims that the privatisation was carried out in a "poor manner" as only a few Thais had been allocated shares during the initial public offering in 2001. They added that some members of the privatisation preparation committee became shareholders of the company indicating possible conflicts of interest. The PTT president has insisted the privatisation was conducted legally.

Thai News Service, 9/5/06

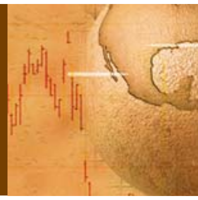
Egco And Ratch Not Allowed To Bid In Independent Power Producer Project

Electricity Generating Plc (Egco) and Ratchaburi Electricity Generating Holding Plc, subsidiaries of Egat, have been formally prohibited from participating in bids for independent power producers. The prohibition by the Electricity Regulatory Board was attributed to the potential for Egat and its subsidiaries, intentionally or unintentionally, to co-operate to monopolise the industry. Egat holds a 45% stake in Ratchaburi and 24% in Egco.

Thai News Service, 1/5/06

Thailand's EGAT May Have To Cut Production Capacity By Half

The Electricity Generating Authority of Thailand (Egat) says it might have to cut its production capacity by half due to a lack of financial support after the company's failed flotation. Egat said it will have to revise its investment plans for new power plants by looking into other financial sources.
Asia in Focus, 28/4/06



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Contact

London
15 Stratford Place
London W1C 1BE
Tel: +44 20 7659 8500
Fax: +44 20 7659 8501
Contact: Dennis Colenutt,
Graham Shuttleworth

Rome
Via XXIV Maggio 43
Roma 00187, Italy
Tel: +39 06 488 8101
Fax: +39 06 485 838
Contact: Francesco Lo Passo

Madrid
Paseo de la Castellana, 13
Madrid 28046, Spain
Tel: +34 91 212 6400
Fax: +34 91 521 7876
Contact: Oscar Arnedillo

White Plains
50 Main Street
White Plains, New York 10606
USA
Tel: +1 914 448 4000
Fax: +1 914 448 4040
Contact: Jeff Makholm (Boston),
Gene Meehan (Washington DC)

Sydney
Darling Park Tower 3
201 Sussex Street
Sydney NSW, 2000
Australia
Tel: +61 2 8864 6500
Fax: +61 2 8864 6549
Contact: Greg Houston, Ann Whitfield

Additional NERA Offices:

Boston, MA	+1 617 621 0444
Brussels, Belgium	+32 2 282 4340
Chicago, IL	+1 312 573 2800
Denver, CO	+1 303 327 1467
Detroit, MI	+1 313 267 9500
Frankfurt, Germany	+49 69 710 447 500
Ithaca, NY	+1 607 277 3007
Los Angeles, CA	+1 213 346 3000
Melbourne, Australia	+61 3 9623 9800
New York, NY	+1 212 345 3000
Paris, France	+33 1 45 02 30 00
Philadelphia, PA	+1 215 864 3880
San Francisco, CA	+1 415 291 1000
São Paulo, Brazil	+55 11 9653 4834
Tokyo, Japan	+81 3 3500 3290
Washington DC	+1 202 466 3510

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