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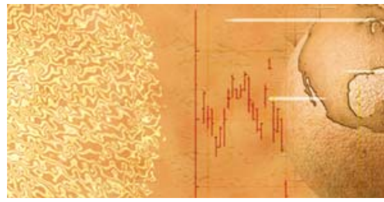
Global Energy Regulation



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European News

UK:

Ofgem Publishes Metering Price Control Review And Plans To Break Down Barriers To Smart Meters

Ofgem has launched a review of the electricity and gas metering price control. However, Ofgem is currently investigating National Grid's gas metering contracts under the Competition Act and at present prefers not to review the gas metering controls until this investigation concludes. On electricity metering, Ofgem expects competitive pressures in certain segments of the market will allow the lifting of current controls on the provision of new and replacement meters and on meter operation from 1 April 2007. Ofgem will form an industry-wide group to set standards for smart meters and remove the regulatory barriers suppliers face in installing smart meters in customers' homes.

Ofgem Press Release, 30/6/06; Ofgem, Metering Price Control Review, Consultation, 6/06

CC Publishes Final Report On Domestic Bulk LP Gas

The Competition Commission (CC) published its final report on liquefied petroleum gas (LPG), which confirmed its provisional conclusion that there is an adverse effect on competition in the supply of domestic bulk LPG in the UK. The CC will now be taking measures to remedy the problems identified, including enabling tank transfers when a customer wishes to switch supplier, making the switching process easier, improving the terms of customer contracts, and giving customers better information.

Competition Commission News Release, 29/6/06

NIAER Consults On Price Control

The Northern Irish regulator (NIAER) is consulting on the price control for the next Regulatory Period ("RP4") for Northern Ireland Electricity's transmission and distribution business. The NIAER is seeking views on its proposals for the capital expenditure budget and proposals designed to incentivise capital efficiency.

Platts Power UK, 26/6/06

Govt Welcomes New Law To Bolster Power Microgeneration

The Climate Change and Sustainable Energy Bill, which aims to reduce carbon emissions and fuel poverty through the installation of micro-wind turbines, solar panels and other localised energy-production technologies, has been enacted. The act makes it easier to sell excess energy back to utilities and for small household generators to receive the financial benefits of renewable obligation certificates. The legislation also extends to 2024 the cap on electricity transmission charges in the Scottish Islands.

Dow Jones Energy Service, 22/6/06

Ofgem Publishes Initial Proposals In The Transmission Price Control Review

Ofgem has published initial proposals for the price control of electricity and gas transmission networks. The proposed control allows the National Grid £4,250 million in capital investment over the next five years to maintain the existing network and to connect new sources of gas and electricity. This represents an increase of 65% over the allowances set during the last equivalent price control reviews. The price control also introduces mechanisms to adjust the revenue allowances either up or down automatically in response to changes in the needs of system users. If accepted by the licensees, the new controls will take effect from 1 April 2007.

Ofgem, Transmission Price Control Review, Initial Proposals, 6/06

Austria:

OMV Is Aiming To Become An Integrated Power Conglomerate

After the merger with Austria's electricity company Verbund fell through, OMV is undeterred in its objective of becoming an "integrated power conglomerate". The Austrian group may seek an initial foothold in Romania, where it already owns the local oil and gas firm Petrom, and to diversify into green energy.

Platts Power in Europe, 19/6/06

Belgium:

Flemish Regulator Opens Consultation On Market Improvements

The Flemish regional energy regulator, VREG, opened a consultation on several issues aimed at improving energy markets in Flanders to reduce costs. In particular, VREG's consultation deals with: the distribution of powers between the Belgian federal energy regulator (CREG) and VREG itself; how to foster liquidity in the wholesale markets; facilitating switching through better data management; and metering issues, among others.

EU Energy, 2/6/06

Bulgaria:

Bulgaria Encourages Wind Power Production With Higher Tariffs

Bulgaria is planning to stimulate investment in wind power generation with a 46% increase in the selling price from 1 January 2007. The new tariff for wind farms with annual production up to 2,250 MWh will be US$115/MWh and US$101/MWh for annual generation above 2,250 MWh. The current price for power from Bulgaria's existing plants is US$77/MWh. However, the commissioner for the State Energy & Water Regulatory Commission told the Heren Report that these prices will only apply to wind farms built using the latest technology.

European Daily Electricity Markets, 29/6/06

Bulgarian Court Opens Way For Utility Sale To PPC

Bulgaria's supreme administrative court has upheld a ruling allowing Greece's Public Power Corp to buy the Bobov Dol power plant. The ruling upheld an earlier decision that overturned the sale's cancellation and it cannot be appealed. Bobov Dol was privatised last year but the sale was halted by the government on the grounds that the price was too low. The Court said that the privatisation agency's decision to scrap the sale had been outside its authority and that its criterion of a minimum price was unacceptable.

Reuters News, 21/6/06

Economy And Energy Ministry Plans 102 Measures Under Five EU Acquis Chapters

The Bulgarian Energy Ministry has mapped out a set of 102 measures following the recommendations in the European Commission's latest progress report on Bulgaria. The measures are expected to include removal of the first price tier in the two-tier price schedule for residential users of electricity and the restructuring of the National Electric Company. Also, Energy Act amendments filed for parliament's approval envisage that the State Water and Energy Regulatory Commission will set the prices at which electricity suppliers will sell power to household consumers and small and medium-sized firms after the domestic power market's liberalisation in 2007.

Bulgarian News Digest, 6/6/06; Bulgarian News Agency, 5/6/06

European Union:

Commission Opens Investigation On Suez-GdF Merger

The European Union (EU) Commission has decided to open an in-depth investigation on the proposed merger between French Gaz de France (GdF) and Belgian utility Suez. The Commission is concerned that the proposed merger might restrict competition and could negatively affect the liberalisation process of the French and Belgian energy markets. The investigation of the Commission will focus on the implications of the operation for the French and Belgian markets, but will also evaluate other EU markets in which both GdF and Suez operate. The Commission has 90 working days to make a final decision.
El País, 20/6/06

Commission Investigates European Electricity Companies

The European Union (EU) Commission has conducted a series of unannounced inspections at the premises of certain European electricity companies, including the premises of E.ON and RWE. The Commission fears that these utilities might have restricted competition or abused their dominant position, which infringes EU competition regulations. The utilities could face a fine of up to 10% of their sales.
El Mundo, 2/6/06; La Vanguardia, 2/6/06

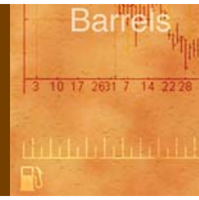
France:

Government Passes GdF Privatisation Law

The French government approved a draft law which reduces the minimum shareholding of the French State in Gaz de France (GdF) to 34%, whilst creating a golden share that allows the French government to veto certain decisions by the company. This law paves the way for the merger between GdF and Belgian utility Suez. The draft law could be submitted to the French Parliament for approval before the end of September 2006.
DJ Bourse, 28/6/06

Regulator Asks Operators To Draft New Gas Balancing Rules

French energy regulator, Commission de Régulation de l'Énergie (CRE), has issued a decision on the need to amend the current gas system balancing rules. This decision follows a public consultation by CRE between May and June 2006. In particular, CRE considers that the current gas balancing rules should be progressively reviewed in order to incorporate market incentives. Therefore, the regulator has asked the two gas transport operators in France, GRTgaz and TIGF, to draft new rules to be submitted for approval before the end of November 2006.
CRE Press Release, 26/6/06



Regulator Approves Proposal For Accounting Unbundling

French energy regulator, Commission de Régulation de l'Énergie (CRE), has approved proposals drafted by Electricité de France (EdF) on unbundling accounts between its regulated and non-regulated activities, as required by the European electricity directives. In particular, EdF has proposed to segregate its activities of regulated and unregulated supply from other businesses of the group, including electricity generation and wholesale trading. CRE only amended one aspect of EdF's proposal: the transfer price at which the generation unit of EdF will sell electricity to the commercial units should not be based on Powernext prices, as proposed by EdF, but on EdF's electricity generation costs. The change was prompted by the opinion of the French competition authority, Conseil de la Concurrence, that even though it would have been desirable to use market prices to detect cross subsidies in final prices to consumers, control instruments are currently insufficient to detect the exercise of market power in the French wholesale market.
CRE Press Release, 22/6/06

New Tariffs For Offshore Wind Generation

The French Industry Government has announced the establishment of feed-in-tariffs for offshore wind generators. As a consequence, Electricité de France (EdF) will acquire all electricity produced by offshore wind parks in France at EUR 130/MWh. In addition, the French government has decided to review upwards current tariffs for electricity generated from biogas and geothermal installations.
Le Figaro, 16/6/06; Les Echos, 16/6/06

CSEG Report Supports Regulated Tariffs After July 2007

The French consultative body on energy issues, the Conseil Superieur de l'Électricité et du Gaz (CSEG), has issued a report supporting the regulation of gas and electricity prices in France after full-liberalisation takes place in July 2007, at least for the medium term and at least for small and medium consumers.
EU Energy, 16/6/06

Germany:

Germany: E.ON Ruhrgas must end contracts before October: court

The highest regional court in Düsseldorf rules on 20 June that the Federal Cartel Office's order prohibiting certain long-term gas supply contracts held by E.ON Ruhrgas is immediately effective. E.ON must therefore terminate some contracts before October, even if it decides to appeal.

Platts EU Energy, 30/6/06

Germany: Rapid Introduction of Incentive Regulation Facilitates Greater Efficiency in Energy Networks

The president of the Federal Network Agency today handed over to the Federal Minister for Economy and Technology a report on incentive regulation. This report is the output of a consultation process that began in August last year. Incentive regulation should replace the traditional yearly cost controls which give network operators too little incentive to reduce costs.

Bundesnetzagentur website, 30/6/06

German Industry And Energy Firms See Their Emissions Allowances Reduced

On 28 June 2006 the German government decided the second National Allocation Plan (NAP II) for CO2 emissions by German industry and energy producers between 2008 and 2012. The NAP II imposes an annual reduction of 15 million tonnes compared to the average in 2000 and 2002, bringing annual allowances to 482 million tonnes. Energy firms will receive 15% fewer allowances than at present, whilst industry's reduction is only 1.25%. The government does not plan to auction the certificates, but emphasised its desire to do so in future, once the conditions in the energy market are right.

DowJones Newswire, 28/6/06

Bundesnetzagentur Decides On Vattenfall's Electricity Network Charges

On 6 June, the Bundesnetzagentur, the Federal Network Regulator, issued a decision on electricity grid charges for Vattenfall European Transmission GmbH. The Bundesnetzagentur did not approve 11.7% of the costs incurred by Vattenfall in 2004, the basis for calculating network charges, equivalent to 18% of the costs claimed by Vattenfall in its submissions. The Bundesnetzagentur therefore cut the charges for Vattenfall and Vattenfall has until 1 July to comply with the decision. This is the Bundesnetzagentur's first review of the costs of electricity transmission systems on the basis of the new Energy Industry Law (EnWG).

Bundesnetzagentur, 8/6/06

Italy:

Further Increase In Electricity And Gas Tariffs

AEEG, the Italian energy regulator, has issued revised electricity and gas tariffs for the period July-September 2006. Gas tariffs for residential customers will increase by 4.2%, while electricity tariffs will increase by 5.8%. These increases reflect the impact on costs of high oil prices and the tariff component for the costs of the CIP 6 scheme (the old administrative scheme to provide incentives to renewables).

AEEG's web site, 28/6/06

Recovering Of High Generation Costs Due To Gas Emergency

AEEG, the Italian energy regulator, has issued a consultation document in order to set the criteria for deciding what increase in generation costs, if any, is due to use of oil generating plants during the gas emergency in the first quarter 2006. In that period, offers from oil plants were accepted on the power exchange in order to minimise the use of gas and to secure electricity supply to final customers, thereby changing the pattern of dispatch. Such costs are considered as system costs of securing the natural gas system and will be funded out of revenues from tariff components yet to be determined.

AEEG's web site, 23/6/06

Netherlands:

NMa Publishes Market Rules For Gas Network Operators

The Dutch Competition Authority (NMa) published the first part of the Gas Codes setting out a new gas balancing regime and new rules for allocating the costs of gas quality conversion. The NMa also issued new rules on gas flexibility services.

DTe website, 30/6/06

NMa Publishes Method Of Tariff Regulation

The Dutch Competition Authority (NMa) published the way in which tariffs for regional electricity network operators will be regulated in the third regulatory period (2007-2009). The proposals explain how companies will be encouraged to become more efficient (through the so-called 'x-factor', set at 1.3% per annum) and to provide a good quality of service (through the 'q-factor', which varies between -0.1% and +0.6% per annum). The allowed cost of capital will fall from 6.6% to 5.8%. Tariffs will also be adjusted for two regional differences (the 'r-factor'), water crossings and differences in local taxes.

DTe Website, 27/6/06

NMa Consults On Energy Sector Mergers

The Dutch Competition Authority (NMa) is asking the energy sector to respond to its consultation document on mergers in the energy sector. Energy markets are changing at national and international levels and the NMa considers it necessary to review its oversight of these markets.
DTe website, 16/6/06, file 06-18

Hearing On Gas Network Operator Zebra In Zeeland

The Dutch Competition Authority (NMa) is intending to instruct the Zebra (Zeeland-Brabant) gas network to abide by the Gas Law by handling requests from gas consumers for transport capacity itself, rather than passing them to the current energy suppliers Essent and Delta.
DTe website, 13/6/06

DTe Publishes Monitoring Report On Electricity Wholesale Market

DTe publishes an annual report on the state of the electricity wholesale market. The latest report shows that performance in 2005 was better than in 2004. DTe used three criteria in reaching this judgement: liquidity; transparency; and competition (degree of concentration, price movements and spark spread).
DTe website, 12/6/06

Poland:

Poland: Regulator Blocks Gas Price Hike

The Polish energy regulator has rejected a request from Polish gas monopoly PGNiG to increase regulated gas prices on 1 July. PGNiG said gas purchase costs had risen above the level assumed in calculation of the current tariff.
Platts EU Energy, 30/6/06

Portugal:

OMIP To Start Operations In July

The Portuguese pole (OMIP) of the Iberian electricity market (Mibel) will begin operating on 3 July. OMIP will open its operations with seven members, who may trade futures of different maturities such as weeks, months, quarters and years. In the near term, OMIP expects to launch other products such as forwards and options. OMIP’s shares are held by REN (90%) and OMEL (10%), although REN’s participation is to be reduced to 3% within a year.
www.negocios.pt, 30/6/06

Electricity Industrial Tariffs To Fall In July

The Portuguese electricity regulator, ERSE, has lowered both the full-service and the access electricity tariffs for industrial customers by 3.5% and 9.9% on average, respectively. This tariff decrease is due to measures implemented by the Government last May regarding the pass-through of renewables costs to domestic customers (see last GERN issues).

www.negocios.pt, 30/6/06; *Reuters, 29/6/06*

New Calendar For Gas Eligibility

The Portuguese Government has set out a new calendar for allowing gas consumers to switch to alternative gas suppliers. Electricity producers will be eligible from 1 January 2007, and domestic customers will be eligible from 2010. In the near term, this measure may benefit mainly the two CCGT plants, which are currently supplied by Transgás.

Diário Económico, 23/6/06

Three Firms To Manage The Gas Transportation Assets

The Council of Ministers is discussing new legislation that lays out a new corporate structure for gas transportation assets. A decree-law will transfer the gas transportation assets to REN, the current electricity transmission company, although REN will have to create three different companies to manage gas transportation. One firm will manage the natural gas high-pressure transportation network, the second will manage the LNG facilities located in Sines, and the third will manage gas storage facilities.

Jornal de Negócios, 22/6/06

Tender Process For New Thermal Capacity

The Council of Ministers is in the process of approving the regulation setting rules for a tendering process for allocating new CCGT capacity in Portugal. The new capacity, which totals 3,200 MW, is to consist of eight CCGT plants. A number of energy companies have already shown interest in participating in the tender process.

Jornal de Negócios, 21/6/06

The Government Approves The 2008-2012 NAP

The Portuguese Government approved the National Allocation Plan (NAP) for the period 2008-2012. The NAP envisages a 9% CO_2 emissions reduction, with the total annual amount of CO_2 allowances reduced to 33.93 million tonnes. In this NAP, the CO_2 allowances remain free to those industries included in the previous plan.

Jornal de Negócios, 5/6/06

Romania:

Enel Buys 67.5% Of Romania's Electrica Muntenia Sud

Enel SpA has bought 67.5% of Romanian electricity company Electrica Muntenia Sud (EMS) for over US$1,000 million (Enel competed with Czech company CEZ, Gaz de France, Iberdrola SA and RWE Energy to acquire EMS. Enel also bought 51% of two other Romanian electricity companies in 2004, Electrica Banat and Electrica Dobrogea.

Reuters News, 19/6/06; AFX International Focus, 5/6/06

Russia:

RAO UES To List 5 Generation Companies

The board of RAO UES approved share offerings for five power generation companies, to take place in 2006-2007. The offering will include shares of the two territorial generating companies (Mosenergo and TGK-9) and three wholesale generating companies (OGK-3, OGK-4 and OGK-5). For Mosenergo this will be an additional share offering, as its shares are already traded; for other companies it will be initial public offering. The shares of RAO UES in the generation companies will be reduced from 50-89% to 25-75%. RAO UES will submit a final decision to government before 31 October.

Prime TASS Energy Service, 23/2/06

Spain:

Government Approves Electricity Tariff Increase

The Government has approved a rise in electricity tariffs that will come into force on 1 July. Tariffs will increase by 6% for industrial customers and by 0.8% for domestic clients, resulting in a 1.38% average increase. Previously, the government had passed a decree law that abolished the 2% limit on annual tariff increases as well as the requirement that the difference between industrial and domestic tariffs changes had to be kept within 0.6%.

www.elmundo.es, 30/6/06; *ABC, 30/6/06, 24/6/06*

The Government Suppresses The Stranded Costs Recovery Mechanism

The stranded costs recovery mechanism, Competition Transition Costs (CTCs), set up after the liberalisation of the wholesale electricity market in 1998, has been cancelled by the Government. The decree justifies this cancellation on the grounds that the mechanism was inefficient, distorted pool prices, and was no longer necessary, and that the cancellation of CTC payments benefits consumers. At the end of 2005 the outstanding amount of CTC pending recovery was EUR 800 million (US$ 1,012 million).

ABC, 24/6/05; El Mundo, 24/6/05

Economics Minister Announces A Reform Affecting the Remuneration of Renewables

Spanish Economics Minister Mr. José Montilla declared that the remuneration of renewable energy generation will be revised in July, as requests for connection to the network represent twice the level of capacity expected by the Government.
Europa Press, 21/6/05

Supreme Court Confirms Suspension Of Takeover For Endesa

The Supreme Court rejected the Government's appeal against the Court's decision to suspend the Gas Natural takeover bid for Endesa.
El País, 20/6/05; Expansión, 20/6/05

CNE And System Operator To Analyse Pool Prices

The Ministry of Industry has confirmed its intention to continue with the transitory measures introduced by the Decree-Law 3/2006. This Decree sets a provisional regulated wholesale price for part of the energy purchased by distribution companies for sale to consumers under the full-service tariff (see February GERN issue). This provisional price is well below the spot market price. As a consequence, one of the distribution companies, Iberdrola, had decided to submit its demand bids at the regulated price set by the Ministry, which led to a collapse in the Spanish day-ahead market electricity sales and prices. The energy regulator, CNE, is to analyse this bidding behaviour as well as anomalous price increases on certain days in May. The Ministry has also asked the System Operator to report whether there may be any implication for the system reliability. In addition, acting on its own initiative, the CNE will analyze the consequences of Decree-Law 3/2006.
Expansión 16/6/05; El País, 16/6/05; ABC, 16/6/05

Turkey

Pushes Ahead With Power Distribution Tenders; LUK Oil Applies For Oil Licence

Turkey's privatisation agency is planning to speed up plans to tender electricity distribution licences, after delaying the process by over a year. The Energy Ministry is expected to launch tenders this month after initially planning to start privatising the sector in March 2005. The process looks more likely to proceed following parliamentary approval last month of a law paving the way for the privatisation of Turkey's electricity distribution sector.
Global Insight Daily Analysis, 14/7/06

North American News

US:

Enron Announces Pact To Settle Disputes With Tacoma, Montana Attorney General And FERC Trial Staff

Enron Corp. confirmed it has agreed to settle all civil and contractual claims between itself and Tacoma, Wash., on behalf of the state's department of public utilities, Tacoma Power, and the Federal Energy Regulatory Commission. Enron reached a similar agreement with the Montana Attorney General. Tacoma will receive a total of US$3.28 million in bankruptcy claims and the Montana Attorney General will receive a total settlement of US$1,300,000.

Dow Jones News Service, 28/6/06

Argument Erupts Over Role of Regional Entities

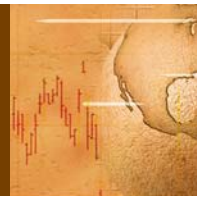
Parts of the proposed pro-forma Regional Entity (RE) delegation agreement have created a stir in FERC's proceedings on the Electric Reliability Organisation (ERO). Edison Electric Institute (EEI) and The Midwest Reliability Organisation (MRO) are concerned that Section 16 of the pro-forma delegation agreement will allow one RE to hijack NERC's rulemaking process. Western Electric Coordinating Council (WECC) filed reply comments to refute charges that the delegation agreement is antithetical to a strong, independent ERO. WECC agrees with the need for a strong ERO and says that EEI and MRO have misinterpreted the delegation agreement.

Energy Prospects, 22/6/06

CPUC Assures Recovery of RPS-Related Wires Costs, OKs Contra Costa No. 8

The California Public Utilities Commission (CPUC) resolved how utilities will be compensated for investing in the transmission necessitated by the state's 2010 deadline for meeting the renewables portfolio standard (RPS). At its business meeting, the commission voted unanimously that utility investments in transmission to support development of renewable energy can be recovered through retail rates.

California Energy Markets, 22/6/06



FERC Allows Market-Based Rate Recovery For Gas Storage Facilities

FERC has voted to adopt a New Rule for Gas Storage Rates and Projects that is intended to mitigate natural gas price volatility by encouraging development of new natural gas storage capacity, ensuring access to storage services at just and reasonable rates, and making adequate storage capacity available to meet anticipated market demand. The rule will allow market-based rates for new natural gas storage facilities and will extend more “flexibility” in cost-based pricing to boost rates of return on existing facilities.
Energy Washington Week, Foster Natural Gas Report, 21/6/06

Michigan PSC OKs Upper Peninsula Load Reduction Plan

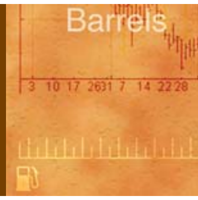
The Michigan Public Service Commission (PSC) has approved an application filed by Upper Peninsula Power Company (UPPCo) to implement a new electric online power exchange program to provide compensation to its electric customers for voluntary reductions of their load. Specifically, the program will allow UPPCo to post an offer for load reduction to customers taking service under its “Schedule A” and “WP-3” tariffs.
NGI’s Power Market Today—19/6/06

FERC Begins Extensive Review Of Gas And Electric Market Transparency Issues

FERC’s Office of Enforcement has notified natural gas and power industry associations and executives that it intends to review gas and electricity market transparency issues, in the light of the transparency provisions of the Energy Policy Act 2005. The Commission plans meet later this summer with the natural gas and electric industries, and with representatives from derivative markets and information providers.
Foster Natural Gas Report, 16/6/06

FERC OKs Plan To Bolster New England Electricity Supply

The Federal Energy Regulatory Commission (FERC) approved an agreed plan to increase incentives for building power plants and transmission lines in New England through higher electricity prices for ratepayers in the region. The agreement will create an auction every year in which ISO New England Inc., which manages the region’s electric grid and wholesale electricity markets, will identify the region’s electricity needs for the next three years and accept bids from companies to build infrastructure. ISO New England Inc. welcomed the ruling by the Federal Energy Regulatory Commission (FERC) to implement a newly designed Forward Capacity Market (FCM).
Dow Jones & Company, Inc., 15/6/06; Business Wire, 15/6/06



FERC Sets Hearing For A Complaint By State Agencies Against National Fuel's Rates

FERC will hear a complaint filed by the Public Service Commission of New York, Pennsylvania Public Utility Commission, and Pennsylvania Office of Consumer Advocate (collectively, the State Agencies) against National Fuel Gas Supply Corp which alleges that National Fuel's rates are unjust and unreasonable. The State Agencies also question whether National Fuel has the appropriate tariff authority to sell retained gas.
Foster Natural Gas Report, 9/6/06

USPSC Votes 3-2 To Accept A Settlement With AGL

The Georgia Public Service Commission has voted to accept a settlement with Atlanta Gas Light, thus closing the 3 year investigation into AGL's coal tar environmental program. AGL will return US$600,000 to its customers to compensate for alleged misspending of money meant for environmental cleanup projects around the state.
Associated Press Newswires, 8/6/06

Canada:

B.C. Gives LNG Terminal Go-Ahead: Building Begins In 2007

The British Columbia government has approved Kitimat LNG's proposal for a C$500 million regasification terminal on the British Columbia coast. Construction is expected to begin next year and the plant should be operating by November 2009, making it Canada's second liquefied natural gas facility.
National Post, 7/6/06

Mexico:

Mexico And Guatemala Link Power Grids

President Vicente Fox and Guatemalan counterpart Oscar Berger met in the Mexican border town of Tapachula to inaugurate a link between the two countries' power grids as part of a regional integration initiative.
Comtex via Energy Central, 13/6/06

Central and South American News

Argentina:

Province Raises Utility Tariffs

The Parliament of Mendoza, an Argentine province with over 1.5 million inhabitants, has approved a 12.9% increase in electricity tariffs. This increase will only affect customers consuming over 300kWh per two-month period.

Global insight, 9/6/06; La Nación, 9/6/06

Belize:

Reforms In The Oil Sector

Belize's government has proposed raising the income tax rate on net oil profits from 25% to 40%. At the same time, the House of Representatives has approved a new income tax on exploration. Plans to increase the level of government and Belizean shareholders' percentages in the capital stock of the oil companies and to create a fund dedicated to education, poverty reduction and healthcare were announced.

Global Insight, 15/6/06

Brazil:

Regulator Approves Electricity Transmission And Distribution Tariff Changes

Twice this month, Aneel has approved modifications of tariffs charged by a total of eight distributors. Altogether, nearly four million customers will be affected. Copel Distribuçao, which serves 3.27 million customers, has to reduce residential customer tariffs by 12.71% and increase those of high voltage units by 1.44%. Aneel has also approved changes in transmission tariffs. Tariffs for electricity transmitted through the National Interconnected System will increase by 9.45%; the corresponding tariffs for Itaipu's network will decrease by 11.45%.

FolhaNews, 30/6/06; Valor News, 27/6/06, 20/6/06; O Globo, 20/6/06

Brazilian Power Transmission Company Partially Privatised

The State of Sao Paulo has sold 50.1% of CTEEP's voting shares. CTEEP, the power transmission company that operates in the state of Sao Paulo, will now be controlled by Colombia's Interconexión Eléctrica, ISA. ISA paid 1,190 million Brazilian reals (US$534 million) for the controlling stake at an auction.

Dow Jones International News 28/6/06; Reuters 28/6/06

600 Million Litres Of Biodiesel To Be Auctioned In July

Brazil's National Petroleum Agency has announced that a total of 600 million litres of biodiesel will be auctioned on 11 July. The country's diesel producers are required by law to buy all biodiesel on offer until 2008 in order to provide incentives for production. Brazil's biodiesel production is currently estimated at 1,500 million litres by Petrobras, the country's state-owned oil firm.

Dow Jones Commodity Service, 24/6/06

Chile:

Ministry Calls For Geothermal Exploration Bids

Chile's mines and energy ministry has announced a tender for the exploration of seven geothermal fields. The fields include the Taipicollo and Tuja fields in Uquique province, Copahue field in Bío Bío province, and Tuyaito, Alitar, Estrella and Estrella I fields in El Loa province.

Business News America, 2/6/06

Colombia:

Government To Reduce Stake In Electric Companies

Colombia's Ministry of Mines and Energy plans to reduce its participation in several electricity companies. After the privatisation of Enertolina in May, the government will sell EEC, a company with 190,000 consumers. Afterwards, a 20% stake in a holding company containing the assets now owned by three other electricity companies will be sold. In addition, a 20% stake in Isagen, a power generating firm, will also be privatised.

South America Business Information, 23/6/06

Ecuador:

State Of Emergency On Former Occidental Fields

Ecuador's President has declared a state of emergency on block 15 and other assets formerly operated by US oil company Occidental, which were seized last month after a dispute between the firm and the Ecuadorian government. In addition, the state of emergency affecting the power sector and due to expire on 7 June has been extended for 60 days. This extension will allow the economy minister to increase funds available for the electricity sector to ensure sufficient fuel supplies for the dry season.

Business News Americas, 14/6/06

Bill To Reform Power Sector

The government set out a bill before the country's Congress that would reform the electricity sector. The proposal would allow recovery of a deficit that arose because the state energy distributors have been charging tariffs below costs since 1999. This measure may free up credits from the Andean Development Corporation.

Dow Jones International News, 1/6/06

El Salvador

Government Announces A 14% Electricity Tariff Increase

The Salvadorian government has announced a 14% increase in electricity tariffs. The increase will not affect around 761,000 families that consume less than 100 KWh per month, which will be subsidised by the government. Distributors will receive US$ 16 million from the Hydroelectric Commission, Cel, during the semester because their costs of supply have in fact risen by more than 14%.

Notimex, 10/6/06

Honduras:

Government Announces Tender For Refined Petroleum Products Import Terminal.

The Honduras government plans to organise a tender for a contract to design, build, operate and transfer (DBOT) a terminal on the Atlantic coast of the country to meet Honduras' needs for imported refined oil products. Fuel oil, kerosene/jet fuel, diesel and unleaded motor gasoline fuels will be imported through that terminal.

PR Newswire, 27/6/06, 26/6/06; Business News Americas, 27/6/06

Uruguay:

Electricity Tariffs Increase

Uruguay's state-owned company, UTE, has announced that the severe drought affecting the country will force UTE to import electricity and raise prices. Tariffs will increase by 6% for large consumers, 5% for households consuming over 1,800 Uruguayan pesos (US$5.75) per month, and 4% for smaller consumers.

Latin America News Digest, 5/6/06

Asia Pacific News

Australia:

ACCC Access Arrangement Upheld By Federal Court

The Federal Court in Melbourne has overturned a decision by the Australian Competition Tribunal to set aside the access arrangement for the Moomba-to-Sydney pipeline determined previously by the Australian Competition and Consumer Commission. The Tribunal's decision had valued the pipeline at A$835 million (US$620 million), 53% more than the Commission's value. However, the Court found that the Tribunal had not established any grounds upon which it could interfere with the Commission's original decision.
www.accc.gov.au, 3/7/06

Energy Regulator Proposes To Increase Generation Performance Penalties

Electricity generation companies could face higher penalties for failing to meet technical performance standards under a new proposal by the Australian Energy Regulator. The proposed changes would raise fines tenfold to ensure security of supply. AER Chairman Steve Edwell said that the current penalty "doesn't match the potential costs, and, arguably, is also lower than the capital costs of operating and maintaining plant to those standards".
Australian Financial Review, 22/6/06

GasNet Investment Approved For Victoria

The Australian Competition and Consumer Commission has approved A$61.7 million (US$45.9 million) of prudent costs for the construction of the Corio Loop. The Loop, an extension of the South-West Pipeline, would allow for increased flows from the Otway Basin west of Melbourne and increase competition with the Gippsland Basin to the east. It would also provide greater protection against the possibility of outages.
www.accc.gov.au, 6/6/06

China:

Regulations: Regulator Warns Of Dangers Of Illegal Power-Plant Proliferation

The National Development and Reform Commission said it will begin limiting the authority of local governments to approve new power projects in order to achieve its goal of deriving 35% of China's power supply from nuclear, wind, hydroelectric, gas and clean-coal power by 2010. The statement is driven in part by changes to the Energy Conservation Law, which will set stringent targets for emissions at new power plants and will attempt to reduce national energy consumption by 20% by 2011.
Economist Intelligence Unit—ViewsWire, 19/6/06

Exclusive: Details Emerge Of China's Basic Energy Law

The Chinese government has said that the country's first "basic law" in the energy sector will be passed by the legislature in two years. The Energy Law is expected to set the goal of reducing national energy consumption by 20% in the five-year period from 2006 to 2010 and of forming an energy-efficient and environmentally friendly society. The law is also expected to encourage domestic energy exploration and international energy cooperation, optimise energy reserves and emergency response systems, develop renewable and new energies, and enhance energy efficiency.

Xinhua News Agency, 13/6/06

India:

Indian Government Pushes For Unbundling Of Gas Transmission

India's oil ministry has drawn up draft guidelines for the unbundling of GAIL's monopoly of India's gas transmission businesses. The final guidelines will be formulated by the proposed Petroleum and Natural Gas Regulatory Board. Under the proposed regulation, pipeline owners will need to provide at least 25% of the pipeline's capacity for third parties on an "open access" and a first-come-first-served basis.

Gas Matters Today, 1/6/06

Japan:

Japan Undertakes Bio-Ethanol Push.

The Japanese government has unveiled plans to make all gasoline-powered vehicles run on fuel that contains 10% environment-friendly bio-ethanol by 2030. The regulations are expected to be introduced between 2008 and 2012 requiring all new vehicles to be compatible with a blend of 90% petrol and 10% bio-ethanol (E10). The Energy Ministry estimates that the complete shift to E10 will allow Japan to reduce CO2 emissions by about 10 million tonnes.

ICIS Chemical Business, 19/6/06

Philippines:

Luzon Postpones Retail Competition

The start of retail competition and open access to the transmission system on the main island of Luzon has been postponed for a year. The energy regulator said the postponement was necessary because only three of the five preconditions for open access and retail competition have yet to be met. Before competition can start, the Electric Power Industry Reform Act of 2001 requires: at least 70% privatisation of Napocor's generation assets; a wholesale electricity spot market; and the transfer of Napocor's remaining independent power producer contracts to administrators.

Platts Power in Asia, 25/6/206

Manila Eyes Faster Power Reforms With Spot Market

The first bids were submitted on the new commercial wholesale electricity spot market (WESM) in June. During the first day of trading, the WESM took live bids from 24 registered generators and 179 customers in the main island of Luzon via its electronic system. The Philippine government have said that this development will speed up power sector reforms.

Reuters News, 23/6/06

Transmission Company Sale Planned For September 2006

A third attempt to sell a 25-year contract to operate Transco, the state owned National Transmission Corporation, has been announced. The two previous attempts at privatisation failed when only one bid was submitted. However, PSALM noted improved transparency and certainty in the regulatory framework.

Platts Power in Asia, 22/6/06

Philippines Seeks To Boost Downstream Gas Sector

The Philippine Congress Committee on Energy has approved a bill seeking to promote the development of the downstream natural gas industry. The bill consolidates administrative measures governing the transmission and distribution of natural gas in the country.

International Gas Report, 19/6/06

Thailand:

Thai Electricity Regulator To Sign Deals On New Capacity Mar '08

The Electricity Regulatory Board expects to complete the bidding process and sign independent power producing contracts for 11-13 GW of new electricity capacity in March 2008. State enterprises with monopoly power in the energy sector and transmission system, and their affililates, will not be allowed to join the bidding.

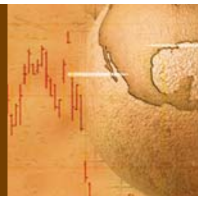
Dow Jones International News, 8/6/06

Vietnam:

EVN Restructuring Plan Approved By PM

Electricity of Vietnam (EVN) will reorganise into a holding company with affiliated enterprises under a plan approved by the Vietnamese Prime Minister. The new electricity group will comprise wholly-owned State enterprises fulfilling public utility functions and multiple-owner business formed from existing units of EVN. The Prime Minister will retain ultimate authority over major nagement decisions of EVN's board and general director on targets, strategies, and long-term plans.

Thai News Service, 28/6/06



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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.

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