NERA
Economic Consulting

Reporting on energy regulation issues around the world

Global Energy Regulation

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European News

UK

Next Steps For Gas Distribution Price Control Review

Ofgem, the UK's energy regulator, has published a second consultation on the price control for gas distribution networks, which addresses whether networks will be allowed to recover higher than expected capital expenditure costs. The networks have forecast that they will exceed their capital expenditure allowances by approximately 64% over the current price control period. The consultation also identifies options for ensuring that the benefits from the recent industry restructuring and out-performance under the current incentive framework are passed back to customers.
Ofgem Press Release, 17/7/06

Energy Policy Shapes Up To New Global Energy Landscape

The Government has published the conclusions of its Energy Review. The Review includes a number of proposals, many of which are for further consultation, including policies designed to reduce the demand for energy to secure a mix of clean, low carbon energy sources, and to speed up the approvals procedure for energy projects. To remove bottlenecks in the planning process the government is proposing a change to the planning system for all types of energy projects, including timelines for inquiries and a high-powered inspector for complex and controversial projects. A streamlining of the licensing process for nuclear power projects was also proposed and the strategy on decommissioning and waste was clarified.
DTI Press Release, 11/7/06

National Grid Publishes Second Consultation On Energy Supplies For Next Winter

National Grid has published its second report on energy supplies. The report states that major new import projects are still on track and Britain's largest gas storage facility, Rough, is now expected to be filled in time for winter. However, it adds that there are still uncertainties regarding the completion of these new import facilities and supplies could still be tight next winter. Crucially, the report notes, transparent information about gas demand, supply, and storage on the continent is still lacking.

Ofgem Press Release, 11/7/06

More Britons Change Energy Supplier As Bills Soar

Ofgem has reported that the number of people switching energy supplier has hit a four year high. Ofgem attributes this to the effect of recent price increases. Ofgem also estimates that consumers who have yet to switch to a cheaper supplier could save £110, so that across Britain there are unclaimed savings of about £1 billion.

Ofgem Press Release, 1/7/06

National Grid Applies For Isle Of Grain Phase Three Expansion

National Grid has submitted a planning application for a further phase of expansion at the Isle of Grain LNG terminal. The application is for another jetty, two more storage tanks, and additional process equipment, and would give the terminal an overall capacity of 14.8 million tonnes per annum by winter 2010. NG has also applied to Ofgem for an exemption from regulated third party access provisions for the extra capacity.

Gas Matters Today, 30/6/06

Austria

Austria Submits NAP II

Austria has submitted its Phase II National Allocation Plan (NAP II) for the EU Emission trading scheme after missing an initial deadline. The total allocation to industry and energy firms will be of 32.8 million tonnes between 2008 and 2012.

Austria Press Agentur, 17/7/06; Austria Press Agentur, 15/7/06; EU Energy, 14/7/06

Belgium

Regulator Proposes Measures To Improve Functioning Of Zeebrugge Hub

The Belgian federal energy regulator, Commission de Régulation de l'Électricité et du Gaz (CREG), has published the conclusions of a study on use of the Zeebrugge gas hub. CREG concludes that the market at the Zeebrugge hub is immature, and proposes several measures to foster liquidity. In particular, CREG has suggested several amendments to the Belgian gas regulations, the standardisation of quality requirements at the hub, and new short term flexibility services to be offered by S.A. Fluxys.

CREG Press Release, 19/7/06 **(www.creg.be)**

Power Regulator Urges Power Distributors To Improve Quality of Service

Bulgaria's energy regulator has given distribution companies notice that it will scrutinise the quality of power supply, following legal proceedings by 139 villages in the Varna region against E.ON for low quality power supplies below 220 KV. In June 2004, the regulator approved eight criteria for the quality of power supply, which are re-set on an annual basis.

Bulgarian News Digest, 4/7/06

Energy Regulator Raises Purchase Price of Wind-Generated Electricity

Bulgaria's energy regulator has raised preferential prices for electricity produced from domestic wind farms by up to 46%. The Energy and Water Regulatory Commission (SEWRC) has set a purchase price of US$114.6/MWh for wind generators that operate more than 2,200 hours a year, and US$102.2/MWh for generators running less than 2,200 hours annually. The higher prices went into force as of July 1 and apply only to generators commissioned after January 2006.

SeeNews, 4/7/06

European Union

Energy Regulators Issue Proposals On Retail Liberalisation

The European Regulators Group for Electricity and Gas (ERGEG), an advisory body to the European Union (EU) Commission, has issued several proposals aimed at promoting competition once the EU energy markets become fully liberalised on 1 July 2007. ERGEG's recommendations include the establishment of standardised "user-friendly" switching procedures and the development of consumer protection mechanisms, focused on ensuring consumers receive transparent price information.

ERGEG Press Release, 25/7/06

Council Adopts New TEN-E Guidelines

The European Union (EU) Council has adopted an amended version of the Trans-European Energy (TEN-E) Guidelines, which was drafted by the EU Commission. The aim of the TEN-E Guidelines is to foster energy interconnection among EU member states and with third countries. The amended guidelines identify and rank transmission infrastructures needed to integrate EU energy markets fully, listing forty-two specific projects. In addition, the new TEN-E guidelines establish the framework for increasing coordination and information exchange between member states, and open the possibility for the EU Commission to appoint a European cross-border coordinator.

EU Press Release, 24/7/06

France

Distributors Might Not Be Ready For Full Liberalisation

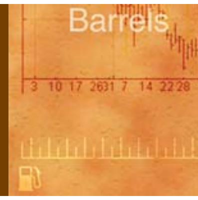
The French energy regulator, Commission de Régulation de l'Énergie (CRE), has initiated an investigation into the information systems of the main electricity distribution company in France, EDF GRD, and certain municipally owned distributors. CRE is worried that the existing systems might not be ready to fulfil quality of service standards when consumers switch supplier after 1 July 2007, when the French electricity market will become fully liberalised. In addition, CRE fears that the current low level of electricity full-service tariffs in France will deter competition in the liberalised market.

Power in Europe, 17/6/06

Regulator Opens Consultation On Gas Transport Tariffs

CRE has opened a consultation on its proposal for new gas transport tariffs that would apply from 1 January 2007. In particular, CRE seeks comments on general issues such as the length of the regulatory period and a possible simplification of the tariff structure, as well as on more specific issues such as the proposed rate of return and the correction mechanism to be applied in the case of differences between forecasts and out-turn figures. The consultation is open for comments until 8 September 2006.

CRE Press Release, 12/7/06



France

Government Publishes Electricity Sector Investment Plan

The French Industry Ministry has published its 2005-2015 Electricity Generation Investment Plan ("Programmation Pluriannuelle des Investissements de Production Électrique", or PPI). The PPI is a non-binding document which estimates future electricity supply and demand in France and identifies additional investments required for securing electricity supply. In addition, this PPI has been drafted with the objective of covering 21% of French electricity consumption with renewable energy sources by 2010.

News Press, 11/7/06; Communiqué de presse du ministère délégué à l'Industrie, 10/7/06

Regulator Proposes Additional Measures To Foster Competition In The Electricity Market

In its 2005-2006 Annual Report, published on 5 July 2006, CRE concludes that the level of switching in the French electricity market is still low: only 4.3% of the eligible consumers have switched to a non-incumbent. Therefore, CRE has proposed additional measures to foster competition, including extending VPP auctions to cover 12,000 MW of EDF's nuclear capacity and an increase in regulated tariffs.

Le Figaro, 6/7/06; La Tribune, 6/7/06; CRE Press Release, 5/7/06

Germany

Monopolkommission Criticises New Energy Law

The independent German advisory body, Monopolkommission, has heavily criticised the new energy law. In its report, the commission deplores in particular the vague and even conflicting rules regulating network fees. It also views as inadequate the supervision of the wholesale energy market, pointing out that it is prone to uncompetitive behaviour.

DowJones Newswire, 6/7/06

German-Dutch Energy Market Cooperation

The German energy exchange EEX and the Dutch exchange Endex will cooperate in their energy trading. Endex will most probably acquire 5%-10% of the EEX-owned European Commodity Clearing (EEC). EEC could become the most important platform for energy and gas trading in Europe.

Financial Times Deutschland, 6/7/06

Dutch Firm Nuon Makes Its Way Into The German Market

Domestic customers in Berlin and Hamburg will now be able to purchase their gas from Dutch energy giant Nuon. The firm has been present in Berlin since January of this year, and has already managed a market share of about 4%. It is considering expanding its activities to further cities.

Reuters, 3/7/06

Ireland

Home Bills Shock As Gas Prices To Go Up By 34pc

The Irish energy regulator, the Commission for Energy Regulation (CRE), is to allow Bord Gais a 34% gas price increase from October, adding an extra €450 a year to household bills. The CER said the cost of buying gas had increased by 50pc, which Bord Gais said had added €150m to its costs. Its original request to the regulator was for a 38% price rise.

Irish Independent, 22/7/06

Electricity Prices Set To Go Up By 20%.

ESB, the Irish electricity company, is expected to raise its electricity prices by about 20 per cent next year due to strong upward trends in international fuel prices. The company has submitted a range of revenue projections to the Commission for Energy Regulation and a formal announcement will be made in October.

Irish Times, 5/7/06

Italy

AEEG To Limit High Costs For Dispatching Service.

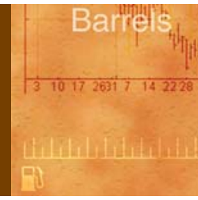
At the end of a consultation started on July 11th, the Italian energy regulator, AEEG, approved measures to reduce dispatching costs to final consumers. The resolution introduces changes to the way Terna buys on the ancillary services market and on how Terna provides the dispatching service. The new provisions will take effect by August 1st 2006

AEEG's web site, 29/7/06

AEEG Increases Transparency Of Energy Bills.

AEEG, the Italian energy regulator, enacted a new "Instruction about transparency in billing documents of electricity consumption" in order to improve clearness, precision, and completeness of bills. Electricity companies need to implement the new requirements by January 1st 2007.

AEEG's web site, 25/7/06



Netherlands

Dutch Gasunie Trade & Supply Faces Investigation Over Unfair Pricing

Gasunie Trade and Supply (GuTS), a unit of NV Nederlandse Gasunie, is facing an investigation by the antitrust watchdog NMa for alleged unfair pricing of natural gas. A complaint has been filed with NMa by several companies from the horticulture and manufacturing sectors, who claim that GuTS has been overcharging them by €0.03 per cubic metre of natural gas since December 2005.

Dutch News Digest, De Financiele Telegraaf, 17/7/06

Integrated North-West European Gas Market Initiative

The energy regulators from the regions of North West Europe (the Netherlands, Belgium, France, Great Britain, and Ireland) and North Europe (the Netherlands, Denmark, and Sweden) have drawn up a list of actions necessary for realising a North West European gas market. The project is part of the “Gas Regional Initiative” of ERGEG, the European Regulators Group for Electricity and Gas. In their first Regional Coordination Committee regulators from both regions listed a number of priorities which in their view require action, including facilitation of market information, efficient trade of gas between “hubs” (including liquidity), access to primary capacity, and the advancement of efficient investments in primary network capacity.

DTe Press Release, 11/7/06

Portugal

AdC Approves REN Gas Assets Acquisition

The Portuguese antitrust authority, Autoridade da Concorrência (AdC), has approved the acquisition of Galp’s gas transportation assets by REN, after the operation was previously passed by the Council of Ministers. The AdC considers that the acquisition neither reinforces nor creates a dominant position for REN. With this latest decision, REN is now set to acquire the high-pressure gas transportation assets, the gas storage facilities, and the regassification activities that are currently owned by Galp.

Agência Lusa, 26/7/06

OMIP Starts Operations With Eleven Members

The Portuguese newly created forward energy trading market OMIP started operations on 3 July and is currently formed by eleven members. The OMIP launch was the first stage of a process for the establishment of the Iberian’s energy market, named Mercado Ibérico de Electricidade (MIBEL), which will see the integration of OMIP with the Spanish spot market, OMEL. The integration is expected to be completed within two years.

Jornal de Negocios, 19/7/06

Government To Complete Wind Power Tender By August

The Economy Minister, Manuel Pinho, stated that the Government expects to complete the tender for the allocation of 1,000 MW of wind power licences by the end of August. Four energy consortia took part in the first stage of the tender, including Portuguese energy companies Energias de Portugal (EDP) and Galp Energia, Spanish utility Iberdrola, and Italian utility Enel. The final contracts for the allocation of the licences are expected to be signed with the winners before the beginning of autumn 2006.

Jornal de Negocios, 10/7/06

New Allocation Rules For Eight CCGTs

The Portuguese government is soon to publish new rules for the allocation of network capacity covering eight 400 MW CCGTs. In an effort to promote competition, the government plans to use a two-stage rule. If there is more than one interested party for the same location, the license will be given to the player with the lower market share in the Iberian electricity market. If this criterion is not decisive, the license will be allocated through an auction process.

Agência Lusa, 7/7/06

Romania

August Flotation For Transelectrica

Transelectrica, the Romanian state-owned power grid company, is expected to proceed with a full flotation in August, following its successful initial public offering last month. The IPO raised US$44.4 million through the sale of around 11% of the company's capital. Demand for the shares was high with the offering oversubscribed by about six times.

Platts Energy in East Europe, 21/7/06

Romgaz Privatisation Delayed Until 2009

Romania's state gas producer, Romgaz, will not be privatised for three years, according to the chief of the Office for State Participations and Privatisation in Industry (OPSPI). The government was originally planning to offer a 51% stake in Romgaz back in 2005, but this was suspended earlier this year as a result of rising oil and gas prices and the recent crisis generated by the dispute between Russia and Ukraine. Romgaz is one of the most valuable companies yet to be privatised in Romania, with interested parties including Gazprom, Bulgaria's Lukoil, E.ON Ruhrgas, Gaz de France, MOL, and Wintershall.

European Spot Gas Markets, 11/7/06

Russia

President Signs Gas Export Law

Russian President Vladimir Putin signed a federal law on gas exports, passed by the parliament earlier this month, which grants exclusive rights to export gas to Gazprom or its wholly owned subsidiaries. The law will not affect export under production sharing agreements signed prior to enactment of the law.

www.kremlin.ru, *19/6/07*

Spain

National Energy Commission Approves E.ON's Bid For Endesa Subject To 19 Conditions

The Spanish National Energy Commission (CNE) has approved E.ON's bid for Endesa subject to 19 conditions. E.ON will not be able to participate in the management of nuclear plants and will have to sell a nuclear plant fully owned by Endesa. E.ON will also have to sell all coal plants fired by Spanish coal and all the assets in the Balearic and Canary Islands and in the extra-peninsular territories of Ceuta and Melilla. Altogether, the assets to be sold represent 32% of Endesa's total production capacity in Spain. In addition, any sale of a stake over 10% of any of Endesa's affiliates will require the authorisation of the CNE, and if any firm buys more than 50% of E.ON, the CNE will have the right to force E.ON to sell Endesa to a third party.

El Mundo, 28/7/06; El País, 28/7/06

22 Million Electronic Electricity Meters To Be Installed

An order by the Ministry of Industry requires that 22 million old electricity meters must be replaced with electronic ones, starting on 1 July 2006. The total cost of this initiative is estimated at EUR4,000 million (US$5,000 million).

El Periódico de Catalunya, 16/7/06

Government Announces National Allocation Plan

The Government has made public a draft of the 2008-2012 National Allocation Plan (NAP) that assigns CO2 emission rights to companies. Rights allocated for free to electricity companies have been reduced by 36% with respect to the previous NAP. The two main electric utilities in Spain, Iberdrola and Endesa, have praised the plan.

Gaceta de los Negocios, 13/7/06; Expansión, 13/7/06

Utilities Will Have To Sign Forward Contracts In OMIP

The Ministry of Industry has published an order that requires the main Spanish utilities to sign forward contracts in OMIP for at least 5% of the electricity they supply to their clients. The order specifies the volumes of each type of contract that each distributor will have to buy, as well as the dates on which they have to buy them, with a view to increasing liquidity in forward markets and promoting competition. OMIP is the Portuguese pole of the Iberian electricity market, which has responsibility for organising trading in forward contracts.
Expansión, 5/7/06

Turkey

Second Turkish Power Plant Shuts Citing Gas Prices

Ak Enerji will close a second gas-fired power station in Turkey citing high gas prices and uneconomic government price policies. Gas prices have risen 65% over the past two years while government-set electricity prices for consumers have fallen 5%. Earlier this month 13 provinces were left without power when Ak Enerji halted operations at another one of its power plants in the country's northwest. The closure of plants has prompted concerns that further electrical outages are on the way.
Reuters News, 14/7/06

Government Rejects Electricity Price Increases/Turkish Watchdog Rejects Proposed Distribution Tariffs For Being Too Low

Despite a statement that the government would take into account the complaints of private electricity generation companies regarding electricity prices, the energy minister has announced that the government will not increase electricity prices for the time being. Private electricity generation companies want the government to increase electricity prices to account for high input prices. Meanwhile, Turkey's energy markets watchdog rejected electricity tariffs that the privatisation body has suggested 20 electrical grids should charge once they are sold off, saying the rates were unrealistically low.
Reuters News, 7/7/06, Turkey Sectors and Companies Today, 6/7/06

North American News

US

We Energies Can Keep Disputed Profit; Utility Customer Groups Had Sued for US$52 Million

We Energies customers won't get a refund on their bills after a Dane County judge sided with Wisconsin state regulators by ruling that the utility may keep US$52 million in disputed profit. At issue was whether We Energies could keep extra profit it received by cutting costs after its parent company, Wisconsin Energy Corp, bought Wicor Incorporated, the parent of Wisconsin Gas, in 2000. Circuit Judge C William Foust said that the state Public Service Commission was correct in ruling that We Energies was entitled to keep the profit it received in 2001-'03, and thus rejected the suit made by customer groups.
The Milwaukee Journal Sentinel, 1/8/06

Idaho PUC Will Review New Federal Utilities Standards

Idaho state regulators will decide whether federal standards adopted under a new energy law should are appropriate for Idaho's regulated electric utilities. The Idaho Public Utilities Commission is asking each of the three electric utilities—Idaho Power Co, Avista Utilities and Rocky Mountain Power (formerly Utah Power)—and the public to participate in the review process. A section of the Energy Policy Act of 2005 amends part of the Public Utility Regulatory Policies Act of 1978 by adding five new ratemaking standards for electric utilities. The five standards include net metering, fuel source diversity, fossil fuel generation efficiency, and interconnection service to customers with their own on-site generating facilities. The utilities must respond to the commission's questions by August 25.
The Idaho Statesman, 1/8/06

FERC Issues Major Rules On Transmission

A final rule on long-term transmission rights, incentive rates for transmission, and certification of an electric reliability organisation were among a number of high-profile items decided by the Federal Energy Regulatory Commission (FERC) at its last meeting of the summer on 20 July 2006. The commission approved a final rule requiring regional transmission organisations that oversee organised markets to make long-term firm transmission rights available to all their transmission customers, in accordance with the Energy Policy Act of 2005. The commission issued a final rule to bolster transmission investment by offering specific rate incentives—including higher rates of return—which the agency would allow based on a case-by-case analysis of individual transmission proposals. For the most part, the final rule adopts the proposals put forth in the commission's November 2005 proposed rule.
Public Power Weekly, 24/7/06

FERC Approves High-Deliverability Gas Storage Project In Louisiana And Connecting Line

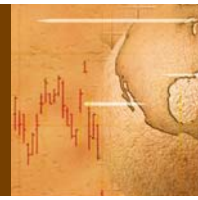
FERC has authorised Port Barre Investments LLC, trading as Bobcat Gas Storage, to construct and operate a salt dome gas storage facility and pipeline facilities in St. Landry Parish, Louisiana. The Bobcat Gas Storage Project will have nearly 5.8 Bcf of base gas and 12 Bcf of working gas storage capacity, and will have a bi-directional pipeline connecting with five interstate pipelines and one intrastate. It will offer only storage and hub services, which will be charged at market-based rates. On the basis of a hub market power analysis conducted by Bobcat, FERC concluded that Bobcat's prospective market shares are low and that it will lack market power. The company therefore qualifies for market-based rates under the 1996 Alternative Rate Policy Statement. Any further inquiry under the modified market power analysis adopted last month in Order No. 678 is considered by FERC to be unnecessary.
Foster Natural Gas Report, 21/7/06

FERC Asked By LDCs To Clarify Policy Statement On Gas Quality

The American Gas Association and KeySpan Delivery Companies have requested clarification of FERC's recent Policy Statement governing natural gas quality and interchangeability provisions in interstate pipeline tariffs. Both focused on interchangeability, the ability to substitute one gas for another in a combustion application, or asking FERC to clarify its guidance relating to resolution of disputes about interchangeability. Last month, FERC opted against a rulemaking because gas quality does not appear to be a national problem that lends itself to a national solution. FERC also cited the "undisputed" need for more scientific research and the importance of not blocking introduction of new sources of gas supply, concluding that, at least for now, there will be no generic standards for gas quality or interchangeability.
Foster Natural Gas Report, 21/7/06

Scana Corp. Gets OK To Merger 2 Units

FERC has approved the merger of the natural gas transportation subsidiaries of energy holding company Scana Corp., SCG Pipeline Inc., and South Carolina Pipeline Corp. The new company will be called Carolina Gas Transmission Corp. and the transaction will become effective by Oct. 1. Carolina Gas will operate as an open access, interstate pipeline company, providing transportation services only. Its operations and rates will be subject to FERC regulation.
AFX International Focus, 21/7/07



Edison Managers Urged Survey Manipulation, Report Finds

Southern California Edison employees were coerced, encouraged and even required by their managers and supervisors to manipulate and falsify customer satisfaction surveys so that the utility could receive millions of dollars in incentives, according to a report made public this week. Issued by the California Public Utility Commission's Consumer Protection and Safety Division (CPSD), the report describes a wider pattern of survey manipulation and falsification than Edison had originally reported. The CPSD found that the skewed surveys influenced US$48 million in customer satisfaction performance-based rates from 1997 to 2003.

California Energy Markets, 17/7/06

Imperial Tops Opponents In Regulation Spat

The National Energy Board (NEB) has ruled that regulation of the proposed Mackenzie Valley natural gas project should be overseen by the Canadian Oil and Gas Operations Act, following a dispute between Imperial Oil Ltd and the Mackenzie Explorers Group, which includes the Devon Energy Corp., EnCana Corp., and BP PLC. The NEB concluded that the legislation was clear in its wording and denied the Explorers Group's request for the project to be overseen by the federal regulator, whilst expressing concern about appropriate tolls, access to the gas gathering system, and future dispute resolution.

The Globe and Mail, 12/7/06

NERC Files Comments With FERC On Proposed Reliability Standards

On 26 June 2006 NERC filed comments with the Federal Energy Regulatory Commission on the Commission Staff's 11 May 2006 Preliminary Assessment of NERC's Proposed Mandatory Reliability Standards. NERC recommended that the Commission approve all 102 of the proposed reliability standards as necessary for the reliability of the bulk power system. The Commission held a technical conference on the standards on 6 July and is expected to issue a Notice of Proposed Rulemaking on the proposed reliability standards in the autumn. NERC anticipates the approval of standards as early as the first quarter of 2007.

NERC News, 11/7/06

FERC Has "Broad Authority" Over Decision To Approve An RTO

FERC has "broad authority" over the decision to approve a regional transmission organisation (RTO), the US Court of Appeals for the District of Columbia Circuit said in affirming key elements of prior Commission decisions conditionally approving ISO New England's (ISO-NE) bid to be certified as a RTO. The court said a proposal to establish an RTO "is essentially a proposal to change the rates on file". As such, FERC had authority under Section 205 of the FPA to modify the operating agreement as a condition of approving the RTO.
NGI's Power Market Today, 30/6/06

Central and South American News

Argentina

Tax On Exports Of Natural Gas Raised To 45%

Argentina raised a tax on its exports of natural gas to Chile, Brazil and Uruguay to 45% from the current 20%. The Government announced that the tax is being raised so rates paid by Argentinean consumers will not be affected by the higher cost of Bolivian gas, which has risen to US$5 per million BTU in 2006 from the previous rate of US$3.4 per million BTU.
Noticias financieras, 28/7/06

National Government And Oil Provinces Agree New Contract Law

Argentina's National Government has reached an agreement with nine out of ten oil and gas producing provinces of Argentina regarding a new framework law standardising jurisdictional issues that deal with exploration and production, in order to facilitate investment in oil and gas. The draft of the new law will now pass to congressional committees in the national legislature in preparation for a required vote by both the upper and the lower houses.
Dow Jones International News, 28/7/06

Brazil

Oil And Gas Licensing Round And Hydroelectric Project Auction To Be Held In November

Brazil's oil regulator National Petroleum Agency, ANP, has released a statement announcing that the country's eighth oil and gas licensing round will be held on 28 November. In addition, the President of the Brazilian Government's energy research company announced that a new 3,150 MW hydroelectric plant, Santo Antonio, will be auctioned on 27 November. The Santo Antonio is part of the Rio Madeira hydroelectric complex in central Brazil that also comprises the 3,300 MW Jirau plant, which is planned to be auctioned at the end of 2007.
Latin America News Digest, 24/7/06; Global Insight Daily Analysis, 20/7/06

Brazil

Energy Regulator Approves Eletropaulo's New Electricity Tariffs

Aneel, Brazil's energy regulator, has approved new electricity tariffs for Eletropaulo, a utility that supplies consumers in the Sao Paulo Region. Over 16 million residential customers will experience a 1.91% reduction in their tariffs while 12,000 high voltage customers will pay, on average, 8.26% more.

Latin America News Digest, 24/7/06

Colombia

Government Sells State Gas Transport Firm And 20% Of State Oil Company

Colombia's government has sold its biggest state gas transportation company Ecogas to local pension and employee funds for 750,000 million pesos (US$301 million). The government has also approved the sale of up to 20% of state oil company Ecopetrol, arguing that private sector participation would help guarantee Ecopetrol's financial and administrative independence, which is needed to carry out E&P investments and to modernise oil infrastructure.

Business News Americas, 27/7/06; Global Insight, 26/7/06; Reuters, 11/7/06

Ecuador

President Sends Power Bill To Congress

President Alfredo Palacio has sent a bill to Congress to pay the US$950 million debt of Ecuador's electricity distributors whose prices were limited by regulation. The bill, which proposes that the Government pay the companies' outstanding debt, is not specific on what mechanisms would be used to pay the debt and does not propose a deadline for a total payment. Mr. Palacio sent the bill as an urgent economic matter, which means that lawmakers have 30 days to approve, reject or change the proposed legislation. The Congress rejected a similar bill in December last year.

Reuters, 8/7/06

Peru

Congress Approves Petroperú Modernisation Bill

Peru's Congress has approved a government bill to strengthen and modernise state oil company Petroperú. The company's first modernisation step would be to draft technical studies. According to Petroperú's President, the law should open the door to private investment to build an oil desulphurisation plant, which could be ready in 2010.

Business News Americas, 14/7/06

Asia Pacific News

Australia

AEMC Releases Draft Transmission Regulation Rules

The Australian Energy Market Commission has released its draft rules for the regulation of electricity transmission system revenue in the National Electricity Market (NEM). In response to submissions, the Commission has attempted to provide greater certainty to investors by specifying the form of regulation and processes to be followed. Once finalised, the rules will be applied by the Australian Energy Regulator to regulated transmission operators in the NEM.
www.aemc.gov.au*, 26/7/06*

ESCOSA Warns Of Power Failures In Adelaide

The Essential Services Commission of South Australia has issued a draft report warning of a risk of blackouts if Adelaide's electricity infrastructure is not improved by 2008. The report suggests that transmission operator ElectraNET should construct a new line into the CBD, while distributor ETSA Utilities needs to improve supply to the city and eastern suburbs.
The Australian, 20/7/06

Date Announced For Commencement Of Western Australian Electricity Market

A wholesale market for electricity is to commence in the South-West Interconnected System (SWIS) of Western Australia on 21 September. The announcement, by State Energy Minister Francis Logan, follows recent reforms vertically separating the government-owned electricity business. Mr Logan said that the creation of a market would facilitate further competition between the state-owned Verve Energy and private companies.
Power in Asia, 6/7/06

China

China Adjusts Rules On Electricity Dispatching

The National Development and Reform Commission (NDRC), the State Environmental Protection Administration and the State Electricity Regulatory Commission are set to readjust the rules on electricity dispatching. Under the new dispatch rules renewable energy sources and electricity generated by efficient generating units will be given priority. It is expected that the new rules will be piloted soon and then adopted nationwide as quickly as possible.
Xinhua Business Weekly, 17/7/06

China Issues Circular On Regulating Coal-Chemical Industry

The Chinese government has issued a circular urging local governments to tighten control of new coal-chemical projects and warning that it would not approve projects under a defined size threshold. Reportedly, rising oil prices have prompted rapid development of the coal-chemical industry as an alternative for petroleum in China. The NDRC warned that when all the projects go into production, a surplus capacity is inevitable.
BBC Monitoring Asia Pacific, 15/7/06

Details Emerge Of China's Basic Energy Law

Chinese officials plan to see the country's first energy "basic law" passed in two years. In its first public discussion of the proposed law, government officials said the law would stipulate articles 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 Business Weekly, 3/7/06

India

REL Gets Reprieve From Orissa Power Regulator

In a major concession to three distribution companies managed by Reliance Energy, the Orissa Electricity Regulatory Commission has allowed them to securitise their outstanding dues payable to Grid Corporation (Gridco) at 0% interest. The Commission has also allowed the Distcos to pay back the outstanding dues over a period of 10 years. Gridco had requested a delayed payment surcharge from the Distcos at the rate of 1.25% per month.
Business Standard, 22/7/06

Cesco Privatisation Attempt Fails

The attempt to privatise the power distribution company, Cesco, has failed. Six companies—Calcutta Electricity Supply Company, Tata Power, GMR, Jindal Power, Torrent Power, Ahmedabad, and Essar Power—responded to the tender but two withdrew during the tender process. Although the remaining four submitted technical bids, three later withdrew their bids, leaving a single bidder. The Ahmedabad-based company submitted a conditional financial bid which was not accepted.
Indian Business Insight, 15/7/06

India Puts Privatisation Plans On Hold Pending "Further Review"

The Indian government put privatisation plans on hold after one of its coalition partners threatened to pull out of the government. Analysts called the decision a blow to India's liberalisation drive and said it highlighted the divergent coalition's problems in implementing reforms. The regional DMK party had threatened to withdraw from the government unless it scrapped plans to sell a 10% stake in mining and power generation firm Neyveli Lignite based in its home state of Tamil Nadu.

Agence France Presse, 6/7/06

Indonesia

Cabinet Ministers Have Rights to Determine Private Power Purchase Ceiling Price

A new government regulation will allow ministers to determine a ceiling price for electricity purchased from private power companies in order to reduce the costs of the State Electricity Company. Article 32 of the Governmental Regulation No. 26/2006 reads that cabinet ministers can determine the ceiling price of electricity or power purchased from steam-, gas-, or renewable-energy power plants.

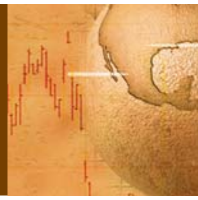
Bisnis Indonesia, 7/7/06

Thailand

Five-Year Extension Will Encourage IPPs; EGAT To Purchase Power Until 2020

The government has proposed that Independent Power Producers (IPPs) be given an additional five years to sell electricity to the state utility. Under an earlier proposal, the Electricity Generating Authority of Thailand (EGAT) was to purchase power from new IPPs from 2011 until 2015. The Electricity Regulatory Board has now extended the purchase period to 2020. The terms will be part of a new round of IPP bids expected to be called in the first half of next year.

Bangkok Post, 29/7/06



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