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Reporting on energy regulation issues around the world

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Contents

General and European Editor
Graham Shuttleworth

Regional Editors
Kristina Sepetys: US
Greg Houston and Ann Whitfield: Australia and New Zealand
Oscar Arnedillo: Spain, Portugal, France, Belgium, and Latin America
Francesco Lo Passo: Italy

European News

UK

Ofgem Director Describes Areas Of Concern

Ofgem will look at the system for cash-out prices in the new year. Ofgem is concerned about the current arrangements for calculating cash-out prices, at which suppliers must buy or sell electricity at the end of each day depending on whether they are long or short.

Platts Commodity News, 20/12/06

Ofgem Sets Gas And Electricity Network Investment Allowances

National Grid has accepted in principle Ofgem's proposals for investment in the UK gas and power networks over the next five years. Ofgem released its proposals at the beginning of December following consultation on an earlier draft. Ofgem has allowed National Grid to invest up to £5,000 million in upgrading infrastructure during the 2007-12 period (compared to National Grid's own plans to invest more than £7,000 million) and has allowed a 4.4% post-tax return on capital.

Global Insight Daily Analysis, 15/12/06; The Guardian, 5/12/06

Ofreg Issues Consultation Regarding Takeover Of NIE

Ofreg, the Northern Irish Office for the Regulation of Electricity and Gas, has issued a consultation document on the takeover of Viridian. Viridian's shareholders voted last month to accept a takeover offer for Northern Ireland Electricity's parent company by the Bahrain-based bank Arcapita. Ofreg chief executive Iain Osborne said the regulator was indifferent as to who owns NIE and that he has no statutory power to approve or block the takeover, but that the consultation discusses how to ensure that regulatory protections are not weakened by changes in ownership or financial structure.

The Irish News, 2/12/06

Austria:

Regulator Cuts Gas And Electricity Grid Tariffs

Austria's energy regulator, E-Control, has cut grid access fees from 1 January 2007. According to the regulator, gas network fees will fall by an average of 4.5% leading to savings of EUR21 million (US$28 million). Following the introduction of incentive regulation, electricity grid tariffs were reduced by about 3%. However, higher charges for grid losses mean that there will be no significant price changes for the consumers overall in 2007.

E-Control, 21/12/06

Belgium:

Regulator Approves Gas And Electricity Tariffs

The Belgian energy regulator, CREG, has approved new gas and electricity access tariffs to be charged from 1 January. The new tariffs to be charged by electricity distribution companies AGEM, AIEG, AIESH AND ALE, gas transport company FLUXYS, and gas distribution companies INTERGAS, IVEG, SIBELGA and WBEM CREG will apply until 31 December 2007. The tariffs for electricity transmission company Elia and for the remaining electricity and gas distribution companies will apply until 31 March 2007.

CREG news, 27/12/06, 22/12/06

Distrigas Commissions Fluxys To Manage Gas Transit

Distrigas, the Belgian natural gas trading arm of France's Suez, said on Thursday Belgian gas pipeline network operator Fluxys would handle its Belgian gas transit capacities.

Reuters News, 21/12/06

Bulgaria:

Bulgargaz Seeks Gas Price Rise For 2007

Bulgargaz has asked the local energy regulator to approve a 4% increase in gas prices from 1 January 2007. The regulator will review the proposal by the end of the year. Bulgargaz said the price rise is necessary because the regulator allowed a lower price increase than Bulgargaz had sought for Q4 2006.

Reuters News, 12/12/06

Energy Regulator Fines E.ON For Poor Service Quality

Bulgaria's State Water and Energy Regulatory Commission has fined German power company E.ON 20,000 Bulgarian levs (US$ 13,300), the maximum allowed under the country's energy law. E.ON is the majority owner of power distributors in Varna and Gorna Oryahovitsa in north-eastern Bulgaria. The fine followed the power regulator's investigation into complaints about frequent power cuts in Varna in recent months. The commission imposed the fine for a breach of licence obligations, namely poor infrastructure maintenance, low quality power supply service, failure to meet investment targets and the lack of emergency units. Draft energy act amendments currently under discussion would increase the maximum fine for poor quality electricity supply to 5 million levs (U$ 3.3 million).

Bulgarian News Digest, 30/11/06

European Union:

France And Germany Criticised Over Energy Competition

Germany and France's electricity and gas markets lack competition and are dominated by a handful of groups as new operators struggle to enter, according to a draft report by EU regulators. The strongly worded report by the European Commission underlines widespread concerns about competition and national protectionism in some EU energy markets.

Financial Times, 20/12/06

E.C. Rejects Terms Of E.ON/Endesa Merger

After months of warning, the European Commission has definitively rejected the conditions that the Spanish government imposed on the merger of energy companies E.ON AG and Endesa SA. The EC gave CNE, Spain's energy regulator, until 19 January to withdraw the conditions placed on the €37,000 million deal. If Spain does not comply, the EC said it would haul the government into court.

Portfolio Media (Competition Law 360), 20/12/06; EC Press Release IP/06/1853, 20/12/06

EU Countries To Create An Energy Correspondents Network

European Union (EU) Heads of State have decided to create a network of energy correspondents in each country. These correspondents will support the global EU strategy in order to ensure energy supply and cooperate in emergency situations. This decision follows the November blackout, which started in Germany and affected eight European countries (see previous GERN issue).

ABC, 16/12/06

EU Warns 16 Countries Over Energy Market Failures

The European Commission (EC) has concluded that 16 EU countries are violating energy rules established in 2003. Violations range from over-regulation of gas and electricity prices to a continued lack of free choice of suppliers for consumers. If the countries do not transpose the 2003 rules, the Commission may bring the case before the European Court of Justice in order to force compliance or impose fines. Countries threatened by such action are Austria, Belgium, the Czech Republic, Germany, Estonia, Spain, France, Greece, Ireland, Italy, Lithuania, Latvia, Poland, Sweden, Slovakia and the United Kingdom.

The Wall Street Journal, 13/12/06; Reuters News, 12/12/06;

France:

Government Launches Tender For New Biomass Projects

The French government has launched a tender for the construction of biomass generation capacity. The tender consists of two projects of 220 MW and 80 MW, each which must be completed by 1 January 2010. The energy regulator will oversee the tender and the Ministry of Industry will make a final decision on selection of projects.

Les Echoes, 22/12/06; European Daily Electricity Markets, 12/12/06

France To Develop Fourth Generation Of Nuclear Reactors

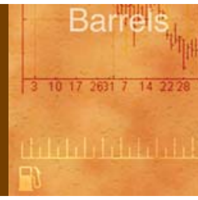
At the Council of Ministries, the Ministries of Industry and Higher Education and Research presented a plan to develop the fourth generation of electro-nuclear reactors. The purpose is to reduce the amount and toxicity of nuclear waste, reduce the amount of uranium used, increase safety and decrease proliferation risks. The Plan intends to build a prototype that will start to operate in 2020.

News Press, 21/12/06

Regulated Tariffs Of GDF And EDF Condemned To Disappear

In France, a court called into question the status of regulated electricity and gas tariffs. Commenting on a proposed new energy law, the Constitutional Court said that regulated tariffs were “manifestly incompatible with the objectives of opening the market to competition”, as dictated by European directives.

Le Monde, 5/12/06



Constitutional Council Approves GDF-Suez Merger

A decision by the French Constitutional Council has cleared way for the GDF-Suez merger. However, the Council has ruled that the privatisation cannot take effect before 1 July 2007, when GDF's household gas supply monopoly will be opened to competition.

Le Figaro, 2/12/06, 1/12/06; Financial Times, 2/12/06, 1/12/06; Le Monde, 2/12/06; La Tribune, 1/12/06; The Wall Street Journal, 1/12/06; Libération, 1/12/06

Germany:

Regulator's Decision On Path-Based Contract Regime For Grid Access Is Now Definitive

The decision of the Bundesnetzagentur, the German regulator, to forbid the use of the path-based contract regime for grid access has now become definitive. The decision followed an abusive practice procedure against three grid operators and could have been contested within a month. At the time of the deadline, no formal complaints were filed with the regulator making the decision definitive and no longer subject to appeal.

Bundesnetzagentur, 29/12/06

Regulator Sets Vattenfall Europe's Grid Fees

The German regulator, the Bundesnetzagentur, has set the 2007 electricity grid fees for Vattenfall Europe. The costs that Vattenfall had submitted were cut by about 10%. However, the regulator points out that, despite the cut, fees will still be more than 20% higher than in 2006. The main reason is the increase in electricity prices over recent years, raising the costs of replacement energy for network losses. The fees will be valid until 31 December 2007.

Bundesnetzagentur, 22/12/2006

Cartel Office Admonishes RWE For Excessive Electricity Prices

The German Cartel Office, the Bundeskartellamt, has found RWE guilty of overcharging industrial clients for electricity in 2005. The preliminary decision centres on the inclusion of the value of EU emissions allowances in the electricity prices, when the allowances were allocated to RWE for free. The Bundeskartellamt argued that the inclusion of more than 25% of the value of emission allowances in electricity prices could not be justified by invoking "opportunity costs" and represented an abuse of a dominant position. The proceedings against E.ON in the same matter are to continue immediately. The Bundeskartellamt initiated its investigation following the complaints of the Industry and Trade Association of Energy Clients (VIK) and the Metal Association (WVM). RWE and the other parties to the proceedings have until the 22 February to respond to the decision.

Bundeskartellamt, 20/12/06

European Commission Carries Out Unannounced Inspections In German Electricity Sector

The European Commission has carried out surprise inspections at the premises of German power companies. The Commission said the reason for the inspections was suspected violation of antitrust rules that prohibit restrictive business practices and/or abuse of a dominant position. The Commission has not named the companies involved, although E.ON, RWE, EnBW and Vattenfall Europe all confirmed that their offices were searched.

European Commission, 12/12/2006; Reuters, 12/12/2006

Cartel Office Has Concerns About The Acquisition Of Saarferngas By RWE

The German Cartel Office, the Bundeskartellamt, has informed RWE of its concerns about RWE's planned acquisition of a 76.88% share in SaarFerngas. According to the Cartel Office, the acquisition would strengthen dominant positions, particularly of SaarFerngas in the gas market and RWE in the electricity market. Unless the firms are able to defuse the concerns, the acquisition may not go ahead.

Bundeskartellamt, 11/12/06

German Energy Exchange EEX To Trade Swiss Spot Power

Germany's energy bourse EEX will offer trading in Swiss power contracts from 11 December 2006. Initially, trading will be limited to day-ahead 50MW parcels. Switzerland, which is a hub for electricity trading between North and South Europe, will be treated as a market zone of its own.

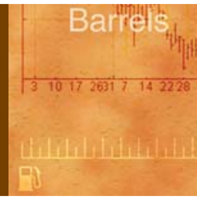
Reuters, 1/12/06

Ireland:

Energy Price Dip To Cut €174 Off House Bills

The Commission for Energy Regulation has reduced price increases already granted to both the ESB and Bord Gais, following submissions by both companies in the wake of significant reductions in international fuel prices since the summer. Bord Gais prices had increased by 33.8% on 1 October 2006, and this increase will now be scaled back to 23.8% from 1 February 2007. Domestic electricity bills will now rise on 1 January 2007 by 12.6% instead of the 19.7% announced earlier this year. Bills for small—and medium-sized business customers will rise by 12.5% instead of 19.6%, and for large industrial customers by 12.2% instead of 19.3%.

Irish Independent, 2/12/06



Report Says ESB Needs Revamp To 'Cut Dominance'

The Competition Authority criticised as insufficient measures announced by the ESB recently to reduce its dominance in the energy market. In its submission to the Government Green Paper on energy, the authority welcomed the announcement by the Commission for Energy Regulation that the ESB will dispose of 1300 megawatts of plant by 2010 but promotion of competition required additional disposals of modern and mid-merit price-setting plant. The Competition Authority wants to see the separation of generation, transmission and supply of electricity, as well as splitting up the ESB's generation plants.
Irish Independent, 1/12/06

Italy:

Update of Electricity Tariff Components

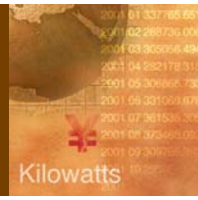
AEEG, the Italian regulator, has updated components of the electricity tariffs for non-eligible customers for January-March 2007. As a result, the national average tariff for non-eligible customers (net of VAT) will decrease from 13.46 Eurocent/kWh to 13.19 Eurocent/kWh.
AEEG's web site, 29/12/06

National Communication Standard For Gas Distributors, Wholesalers and Retailers

AEEG has defined the national standard for communications among gas distributors (about 430) and gas retail companies (about 390). The adoption of such a standard in communication is mandatory. From 1 July 2007, gas distributors, wholesalers and retailers will exchange information related to commercial services and change of supplier using certified emails. Distributors may also adopt other technologies such as Internet-based and application-to-application technologies. Distributors have to make available such technologies to all system users from 1 October 2008.
AEEG's web site, 27/12/06

New Electronic Meters For Residential And Small Industrial Customers

All Italian electricity distributors will have to install new electronic meters for residential and small industrial customers during the third regulatory period (2008-2011). The obligation will be introduced as follows: at least 25% of customers by 2008, 65% by 2009, 90% by 2010 and 95% by 2011. At present, only Enel Distribuzione, Acea Roma and Asm Brescia are providing their customers with electronic meters. Aem Milano and Aem Torino will follow soon.
AEEG's web site, 20/12/06



New Rules For Allocation of Import Capacity

AEEG has implemented provisions included in the decree on electricity imports of the Ministry of Economic Development (Ministero dello Sviluppo Economico). In 2007 allocation of import capacity will be carried out jointly by the TSOs involved, with the sole exception of Switzerland, which is not an EU Member State.

AEEG's web site, 16/12/06

Netherlands:

Transport Tariffs 2007 For GTS

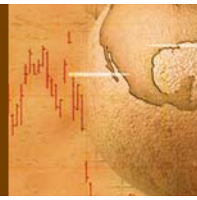
In accordance with the judgement of the Trade and Industry Appeals Tribunal (College van Beroep voor het Bedrijfsleven) on the method decision and the resulting efficiency factor, the Administrative Council (Raad van Bestuur) of the Dutch competition authority (NMa) will take no decision on transport rates for the year 2007. In accordance with article 82, clause 8 of the Gas Law, the rates set out in the tariff decision for 2006 will continue to apply in 2007. Exceptions are the 2007 rates for peak delivery and storage for flexibility services. These rates will shortly be set by the Council since the above-mentioned method decision has no impact on them.

NMa website, 20/12/06

DTe Advice On "Gate" LNG Terminal

On 27 March 2006 the Administrative Council (Raad van Bestuur) of the Dutch competition authority (NMa) received a copy of the request from Gate to the Minister of Economic Affairs, for exemption from paragraphs 2.2, 2.3, 2.4 and 2.5 of the Gas Law, on the basis of article 18h, clause 1 of the Gas Law. The Minister of Economic Affairs asked the Council for advice, in a letter dated 12 July 2006. In August 2006, the Council sent its advice to the Minister of Economic Affairs, as now published on the NMa website. The exemption decision of the Minister of Economic Affairs can be found in the staatscourant no. 225 of 17 November 2006. This decision is current awaiting approval by the European Commission.

NMa website, 7/12/06



GTS Remains Alternative Supplier Of Flexibility Services

On 30 November, the Trade and Industry Appeals Tribunal (College van Beroep voor het Bedrijfsleven) has pronounced against the method decision for flexibility services. The bulk of the decision remains in force, but three paragraphs of the method decision were annulled. The method decision of 6 December 2005 imposes on the operator of the national gas transport network, GTS, the obligation to act as an alternative supplier of flexibility services, in response to the dominant position of Gasunie Trade & Supply (now, Gasterra) on this market. This obligation remains in force after the pronouncement.
NMa website, 5/12/06

Portugal:

Vítor Santos Appointed As Head Of ERSE

The Portuguese Council of Ministers has appointed Vítor Santos as Head of the Portuguese energy regulator, ERSE. Mr. Santos has already been involved in regulatory matters since he held the post of Secretary of State for Industry and Energy in the António Guterres government. He is to replace Jorge Vasconcelos, who was Head of ERSE for the last ten years.
Agência Lusa, 21/12/06

Electricity Tariff Deficit For 2007

The Portuguese energy regulator, ERSE, has announced that electricity tariffs for domestic customers approved for 2007 will cause a deficit of EUR492 million (US$615 million). This deficit will have to be added to the 2006 deficit of EUR399 million (US$ 499 million) and also to costs of tariff convergences for the autonomous regions, which will all have to be recovered through additions to future tariffs.
Diário Económico, 18/12/06

New Wind Tendering Process

The Portuguese government is to allow construction of 500 MW of new wind capacity through a tendering process. The Economics Minister stated that the capacity is expected to be assigned during the first quarter of 2007. This is the second phase of new wind capacity promoted by the government. In the first phase, EDP was awarded 1,200 MW of new wind capacity.
Agência Lusa, 7/12/06

Romania:

Commission To Investigate Legality Of Petrom Privatisation

The Romanian Senate has approved the setting up of a Commission which will investigate the legality of the privatisation of Romania's dominant oil company Petrom. According to the draft decision, the Commission will comprise members from a broad spectrum of political parties. The Commission will investigate all the privatisation and lease contracts which were part of Petrom's privatisation process, according to Senator Marinescu. The Commission will present the report by 26 March 2007, he added.

Mediafax News Brief Service, 13/12/06

Romanian Government Wrote-Off Electrica Debts

It has emerged that, in privatising Electrica Banat, the Romanian government wrote off debts worth 14.83 million lei (US$ 5.6 million), comprising loans from the state-owned power grid Electrica, including penalties and interest. The government has compensated Electrica SA for the write-off. Electrica Banat was privatised in 2004, when Enel bought it, together with another Electrica branch, Electrica Dobrogea, for a total of EUR127.4 million.

Mediafax News Brief Service, 1/11/06

Spain:

Government Approves New Electricity And Gas Tariffs

The Spanish government has approved the electricity tariffs that apply from 1 January 2007. Tariffs for domestic customers will increase by 2.8% on average. For businesses, low and high voltage tariffs will increase by 4.3% and 6.5%, respectively. The draft bill allows for the possibility of revising electricity tariffs every quarter starting in July. Electricity access tariffs fall by 10% on average to encourage consumers to exercise their right to choose. Regulated gas tariffs will increase by 2.2% for domestic customers and 4.4% for small and industrial businesses.

El País, 31/12/06; El mundo.es, 31/12/06

Government Modifies Remuneration Of Gas Regulated Activities

The Spanish government approved a regulation that modifies the remuneration of regulated activities in the gas sector, so that it is based on net asset values rather than gross asset values. The new regulation affects regasification, storage, transport, distribution, regulated supply, and system operation. Enagás, the gas transporter and system operator, said it expects revenues to increase by 8% in nominal terms in 2007.

Gaceta de los Negocios, 30/12/06; La Voz de Asturias, 31/12/06

Electricity Distribution Companies To Buy 10% Of Their Regulated Demand In OMIP

The Spanish government approved a regulation that requires Spanish electricity distribution companies to buy in OMIP, the forward market of the Iberian electricity market, 10% of the electricity they sell at regulated tariffs, up from 5% in 2006. This regulation follows the agreement reached in November by the Spanish and Portuguese governments on this issue (see previous GERN issue).

Gaceta de los Negocios, 30/12/06

European Commission Demands That Spain Withdraw Conditions On E.ON's Takeover Bid For Endesa

The European Commission (EC) has concluded that the conditions imposed last month by the Spanish government on EON's takeover bid for Endesa (see last GERN issue) are illegal. The EC has given Spanish authorities until 19 January 2007 to withdraw the conditions. If the government does not do so, the EC could open an infringement proceeding.

Enervia, 21/12/06; La Vanguardia, 21/12/06

Switzerland:

Swissgrid Becomes Switzerland's Transmission System Operator

On the 15 December 2006, Swissgrid takes over from ETRANS as Switzerland's transmission system operator. Swissgrid will be responsible for all the 6,700 km long extra high voltage grid. The founding of Swissgrid is unique in Europe as it occurred without statutory regulation, and was a voluntary step by Swiss grid companies towards the European electricity market. The first constitutive general assembly on the 14 December 2006 elected Konrad Peter as Chairman of the board of directors.

Swissgrid, 14/12/06

North American News

US:

Regulators Say Macquarie-Duquesne Merger Won't Harm Customers

The U.S. Federal Energy Regulatory Commission has approved a US$1,600 million merger between Duquesne Light Holdings Inc and an investment consortium led by Macquarie Infrastructure Partners. FERC rejected arguments that the deal would result in cross-subsidization, noting that customers of Duquesne have sufficient retail choice.

Dow Jones International News, 22/12/06

PGW Seeks US$100 Million Hike; Delivery Costs Are Rising Despite A Recent Drop In The Cost Of Natural Gas.

The Philadelphia Gas Works has asked state regulators for a US$100 million increase in its rates, an 8% rise. PGW are seeking this rise despite a fall in wholesale gas prices, as the factors that contribute to its base rate continue to increase. Problems faced by PGW include rising expenses for employee pensions and healthcare costs; high interest rates on long term debt; high maintenance costs of the gas network and the company's restricted operating area. The Public Utilities Commission may seek remedies, including state financial support or a merger.
The Philadelphia Inquirer, 22/12/06

Feds OK WPS Acquiring Peoples

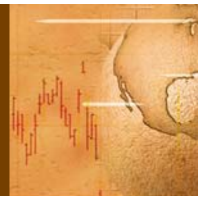
The Federal Energy Regulatory Commission has approved the US$1,580 million purchase of the Peoples Energy Corp by WPS Resources Corp, an acquisition which will double the natural gas distribution business of WPS. The newly-merged company will be known as Integrys Energy Group Inc. on completion of the acquisition, expected early next year. The deal still needs approval from the Illinois Commerce Commission and from regulators in Wisconsin.
Chicago Sun-Times, 22/12/06

Report Says Some Power Companies Are Too Big

A new report on the state of competition in the electricity market released by the Texas Public Utility Commission (TPUC) suggests that the state's effort to open the electricity market to competition is not working because some power companies are too big. The TPUC report offered ideas for reducing the market share of the state's largest power companies, such as encouraging consumers to switch their provider, or randomly assigning them a provider. The report also says the Legislature should force companies to separate their power line divisions from retail or wholesale operations. On 1 January, the market became fully deregulated.
The Associated Press, 22/12/06

US FERC Describes Process For Penalizing Market Violators

The US Federal Energy Regulatory Commission (FERC) laid out guidelines for how it will use its new authority to levy civil penalties against energy companies found to have manipulated the market. The Energy Policy Act of 2005 gave FERC the authority to assess penalties of up to US$1 million per day per violation of FERC rules.
Dow Jones & Company, Inc., 21/12/06



NH Utility Regulators Find US$2.9M In Overcharges By Keyspan

State regulators have investigated overcharging by Keyspan Energy Corp, which has overbilled its 80,000 customers in New Hampshire by about US$2.9 million since it acquired EnergyNorth six years ago. The discovery that Keyspan had made a mistake when changing its billing methods led to a formal investigation by the Public Utilities Commission. According to the PUC, the anomaly cost the average residential customer only an extra US$3.72 per year but PUC hearings on the overbilling are due to commence this month.
Dow Jones International News, 14/12/06

Connecticut Lawmakers Call On Regulators To Delay Action On Power Contracts

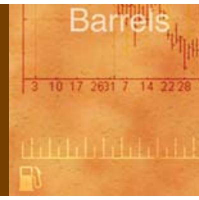
Uproar over skyrocketing electricity rates has created a rift between Connecticut lawmakers and energy regulators over proposed long-term contracts with power producers. Lawmakers urged the Department of Public Utility Control (DPUC) to postpone action on the contracts until after the legislature addresses energy issues in the new session beginning 3 January. They said Connecticut would have the highest electricity rates in the continental US on 1 January, when a 7.7 percent rate increase for Connecticut Light & Power goes into effect. The DPUC is also expected to decide on a proposed 45% increase by United Illuminating (UI).
The Associated Press, 13/12/06

FPL Loses Bid For Surcharge To Fund Project

State regulators have rejected Florida Power & Light Co.'s plans to charge to its customers the projected costs of a natural gas storage system by imposing a monthly fuel surcharge. In the event that FPL incurs these costs in the future, then they will have to collect them from customers through base rates charges. The gas storage project was expected to cost US$10 million. The Public Utilities Commission also refused a request from the state consumer advocate to increase the performance targets in the generating company's incentive scheme.
South Florida Sun-Sentinel, 9/12/06

Indiana Regulators Allow Vectren To Implement Conservation Rate

The Indiana Utility Regulatory Commission has approved a plan submitted by Vectren that will allow the company to recover a portion of the revenue lost as a result of encouraging its customers to reduce their gas consumption. The mechanism alleviates any resultant losses by allowing Vectren to recover up to 85% of its lost delivery and administrative costs, so that the company has an incentive to encourage gas conservation by its customers.
Gas Daily; Associated Press Newswires, 4/12/06



US: SCE&G Gas Rates Going Up Nearly 8%

State regulators have approved a gas rate increase of 7.88% for South Carolina Electric and Gas, due to increased wholesale prices and demand. The bill for an average household will increase by US$12.65 a month.

Associated Press Newswires, 1/12/06

Central and South American News

Argentina:

Government Extends CNG Price Freeze Until December 2007

Argentina's government has agreed to extend the freeze on CNG prices until 31 December 2007. The government had done a deal in March with the hydrocarbons commerce association (CECHA) and the chambers representing the CNG sector whereby CNG prices would stay at US$0.83/m3 until end-2006. The agreement has now been extended in order to control inflation in the country.

Business News Americas, 28/12/06; El Cronista Comercial, 28/12/06; Reuters, 28/12/06; Latin America News Digest 12/12/06

Government Fines Shell For Diesel Shortage

The Argentinean government has fined oil company Shell Pesos 23 million (US$7.5 million) for violating the Supply Law, which forces oil companies to meet demand for diesel. According to the government, the oil company was not properly supplying diesel to 23 petrol stations. Shell has announced it will appeal against the fine.

Corporate Argentina, 6/12/06

Brazil:

Regulator Approves Increase In Transmission Tariff For Itaipu Hydroelectric Plant

Brazil's energy regulator, Aneel, has approved a 10.3% increase in the electricity transmission tariff that applies to the hydroelectric plant at Itaipu. The new tariff will come into effect on 1 January and will affect distribution companies that purchase energy from the plant. The impact of this readjustment on consumers will vary depending on the distribution company, but it will not be higher than 1.7%.

Gaceta do Povo, 20/12/06; Business News Americas, 20/12/06; O Globo, 20/12/06, 19/12/06; Valor News, 19/12/06

Regulator Awards Ten Transmission Lines In A Tender

Brazil's energy regulator, Aneel, has awarded concessions on ten transmission lines to improve energy supply in the southeastern state of Minas Gerais. The concessions were awarded to Spanish firms Isolux Ingeniería S.A. and Abengoa and to the Brasilian firm Chesf.

Valor News, 15/12/06

Regulator Approves Increase In Energy Tariff.

Brazil's energy regulator, Aneel, has authorized the Companhia Sul Sergipana de Eletricidade to raise its tariffs by 5.4% and 10.6% for low and high voltage consumers, respectively. The changes will affect the northeastern states of Sergipe and Bahia.

Valor News, 12/12/06

Regulator Readjusts Eletronuclear's Tariff

Brazil's energy regulator, Aneel, has increased the tariff of the state owned company Eletronuclear by 14.79%. The increase in the tariff reflects increases in the operation and maintenance costs of the two nuclear plants for which Eletronuclear is responsible. The tariff for this company is now R$113.23 ($52.72) per MWh.

O Estado de Sao Paulo, 6/12/06

Colombia:

Government To Sell Stake In Isagen

Colombian Energy and Mines Ministry approved the sale of a 19% stake in the state-owned hydroelectric generator Isagen. The government will sell almost 524 million shares in the company for 50 cents each, giving priority to company workers, labour unions, former employees and private pension funds. Proceeds from the sale will be used to reduce the fiscal deficit.

AFX International Focus, 19/12/06; Business News Americas, 19/12/06

EEB Wins Ecogás Auction

Colombian electricity distributor Empresa de Energía de Bogotá (EEB) won control of the state gas-transmission company Ecogás in a public auction by offering 3,250,000 million Colombian pesos (US$1,430 million). Following this auction, the government has no further stake in the national gas industry, although it will continue to regulate gas transport rates.

Global Insight, 7/12/06; Dow Jones International News, 7/12/06, Business News Americas, 6/12/06

Nicaragua:

Regulator Turns Down Increase In Tariffs Proposed By Unión Fenosa

Nicaragua's energy regulator, INE, has rejected the tariff increase proposed by distribution company Unión Fenosa. The company had proposed a 3.5% increase because it expects oil prices to rise, but INE has argued oil prices will decrease in the first semester of 2007.

Agencia EFE, 15/12/06

Venezuela:

Government Approves The Creation Of A Management Center For The Electricity Sector

The Venezuelan government has approved the creation of a national management centre for the electricity sector. The new body will coordinate power transactions between firms connected to the Interconnected National System (SIN).

Business News Americas, 4/12/06

Asia Pacific News

Australia:

Final Report Released By Nuclear Energy Group

The government's Uranium Mining Processing and Nuclear Energy Task Force released its final report. Prime Minister Howard said nuclear energy was not economically feasible at present, but could help stem the inevitable rise in the cost of electricity caused by attempts to reduce greenhouse gas emissions. He said the government would respond to the recommendations of the report in the new year but asked state governments to remove the current restrictions on the export of uranium, as the report found "no sound reasons" to prevent uranium mining.

www.smh.com.au, 29/12/06

Revised Access Arrangement Granted Final Approval

The Australian Competition and Consumer Commission (ACCC) has approved a revised access arrangement on the Roma-to-Brisbane pipeline. Australian Pipeline Trust Petroleum Pipelines Ltd (APTPPL) proposed that tariffs remain constant in real terms and then increase after five years. However, the ACCC decided to have tariffs commence 10% lower and then decrease. The Commission's tariffs reflect the use of a lower initial capital base than that proposed by APTPPL. Since the pipeline is nearly fully contracted the new tariffs are not expected to effect potential users until 2012.

www.accc.gov.au, 21/12/06

Final Rule For Prescribed Electricity Transmission Services Released

The Australian Energy Market Commission (AEMC) released its final determination for the pricing of prescribed transmission services, which took effect on 28 December. The rule codifies the obligations of the Australian Energy Regulator (AER) to establish consistent guidelines and methodologies for pricing. This determination completes the AEMC's review of electricity pricing and revenue.

www.aemc.gov.au, 21/12/06

Armenia:

Armenia Halts Gas Export To Georgia

Following a rise in the price of gas supplied from Russia to Armenia, Armenia suspended electricity deliveries to Georgia. The announcement was made by head of the tariff policy commission at a session of the governmental commission on regulation of public services in Armenia. Electricity produced by Hrazdan NPP and Yerevan Thermoelectric Power Plant was, until recently, primarily exported to Georgia.

REGNUM News Agency, 1/12/06

China:

China To Liberalise Coal Markets

China has abolished its annual government-organised national coal-sales conference, thereby liberalising coal-price negotiations. Market participants, mainly coal producers and end users, must now negotiate prices, according to the National Development and Reform Commission.

The Wall Street Journal, 28/12/06

China To Liberalise Wholesale Oil Markets

China opened its crude oil and oil products wholesale market to outside competition on 11 December 2006. The Ministry of Commerce had published previously its Oil Products Market Management Regulations and Crude Oil Market Management Regulations, both of which come into force on 1 January 2007. Currently, only a few state-owned oil groups are allowed to distribute crude oil products and only China National Petroleum Corporation and Sinopec Petrochemical Corporation are allowed to operate in the wholesale oil market.

China Industry Daily News, 11/12/06

India:

Temporary Localised Gas Supply Monopolies Permitted

Companies setting up city gas distribution projects will enjoy a gas supply monopoly for a limited period so that companies may recover the costs of investing in infrastructure. The "limited exclusivity", varying between 3 and 5 years, will be city-specific and depend on various factors such as geographical location and density of population.

The Economic Times, 21/12/06

Indian Power Exchange Plans Outlined

India's first Power Exchange is likely to begin operation by the middle of 2007, according to the Central Electricity Regulatory Commission (CERC). The Chairman of the CERC said it had not yet decided whether the country would have one national exchange or multiple regional exchanges. He said anyone running such an exchange would require a licence from the CERC. For now, participation by traders, buyers or sellers would be voluntary. There would be a uniform pricing structure, although no decision has yet been taken over whether prices would be capped.

The Press Trust of India Limited, 19/10/06

India To Regulate The Price Of Gas From New Fields

India's Planning Commission intends to set up an independent tariff commission to monitor the price charged for gas obtained from newly discovered fields. Currently, companies sell gas to power and fertiliser companies under the Administrative Price Mechanism (APM). The proposed commission will regulate the price of that gas which is not regulated by APM, including the new discoveries of Reliance, Cairn Energy and others.

Indian Business Insight, 12/12/06

The Philippines:

Supreme Court Rules In Favour Of Meralco And ERC

The Philippine Supreme Court has nullified the July 2004 ruling of the Court of Appeal (CA), which declared illegal a tariff increase that Manila Electric Co (Meralco) had implemented from June 2003. On 6 December, the high court granted the consolidated petitions of Meralco and the Energy Regulatory Commission (ERC), which sought to nullify the CA decision, and reinstated the ERC order issued in May 2003 allowing Meralco to raise electricity prices by unbundling tariffs. The appellate court had argued that the ERC should have asked the Commission on Audit to audit Meralco's books before allowing the segregation of tariffs. However, the high court rejected CA's claim.

AFX Asia, 7/12/06

South Korea:

FTC Warns KEPCO Over Payments To Contractors

South Korea's Fair Trade Commission (FTC) has warned Korea Electric Power Corp (KEPCO), the country's state-run electricity monopoly, and its six power-generating units over unfair deals with contractors. According to the FTC, KEPCO, Korea Hydro and Nuclear Power Co and Korea East-West Power Co withheld interest and penalty payments owed to contractors after delays in construction, or unfairly cut construction fees. The FTC did not fine the three companies as they paid all fees owed to contractors. Korea's four other power-generating units also broke business regulations by withholding or delaying payments, according to the FTC.

Asia in Focus, 12/12/06

Thailand:

Thai Government Details Bidding Process For Building Generation Plant

Thailand's new energy minister, Piyasvasti Amranand, has lifted a ban on subsidiaries of state-owned utility, the Electricity Generating Authority of Thailand (EGAT), bidding for the right to build 10,570 MW of new generation capacity. Invitations for bids will be sent out in the first quarter of next year. EGAT will develop 50% of the desired capacity, leaving the remainder open to private sector bidding. Piyasvasti said he favours greater competition in the bidding, including the participation of EGAT's subsidiaries, in order to create maximum benefit for consumers.

Platts Global Power Report, 16/11/06

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