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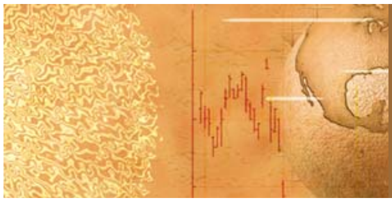
Global Energy Regulation



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European News

UK

Centrica Bemoans Timeliness Of National Grid Investments

According to Britain's biggest energy supplier, Centrica, bottlenecks on the British gas transmission system caused by a lack of timely investment by National Grid are necessitating cuts in imports. National Grid argues that it has not built the infrastructure because companies did not ask for it early enough through long-term gas transport rights auctions. "We just didn't get the investment signals," a spokesman for National Grid said. "It's only when we get that kind of user commitment that we can get Ofgem to allow us to spend."
Reuters News, 29/1/07

Ofgem Announces National Grid Performance Bonus

Ofgem has said that National Grid will miss out on up to £1.5m of a performance bonus related to its information website because the site went down during 9-10 December 2006. This problem caused National Grid's website to record average downtime of 518 minutes, thereby missing its target measure of 362 minutes. However, National Grid outperformed its target for timeliness with which data is posted to the website. Also its error rate in forecasting UK gas demand, at 2.83% for December, was below the benchmark of 3.6% specified for the winter as a whole.
Platts Commodity News, 25/1/07

Ofgem Suggests Alternative To The Renewables Obligation

Ofgem has said that the current mechanism of providing financial support to renewable electricity generation is an expensive way of reducing carbon emissions, and urged the government to consider an alternative plan that would deliver more carbon reductions at a lower cost. Ofgem asked the government to consider an arrangement based on auctions of long-term contracts that offer renewable generators a fixed return and link the level of support to the wholesale electricity price.
Ofgem Press Release, 22/1/07

Four Million Energy Customers Switched Supplier In 2006

According to Ofgem, over four million customers switched their energy supplier during 2006, substantially more than in 2005. Research by Ofgem shows British Gas' market share of the household gas market has fallen below 50 per cent for the first time. In electricity the market share of former regional monopoly suppliers has also fallen below 50 per cent in the North West, East Midlands, Northern, Midlands, and Yorkshire.
Ofgem Press Release, 17/1/07

HSE Publishes Guidelines For Evaluating New-Build Nuclear

The Health and Safety Executive (HSE) has published new guidelines for evaluating the designs of any new nuclear power stations in the UK. The publication of HSE's guidelines is part of a broader program to streamline planning procedures for new nuclear plant construction. Any new stations would have to gain approval from the HSE, which grants site licenses allowing the operation of nuclear power stations.
Platts Commodity News, 11/1/07

Austria

Energy Security Of Supply Law Becomes Effective

On the 1 January 2007 the Energy Security of Supply Law became effective. The law is designed to strengthen consumer rights and to improve competition in the Austrian energy market. The law creates greater transparency and clarity by requiring companies to publish an array of information on their bills, informational material and advertisements. From the start of the year, the time it takes to switch supplier has been reduced to about four weeks and to no more than six. Companies are obliged to submit their terms and conditions to the regulator, E-Control, which can demand changes, if appropriate. Consumers are given the right to switch supplier within three months if their supplier increases its prices. Finally, the law introduces a "supplier of last resort".
E-Control, 3/1/07

Belgium

Regulator Approves Access Tariffs For 2007

The Belgian federal energy regulator, Commission de Régulation de l'Électricité et du Gaz (CREG), has published the 2007 third-party access charges for electricity and gas networks. As a result of extended public service obligations, CREG has approved an increase in nominal tariffs for gas transmission and electricity distribution, while tariffs for electricity transmission and gas distribution have been reduced.
Agence Belga, 19/1/07; CREG Communiqué de Presse, 19/1/07

Bulgaria

Gazprom Renegotiates Bulgargas Contract

Gazprom has negotiated a new gas supply contract with Bulgargas, superseding a scheme under which Gazprom sold Bulgaria gas at a preferential price of US$83 per million cubic metres (mcm). Prices for the rest of Bulgaria's supplies fluctuate according to world markets, and are currently about US$260/mcm. Bulgaria is an important transit hub for Russian gas supplies to Greece, Turkey and Macedonia and the new contract sets out new terms valid until 2030 for transit across Bulgaria of Russian gas.
NEFTE Compass, 21/12/06

Bulgarian Energy Prices To Increase

The State Energy and Water Regulatory Commission has said that Bulgaria's electricity and heating rates will rise from July 2007 due to higher natural gas and coal prices and the closure of two of the country's four nuclear power plants. The extent of the electricity price increase is currently undecided, but the regulator claims that it will try to keep electricity and heating rates flat during the current winter, despite the desire of generators for an immediate price rise. Gas rates will also increase in April 2007 when the new gas supply and transit deal with Gazprom enters into force.
Bulgarian News Digest, 10/1/07

Bulgargas To Unbundle Transmission Business

The Bulgarian state-run gas company Bulgargas has filed papers with Sofia City Court which will pave the way for unbundling of transmission from its gas supply operations, splitting the company into two units to meet the European Union's requirements for legal unbundling of supply businesses from transmission. Bulgargas EAD will form the gas supply company and Bulgartransgas EAD will form the gas transmission, transit and storage businesses. The two companies will be 100% owned by Bulgargas Holding, which in turn will remain fully-owned by the state. The new gas holding structure will be banned from privatisation.
Bulgarian News Digest, 5/1/07

European Union

European Commission Considers Ownership Unbundling

The European Commission (EC) said that ownership of supply, generation and distribution networks by one company is undermining security of supply, stifling investment and raising prices of gas and electricity. The EC also said it had found evidence of collusion between existing energy companies to freeze out competitors and is committed to taking antitrust enforcement against the parties involved. The EU's Competition Commissioner Neelie Kroes said "ownership unbundling is the best answer and best remedy for tackling the problems we are facing." Kroes said that Brussels is debating which particular option on unbundling it favours.

Reuters News, 08/01/2007; The Independent, 11/01/2007

Regulators Propose Good Practices In Consumer Information

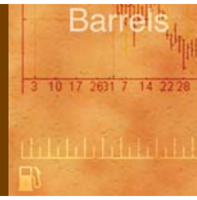
The European Regulators Group for Electricity and Gas (ERGEG), an advisory group to the European Commission on energy issues, has published a handbook on consumer information. The handbook provides national regulators with a set of good practices to improve the provision of non-commercial information to consumers in fully-liberalised energy markets. In particular, ERGEG proposes the creation of regulator-managed customer information centres; the publication of guides, leaflets and fact sheets; and the publication of information on suppliers, price comparisons and complaints.

ERGEG Press Release, 22/1/07

Commission Drafts New European Energy Policy

The European Commission (EC) has published several proposals for European Energy Policy. The EC seeks to consolidate effective regulation and to create a true internal market. To these ends, it has proposed the creation of an EU-wide energy regulator and the formal unbundling of supply and generation energy companies. On the environmental front, the EC has proposed a new compulsory target of 20% reduction in carbon dioxide emissions by the year 2020, together with new recommended targets for renewable energy generation. The package of proposals will be discussed by the member states next March.

The Independent, 10/1/07; European Union Press Releases, 10/1/07



France

Regulator Publishes New Gas Transport Access Tariffs

The French energy regulator, Commission de Régulation de l'Énergie (CRE), has published third-party rates for gas network access to apply from 1 January 2007. On average, the new tariffs represent a reduction of 2.1% for GRTgaz, the main French gas network operator, while tariffs charged by TIGF, which manages the grid in south western France, have increased by 9.2% on average. A new tariff review is scheduled for 2009.

CRE Communiqué de Presse, 4/1/07

Regulator Approves RTE's Investment Plan

The French energy regulator, Commission de Régulation de l'Énergie (CRE), has approved the 2007 investment plan submitted by electricity transmission system operator, RTE. During 2007 RTE plans to invest EUR 740.7 million (US$ 975 million), 8.6% more than in 2006. CRE's approval says that in 2008 RTE should devote more funding to reinforcing the interconnections with Italy, Switzerland, Germany and the United Kingdom.

CRE Communiqué de Presse, 2/1/07

Germany

German Exchange EEX To Publish More Plant Data

The German power exchange EEX announced it will start to publish more plant data on its web site during the first quarter of 2007. The data includes information on installed and available capacity, already published in aggregate form, and on actual production. The move follows pressure from consumers and regulators that see high wholesale prices as a possible consequence of low transparency.

EEX, 31/01/2007; Reuters 31/1/07

German Exchange EEX To Start Trading In Gas

The German power exchange EEX is planning to introduce a gas exchange by 1 October 2007. According to the announcement by the CEO, the supervisory board and responsible bodies have already approved the establishment of a spot and a futures market.

Handelsblatt, 25/1/07

German Regulator Cuts Electricity Grid Tariffs

Germany's energy regulator, the Bundesnetzagentur, announced a number of decisions on electricity grid tariffs. In all cases the regulator cut the costs submitted by the grid companies by amounts ranging from 6% for Stadtwerke Husum GmbH to 19% for Stadtwerke Nordstedt. The decisions are based on investigations by the Bundesnetzagentur and primarily concern the cost accounting of fixed assets and the allowed return on equity.
Bundesnetzagentur, 10/1/07

Cartel Office Publishes Gas Prices For Household Customers

The Federal German Cartel Office, the Bundeskartellamt, in collaboration with the cartel authorities of the German States, has for the first time published the 2006/2007 gas prices for household customers of 739 suppliers across the whole of Germany. The President of the Bundeskartellamt commented that publication of the gas prices is intended to improve transparency and to increase competition.
Bundeskartellamt, 3/1/07

Ireland

Gas Bills To Fall By 30pc As Oil Prices Dip

Bord Gais has confirmed that gas prices will be reduced by 10% on 1 February, with further reductions of 20% to come later in the year. The cuts come as a result of further falls in the international wholesale prices and pressure from the regulator for the company to pass on savings to consumers.
Irish Independent, 26/1/07

ESB Accepts Rules For Power Project

The Irish government will allow ESB to build and operate a new €300 million power plant in Aghada, Co. Cork on condition that the output from the plant is sold to non-ESB suppliers. ESB's board has accepted these conditions.
Irish Times, 19/1/07

Dempsey Moves For Quick Fix On Power

THE Commission for Energy Regulation (CER) has been asked to undertake a public tender to secure the building of a new independent power station to provide electricity during times of peak demand. It is expected that the new station will have a capacity of about 200MW. The Irish electricity system has only about 300 MW of spare capacity and the new plant is required to ensure security of supply.
Irish Independent, 10/1/07

Italy

Memorandum Of Understanding For A New Pipeline

The Italian Minister of Economic Development and the Greek Minister of Development, signed a Memorandum of Understanding to complete and develop the Poseidon pipeline, an undersea pipeline, belonging to the "IGI" system (Interconnector Grecia-Italia). Poseidon will allow Italy to import of 8 billion cubic metres of natural gas each year from the Caspian Sea and the Middle East, via the Turkish network (ITG—Interconnector Turchia-Grecia). The project, involving Edison and the Greek company Depa, is expected to be completed by 2012.

AEEG's web site, 31/1/07

"Testo integrato" On Unbundling

AEEG, the Italian energy regulator, published the so-called "Testo integrato" on functional and accounting unbundling of companies operating in the electricity and gas sectors. Provisions in it refer to EU Directives on the internal electricity and gas markets and are intended to: 1) increase transparency on costs; 2) increase neutrality in the management of infrastructures to improve energy market liberalisation; 3) improve information collected by the regulator in order to safeguard final customers.

AEEG's web site, 24/1/07

Procedure To Select Gas Supplier Of Last Resort

AEEG, the Italian energy regulator, set out the market procedure for selecting gas suppliers of last resort which will guarantee gas supply to final customers in the case of default by a supplier. Selected suppliers of last resort will operate from 1 March 2007 till 30 September 2007. The procedure also allows selection of gas suppliers of last resort for the following years.

AEEG's web site, 19/1/07

Netherlands

The Netherlands; DTe Advises Ministry To Change TPA Regulation

The Dutch energy regulator, DTe, has advised the Dutch Minister of Economic Affairs to change the regulatory framework for LNG Terminals. Tariffs and conditions for third-party access to LNG terminals in the Netherlands are set by Ministerial Regulation, subject to approval by the NMa, the Dutch competition watchdog. The DTe, which is a division of the NMa, has objected to the current regulation on the grounds that is too broadly defined, does not offer a concrete framework for evaluation, and may lead to regulatory uncertainty and postponement of investment decisions.

DTe Website, 26/1/07

Portugal

CAEs Cancellation Might Reduce Electricity Prices

Negotiations for the cancellation of the CAEs (Power Purchase Agreements between EDP, Energias de Portugal, and the transmission operator, REN) are expected to conclude by the end of the second quarter of 2007. EDP expects electricity prices to fall as a result.
Jornal de Notícias, 23/1/07

EC To Investigate Electricity Tariffs

The European Commission (EC) has expressed an interest in reviewing Portuguese regulated electricity tariffs. Regulated tariffs for 2007 have been the subject of intense debate in Portugal and the EC has expressed concern over the government-imposed limit on tariff increases for the year 2007.
Diário Económico, 12/1/07

Romania

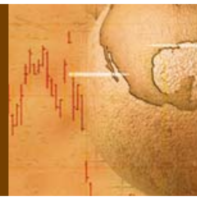
Romania Drops Investigations Into Privatisations

The Romanian government has brought to an end its investigation into past energy privatisation deals, for fear of damaging the country's commercial credibility, according to Economy and Commerce Minister Varujan Vosganian. Romanian president Traian Basescu last year called into question the legality of several privatisation transactions, asking prosecutors to examine the relevant deals, including the purchase by Austria's OMV of 51% of oil and gas company Petrom in 2004. Since requesting price increases last year, OMV has undertaken to contribute to a social fund to subsidise individual consumers, thereby keeping prices low, which has quelled concerns.
Global Insight Daily Analysis, 17/1/07

Russia

New Plan For Generation Privatisation

RAO UES prepared a new plan to finance the Federal Grid Company (FSK) by selling off the thermal generation assets. The plan envisages creation of a holding company, which will include FSK and the generation assets. After selling off the generation companies, the FSK will be able to keep the proceeds to finance its investments.
Dow Jones International News, 22/1/06



Plan To Create 12 MRSK Is Approved By Interagency Commission

The Interagency Commission responsible for overseeing reforms in the electricity sector approved the proposal by the Russian Federal Grid Company (FSK) to create 12 inter-regional distribution companies, instead of 5 as planned originally. The FSK and other government agencies were asked to develop proposals for attracting private investment into the newly created distribution companies.

Aton (Russian Broker Reports), 15/1/06

Spain

Spanish Stock Market Authority Opens Period For Endesa Shareholders To Accept Competing Takeover Bids

As part of the procedure to approve competing takeover bids, the Spanish Stock Market Commission (CNMV) has opened the period for shareholder's acceptance of competing takeover bids for Spanish utility Endesa. The start of the 30-day period in which shareholders will vote on the competing takeover bids launched by German utility E.ON and Spanish utility Gas Natural started on 26 January. This decision follows those taken by two Spanish Courts to lift suspensions on Gas Natural's bid (see the November GERN issue).

Cinco Días, 26/1/07; El Mundo, 17/1/07; El País, 11/1/07

Government Proposes New Regulation To Stabilise The Cost of Energy In Regulated Tariffs

The Spanish Ministry of Industry intends to modify the method used by distribution companies to purchase energy for supplying regulated customers. Currently, distribution companies buy all the energy needed to supply these customers from the spot market. The regulation introduces electricity auctions for the purchase of part of the companies' energy needs.

Europa Press, 25/1/07

The Government Proposes New Regulation To Set The Energy Component Of Regulated Tariffs

The Spanish Ministry of Industry intends to modify partially the method used by distribution companies to purchase energy for supplying their regulated customers. Currently, distribution companies buy all the energy needed to supply these customers from the spot market. The regulation introduces electricity auctions for the purchase of part of the companies' energy needs.

Cinco Días, 12/1/07

Commission Opens File On Spanish Full-Service Electricity Tariffs

The European Commission has opened a formal investigation into the regulated electricity tariffs paid by medium and large consumers in Spain, to see if they amount to an illegal form of state aid. In particular, the 2005 tariffs are being scrutinised for evidence on their impact on trade and competition in the European Union's internal market. In the year 2005, regulated rates were insufficient to cover the cost of the system and the resulting "tariff deficit" will be paid by electricity consumers over the next fourteen years.

Expansion, 26/1/07; El País, 26/1/07

Commission Launches Legal Action Against Spain

The European Commission has decided to take Spain to the European Court of Justice over the granting of additional powers to the Spanish energy regulator, Comisión Nacional de Energía (CNE). The European Commission had previously concluded that the decree, passed last year, infringes European Union rules regarding the free movement of capital. The controversial CNE regulation constitutes the legal basis for the conditions imposed on the German utility, E.ON, in its takeover bid for Endesa.

Dow Jones International News, 24/1/07

Turkey

Privatisation Delayed Until After Elections

Turkish Energy and Natural Resources Minister, Hilmi Guler, has said that Turkey will hold a meeting with companies interested in nuclear energy investments in the country. The Minister intends to brief them about a draft law relating to nuclear power and to discuss studies carried out by the Turkish Atomic Energy Agency (TAEK) and the ministry. Guler also said, "we did not want privatisation of electricity and distribution to be done in haste. The privatisation… will be done after the general elections."

Anatolia news agency, 9/1/07

BOTAS Releases Gas Import Contracts

Turkey's state-owned gas importer and grid operator, BOTAS, has agreed to transfer 4 billion cubic metres (bcm) to four companies as part of a gas release programme designed to enhance competition by assisting new market entrants. The four buyers must now negotiate terms directly with the gas seller, Gazprom, as well as obtain permission to operate from Turkey's competition authority and secure import licences from Turkey's energy regulator. Under Turkey's gas market law (2001), BOTAS must reduce its share of the country's gas imports to 20% by 2009 and to zero by 2010, but the process has been delayed several times.

Global Insight Global Analysis, 3/1/07

North American News

US

FERC Fines NorthWestern Energy US$1 Million

NorthWestern Energy Corporation is paying a US$1 million fine for violating the Federal Power Act, which enforces open use of transmission lines to prevent market manipulation. NorthWestern called the violations “technical” and did not admit any wrongdoing. NorthWestern was fined for failing to act within 30 days on requests submitted to the company for transmission reservations on a power line, in some cases for power to be transmitted several years later when NorthWestern didn’t know if it would have transmission capacity to fulfill the request, FERC said.
The Associated Press, Jan 31/1/07

We Energies Files Request To Refund US$10 Million To Customers

We Energies has filed a request with state regulators asking permission to refund US$10 million to customers because it collected more money than it needed to pay for natural gas and other fuels during 2006. The utility had offered last year to refund any amount over-collected for fuel a year ago, when the state Public Service Commission permitted the utility to increase electricity prices by US$230 million. The Commission is expected to act upon the request.
The Associated Press, 31/1/07

Northwestern, PPL Disagree On Scrapping Deregulation

The two biggest pieces of the former Montana Power Company strongly disagreed over whether the much-maligned deregulation laws of 1997 should be scrapped. Representatives of NorthWestern Energy, which owns the utility transmission lines, told lawmakers that it is time to move ahead with “re-regulation.” The move would let the company build its own power plants—a big bargaining chip when it negotiates for power owned by PPL Montana.
The Associated Press, 25/1/07

FTC Clears Private Equity Deal For Gas Co

The Federal Trade Commission has approved the US$22 billion takeover of Kinder Morgan Inc. (a provider of energy transportation and storage) by a consortium of private equity investors, involving Carlyle Group and Riverstone Holdings LLC. However, Carlyle and Riverstone must agree to give up any board representation on Magellan Midstream Partners LP, a rival company in the gas and light petroleum products transportation market, by ceding control to a third investor in the consortium, Madison Dearborn Partners. The private equity groups are also required to prevent any sharing of market sensitive information between Magellan and Kinder Morgan.
Dow Jones News Service; AFX International Focus, 25/1/07

Air Board Sues Over PUC `Hot Gas' Ruling

The California South Coast Air Quality Management District has challenged the state Public Utilities Commission in the courts, for setting rules which allow dirtier grades of "hot" natural gas into the state without reviewing evidence that the change would worsen air pollution. They claim that the utilities commission "acted arbitrarily and capriciously and abused its discretion" in setting new guidelines for natural gas quality, bypassing the California Environmental Quality Act. The suits were filed with the California appeals court and the state Supreme Court but are not expected to be heard until after a March 2007 review of the commission's decision requested by local environmental groups.

Los Angeles Times, 24/1/07

Report Says Some Power Companies Are Too Big

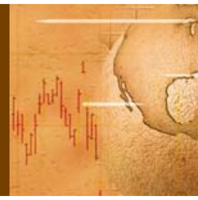
The Texas Public Utility Commission (TPUC) released a report on the state of competition in the electricity market. Texas electricity customers were first allowed to choose their providers five years ago and, on 1 January, the market became fully deregulated, but only a third of Texas households in deregulated areas buy electricity from new competitors. The TPUC report offered ideas for reducing the market share of the state's largest power companies, such as Dallas-based TXU Corporation. The report recommends that consumers who have not actively chosen an electricity plan should be encouraged to do so or randomly assigned to a provider. The report also proposes that the Legislature force companies to separate their power line divisions from retail or wholesale operations.

The Associated Press, 22/12/06

Few Have Signed Up For Ameren Rate Phase-in

A small number of Ameren customers have signed up for the company's rate increase phase-in programme so far, while residents with Corn Belt Energy Corporation don't have to worry about how to pay more for electricity right now. Under Ameren's customer elect plan, some small businesses, schools, local government units and residents can phase-in rate increases ranging from 42 to 55% by paying a 14% increase in each of the first three years of the plan with an interest rate of 3.25%. On the other hand, Corn Belt has long-term power contracts with Wabash Valley Power Association in Indianapolis and expects stable rates for its co-op members.

McClatchy-Tribune Business News Formerly Knight Ridder/Tribune Business News, The Pantagraph, Bloomington, Ill., 21/01/07



BGE Rate Increase Projected At 47%

Customers of Baltimore Gas and Electric Company should expect a 47% rate increase starting in June, based on bids the utility received from wholesale energy suppliers this week. That means BGE customers won't face the projected 72% increase that led to legislative action last year, but consumer advocates and some lawmakers say the smaller increase won't be enough to quell a backlash against deregulation.

The Associated Press, 20/1/07

District Court Judge Concedes Inference Of Price Fixing By Large Natural Gas Producers

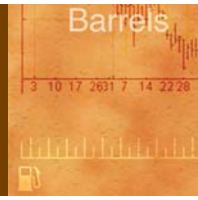
The United States District Court for the District of Columbia has ruled that an inference of price fixing by large natural gas producers does violate antitrust laws and has substance. The court ruled that a group of 18 municipalities had failed to state a claim for some elements of their case (including monopolisation, attempted monopolisation, conspiracy to monopolise, or price discrimination), but had a valid claim to price fixing by inference. Their allegations about the high price of natural gas on the futures market, the supply of natural gas after the hurricanes in the fall of 2005, and the "staggering profits" reported by the defendants created a legitimate inference that the defendants conspired to fix the price of natural gas.
The petitioners have been granted leave to pursue their civil suit against the gas producers.

Foster Natural Gas Report, 19/1/07

Re-regulation Plan Discussed: Dozens Meet To Go Over Virginia Power Bill

Representatives of utilities, consumers, environmental groups and competitive suppliers gathered at the state attorney general's office to react to Dominion Virginia Power's proposed re-regulation legislation. Many at the meeting questioned why the legislature has to act on the legislation this year. Lawmakers studied deregulation for three years before passing the law in 1999, and rate caps on utilities under the law don't expire until 2011. However, the state's two largest utilities, Dominion Virginia Power and Appalachian Power, have said delaying re-regulation would create uncertainty in planning and financing new power plants.

McClatchy-Tribune Business News Formerly Knight Ridder/Tribune Business News, Richmond Times-Dispatch, 18/1/07



WA Regulators Approve Natural Gas Rate Hike

The Washington Utilities and Transportation Commission has approved a rate hike of 2.7% for Cascade Natural Gas Corp, which will allow Cascade to collect an additional US$7 million a year and raise residential rates by about US$3 a month. Cascade originally requested an increase of 4.5% to yield US$11.7 million.

Associated Press Newswires, 13/1/07

Idaho Further Limits Idaho Powe's Annual Cost Adjustment

IdaCorp Inc.'s Idaho Power had asked the commission last year to lower a certain deduction in the utility's annual Power Cost Adjustment. Instead, the commission raised it, thus reducing the amount of money the utility can charge customers for unexpected power costs. The yearly adjustment allows the utility to charge customers extra when its power costs are higher than expected and can also result in credits to customers when those costs are lower than expected. Idaho Power is still reviewing the decision and declined to say immediately how it might affect earnings or cash flow.

Dow Jones & Company, Inc., 12/1/07

Decoupling Or Other Extraordinary Generic Accounting Mechanisms To Protect Iowa's Gas Utility Revenues In Fluctuating Gas Market Are Not Necessary For Now, Regulators Rule

Iowa Department of Commerce Utilities Board has decided that it is not necessary to insulate the utilities' non-gas revenues from consumer demand fluctuations. This decoupling policy has arisen from the conflict between the public policy goal of encouraging customers to be energy efficient and the ensuing reduction in revenues. The Board considered that it was not clear that reduced energy usage was responsible for a drop in net operating income and was unwilling to order an across-the-board adjustment mechanism.

Foster Natural Gas Report, 12/1/07

SEMCO Customers Will Pay $3.64 Per Month More For Natural Gas

The Michigan Public Service Commission has issued an order approving a settlement agreement allowing SEMCO Energy Gas Co. to increase its annual natural gas revenue by US$12.6 million, about one-third less than the utility's request. The average residential customer of SEMCO Energy Gas Co. will pay US$3.64 per month more for natural gas.

Associated Press Newswires, 9/1/07

Mexico

President Calderón Suggest Selling Pemex's Shares In The Stock Market

Mr Calderón suggested that Mexico should follow the examples of state-run companies such as Petrobras in Brazil, or even that of China, which have sold shares in the stock market as an alternative source of financing.

Financial Times, Reforma, 22/1/07

Mexico Gets Support For Renewable Energy

CFE launched a tender process for the 101 MW wind project La Venta III. For the first time, Mexico will develop a private renewable energy project with a World Bank subsidy. The winner will receive an incentive of 1.1 UScents/kWh during the first 5 years of operation.

Reforma 19/1/07

PEMEX Production Keeps Dropping

Production from the main oil well in Mexico will drop drastically starting in September of this year. According to Pemex's Annual Operating Plan, Cantarell will produce 700 thousand barrels less than the maximum of 2.1 million barrels achieved last year.

El Universal 12/1/07

Central and South American News

Argentina

Government Approves Tariff Increase For Edesur and Edenor.

The Argentinean government offered an agreement that includes a 15% tariff increase for distribution companies Edenor and Edesur. The tariff increases apply to medium and small industrial and commercial customers, since large customers' tariffs have already been increased. According to the agreement, residential consumers' tariffs, frozen since 2002, will not increase before 2008. Acceptance of the agreement requires distribution companies to withdraw any lawsuit over the 2002 rate freezes.

Global Insight 10/1/07; Latin America News Digest, 9/1/06; Reuters News, 8/1/07

New Renewables Law Comes Into Effect

The Argentinean renewables law approved in 6 December 2006 has been published in the State's official gazette. The Law has set the target for renewable sources at 8% of all electricity consumption within the next 10 years. To reach the targets, subsidies of 0.9 pesos per kWh (30 UScents/kWh) will be paid to new solar plants and 0.015 pesos per kWh (0.5 UScents/kWh) to plants using other renewable sources. The subsidies will be paid during 15 years.

Business News Americas, 2/1/07

Brazil

Access To Social Tariff Extended To The Whole Country

The Brazilian energy regulator, ANEEL, has decided to extend the Social Tariff to qualified customers in the whole country. This tariff allows for discounts of up to 60% on consumers' power bills and was first introduced in the north-eastern state of Bahia. From 28 February, any Brazilian family whose income is lower than R$120 per capita and which consumes up to 220 kWh will qualify for this subsidised rate.

Gazeta Mercantil News, 11/1/07; O Estado de São Paulo, 5/1/07

Colombia

Government To Maintain Energy Subsidies Until 2010

Colombia's President Alvaro Uribe has approved a bill that allows the maintenance of electricity and gas subsidies to low-income families until December 2010. The subsidies will be financed through the sector's solidarity fund, funded by a surcharge on large customers and wealthier households, and through government resources.

Business News Americas, 4/1/07

Ecuador

President Extends State Of Emergency In Electricity Sector

Ecuador's President Rafael Correa has issued a decree that extends the state of emergency in the electricity sector. The decree has applied since April 2006, and its new 60-day extension is to guarantee security of supply. The Economy Ministry will make funds available for importation of fuel, while state-owned oil company, Petroecuador, will have to keep its credits for providing fuel to the thermal power stations.

Global Insight, 30/1/07; Agence France Press, 30/1/07

Panama

Panama Regulator Awards Two Hydroelectric Concessions To AES

The Panamanian Public Services Regulator, ASEP, has awarded three concessions to build and operate hydroelectric plants to US electricity firm AES. The awarded projects will use water from the Changuinola River, in the Caribbean Province of Bocas del Toro. The concessions are for projects of 158 MW, 132 MW and 126MW, respectively.

Business News Americas, 5/1/07

Venezuela

Government To Nationalize Energy Sector, President Given Special Powers For Nationalisation.

Venezuelan president Hugo Chávez has announced the nationalisation of some of the country's infrastructure assets. The remaining private assets of the telecommunications and electricity industry together with four major oil production facilities in the Orinoco region will be nationalised. The government has said that it will allow private companies to own a minority stake in these projects. In addition, the National Assembly has agreed to give Chávez temporary special powers that will allow the President to nationalise strategic industries without the need for a vote in the Assembly.

Business News Americas, 31/1/07, 15/1/07; Associated Press, 30/1/07; AFX International Focus, 11/1/07; Reuters News, 11/1/07; Dow Jones News Wire, 10/1/07

Asia Pacific News

Australia

Alinta Proposes To Acquire Origin's Assets

The Australian Competition and Consumer Commission (ACCC) has begun market inquiries into the proposed acquisition of Origin's infrastructure business by Alinta. Origin currently holds 17% of Envestra and 33.3% of the SEA Gas pipeline, among other pipeline assets and its management business. Alinta has also indicated that it may seek to acquire 100% of Envestra. However, AGL has also indicated an interest in Origin, announcing that a merger with Origin will yield particular synergies as the companies are complementary, stating it would be a 'merger of equals'. AGL has yet to submit a proposal to the ACCC or seek Origin's approval for the proposal.

Gas Week, 18/1/07; www.accc.gov.au, www.agl.com.au, *9/1/07*

Santos, AGL Battle For QGC

Both Santos and AGL have launched bids for coal seam methane producer Queensland Gas Company (QGC). This month the ACCC approved the AGL bid for a 30% stake in the company, citing Santos and Origin as key competitors in the production market. This however followed a delay in a decision regarding a bid by Santos. Recently Santos has announced a new offer for QGC such that the ACCC will not make a decision on the previous one.

The Australian, 1/2/07; www.accc.gov.au*, 24/1/07; 13/12/06*

China

China To Set Up Oil Futures Market In Hong Kong

According to the Dongfang Morning Post, China is likely to open an oil futures market in Hong Kong. The new market has become necessary because, due to the lack of adequate oil derivatives available in China, major oil companies have limited choice in hedging and managing risk. This leaves them vulnerable to oil price fluctuations. The proposed market would facilitate trading in derivatives of other oil products such as diesel, gasoline, LPG, natural gas and crude oil.

NewsTrak Daily, 19/1/07

Environmental Protection Agency Blocks Generation Projects

China's State Environmental Protection Agency says it won't approve new power plant projects by four major utilities until the companies comply with environmental safeguards. The four utilities were among many companies listed on the agency's "blacklist" of those violating environmental safeguards. China experienced 161 serious environmental accidents in 2006, the biggest annual number ever.

Associated Press Newswires, 11/1/07

India

Power Company Seeks Tariff Rise

MSEDCL, the state power utility in Maharashtra, is seeking regulatory approval for an increase in power tariffs from March this year. MSEDCL's distribution arm wants to raise power tariffs by 35%. Last year, MSEDCL wanted to increase tariffs by 24%, but the regulator granted only a 5% increase. Two years ago, the regulator allowed a 1.5% price rise, following MSEDCL's request for an increase of 19%. Meanwhile, the power utility is tackling an electricity shortfall of 5,000 megawatt (MW). Currently cities face two-and-half hours of load shedding daily, whereas in rural areas load shedding ranges from between eight to ten hours every day.

The Economic Times, 20/1/07

Tribunal Rules On Intra-State Electricity Trading

The Appellate Tribunal of Electricity has directed all state regulators to fix profit margins on intra-state electricity trading. The Tribunal's order came following expert testimony from Gajendra Haldea, who argued that generating and distribution firms in states with surplus generation capacity were selling power at a price much higher than the tariffs fixed by regulators. The order comes almost a year after the Central Electricity Regulatory Commission fixed margins at 4 paise per unit for inter-state trading to stop traders from profiteering.

The Press Trust of India Limited, 1/1/07

New Zealand

Electricity Commission To Approve Transpower Line Proposal

The Electricity Commission announced its intention to approve the 400kV line between Whakamaru and Pakuranga in Auckland and will be conducting a public conference in a few months time. The decision follows its earlier rejection of a proposal by Transpower to upgrade its grid. The new proposal offers some route diversity and follows a significant outage that occurred in June 2006, highlighting the need for enhanced reliability and flexibility. There were minor reservations noted by the Board with respect to assumptions used in its grid investment test, however the overall the improvements to the proposal resulted in the decision to approve.

www.electricitycommission.govt.nz, *31/1/07*

The Philippines

ERC Fines Power Distributor For Unauthorised Capex

The Energy Regulatory Commission (ERC) imposed fines of P300,000 on Manila Electric Co. The ERC imposed the fines on Meralco for implementing three capital projects in 2005 without the commission's approval. The Court of Appeals (CA) recently upheld the ERC's authority to impose fines on all distribution utilities that undertake capital expenditure without ERC approval. Meralco appealed the ERC decision with the Court of Appeals last year but the court upheld the commission's ruling on 28 December 2006.

BusinessWorld, 26/1/07

NTC Seeks To Pass Costs Of Typhoon Damages Onto Customers

The National Transmission Corporation (NTC) has reportedly asked the Energy Regulatory Commission (ERC) for permission to recover the cost of damages to its transmission lines caused by typhoons. Typhoon “Seniang” destroyed 116 steel towers and 887 wooden poles of transmission lines. According to ERC Chair Rodolfo Albano, the cost of repairing the destruction caused by the typhoons that hit the country has reached at least P793.44 million. NTC is a government-owned and controlled corporation that has assumed the electrical transmission functions of the National Power Corp.

Philippine Daily Inquirer, 23/12/06

Thailand

Transfer Of Land-Expropriation Rights Challenged

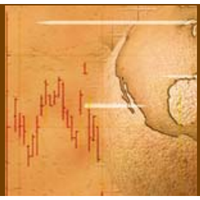
Consumer activists have called on Energy Minister Piyasvasti Amranand to shelve legal amendments affecting the rights of the state-run energy firm PTT Plc to expropriate land for gas pipelines. Activists have accused the Energy Ministry of trying to help save PTT from being delisted from the stock market. Currently, PTT can expropriate land for gas pipelines, whereas under the amendment, a temporary committee would be established to transfer land-expropriation rights from PTT to a new regulatory body. The Supreme Administrative Court is currently hearing a consumer group’s petition to scrap two bills that paved the way for PTT’s privatisation in 2000. The question of rights over public property is among the key issues that drove the group to bring the case to court.

Thai News Service, 17/1/07

New Energy Law Within Two Months

Thai Energy Minister, Piyasvasti Amranand, expects to present to the cabinet his draft executive decree on the establishment of the natural-gas regulatory board to the Cabinet this month, The Nation reports. The Minister said that the draft decree should come into effect within the next two months. The national gas regulatory board will oversee the natural gas industry, and will be responsible for setting the gas supply pricing formula. The board will also hold responsibility for expropriation of public property in the sector.

Thai News Service, 11/1/07



Vietnam

Vietnam To Liberalise Petroleum Market

Vietnam's Ministry of Trade has suggested drafting a regulation empowering petrol distributors to set their own retail tariffs. If approved by the government, the new decree would allow petrol retailers to set retail prices themselves subject to payment of import taxes, which the government would set a year in advance. The proposed law would replace Decision No 187/CP (2003) governing petroleum management, which requires the state to provide a "price guide" for petrol.

Asia Pulse, 26/1/07

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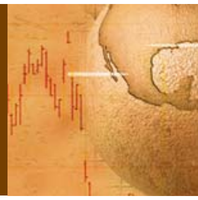

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