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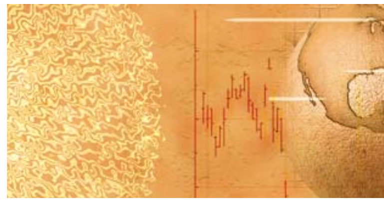
Economic Consulting

Reporting on energy regulation issues around the world

Global Energy Regulation



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European News

UK

Ofgem To Clamp Down On Timeliness Of Connections

Ofgem has announced plans under which electricity and gas suppliers that fail to connect businesses within a specified time could lose their licence and face fines. Martin Crouch, director of electricity distribution at Ofgem, said competition between distributors and third party companies to offer connections "was just not working.''

The Daily Telegraph, 16/2/07

Judge Rules On Nuclear Consultation

A High Court judge has ordered a rethink of the government's nuclear power plans, after a legal challenge by Greenpeace. A judge ruled that the consultation process before the government's decision in last year's white paper had been "misleading", "seriously flawed" and "procedurally unfair". Despite the ruling, the government emphasised that the ruling concerned the consultation process and not the plans to encourage new nuclear plants in the UK. The government said that it will consult again on the issue, but still favoured nuclear power being "back on the agenda".

BBC News Online, 15/2/07

Ofgem Updates Renewables Obligation Buy-Out Price

Ofgem has published the buy-out price for the Renewables Obligation (RO) for 1 April 2007 to 31 March 2008, which will be £34.30 per megawatt hour (MWh). The buy-out price sets the rate which suppliers need to pay if they do not present sufficient numbers of Renewables Obligation Certificates (ROCs) to meet their obligation to buy a proportion of their energy sales from renewable sources. Ofgem has also announced the "mutualisation ceiling" for the same period, which caps the amount suppliers must pay if there is a shortfall in the RO buy-out fund over a certain amount, for example, if a supplier with an obligation goes into insolvency. The Department of Trade and Industry and the Scottish Executive have set the cap for 2007–08 at £206,400,000 for England and Wales and £20,640,000 for Scotland.

Ofgem Press Release, 2/2/07

Ofgem Awards Gas Shipping Licences To Banks

Ofgem, has awarded gas shipper licenses to UBS London Branch, UBS Limited and Westpac Banking Corporation. All are banking organisations which plan to enter the UK gas market. A shipper license gives the right to use the British gas pipeline network; it is a prerequisite for physical gas trading. Ofgem has also awarded the London Borough of Camden a gas supplier license, needed to needed to supply end customers.

Platts Commodity News, 29/1/07

Bulgaria

Competition Authority Approves Varna Utility Takeover

Bulgaria's Commission for the Protection of Competition (CPC) gave a green light to France's Dalkia International to acquire 100% of the district heating utility in Varna. In late 2006 Dalkia was picked as the buyer of the Varna heating utility. Dalkia outbid British ENER-G and Czech utility CEZ offering a price of €6.78 million. In early February, the Bulgarian Privatisation Agency endorsed the sell-off contract.

Bulgarian News Digest, 11/2/07

European Union

Ministers Discuss Commission's Energy Policy Proposals

European Union energy ministers discussed proposals for the reform of the energy sector put forward by the European Commission (EC) in January 2007. The ministers approved the EC's goal of achieving a level of interconnection equal to 10% of the installed capacity by 2010, and to set a binding target of 10% for the use of biofuels by 2020. However, they failed to reach agreement on the unbundling of the transmission and distribution activities of the main utilities and postponed the decision on establishing a binding target for renewable energy.

El País, 16/2/07; Financial Times, 16/2/07

Commission Approves Iberdrola's Takeover Of Scottish Power

The European Commission (EC) has decided not to raise any objections to the takeover by Spanish utility Iberdrola of Scottish Power. The EC considers that the deal does not impede effective competition in the European markets. In particular, the EC considers that the activities of Iberdrola and Scottish Power only overlap in CO2 emissions and electricity trading, where the parties' share is small. The merger will create the third largest utility in Europe, after German E.ON and French EdF.

Enervia, 16/2/07; Europolitics, 16/2/07; El País, 16/2/07

Regulators Publish Action Plan For Electricity Market Integration

The energy regulators of France, Germany, Luxembourg, Belgium and the Netherlands (CRE, BNetzA, ILR, CREG and DTe respectively) have published an Action Plan for the integration of the five electricity markets of Central West Europe. The regulators drafted several measures to foster cross-border electricity trade, including the improvement of long-term explicit auction rules, the implementation of day-ahead market coupling or the establishment of a common calculation method for cross-border capacities. Other proposals include the elaboration of a regional capacity investment plan and the harmonisation of data exchanges. The European Commission welcomed the initiative.
European Commission Press Release, 14/2/07; CREG Press Release, 12/2/07

Regulators Publish Advice On Commission's Energy Policy Proposals

The European Regulators Group for Electricity and Gas (ERGEG) published its response to the Energy Policy Paper published by the European Commission on 10 January 2007. In its report, ERGEG proposes measures to achieve two different objectives: effective unbundling and strong and independent regulation of the European Union (EU) energy markets. In particular, ERGEG recommends ownership unbundling of transmission assets, new regulations to improve coordination of the EU electricity transmission system operators (TSOs), the creation of an EU-level regulatory body to oversee the activity of the TSOs and the harmonisation of the powers of national regulators.
ERGEG Press Release, 8/2/07

Energy Regulators Publish Final Report On November 2006 Blackout

The European Regulators Group for Electricity and Gas (ERGEG), an advisory group to the European Commission (EC), published its final report on the November 2006 blackout. ERGEG considers that the blackout was due to the fact that the European system operators did not comply with security rules, they were not coordinated and did not control distributed generators appropriately. Consequently, ERGEG encourages the EC to develop a new regulatory framework including binding obligations for system operators and an improved oversight scheme.
ERGEG Press Release, 6/2/07

France

Regulator Increases Allowed Remuneration Of GRTgaz

The French energy regulator, Commission de Régulation de l'Énergie (CRE), has decided to increase the allowed rate of return on GRTgaz's investments in Northern France. The standard rate of return approved for GRTgaz is 8.5%, while the EUR 280 million (US$ 365 million) investments of GRTgaz in the gas transport network of the Northern part of country will receive an additional 3%. These investments aim to integrate various parts of GRTgaz's network into a single market, which will supply a demand of around 350 TWh/year.

CRE Press Release, 15/2/07

Regulator Approves Accounting Unbundling Principles For Gas Distributors

The French energy regulator, Commission de Régulation de l'Énergie (CRE), has approved the rules on unbundling the accounts of French local gas distribution companies. The rules were proposed by the gas distributors, but CRE required an amendment to separate accounts pertaining to regulated supply and open market sales. Gas distributors will be required to provide the regulator every year with a detailed list of the criteria for allocating costs among the different activities.

CRE Press Release, 7/2/07

Germany

Regulator Publishes Final Report On The November Power Outage

The German regulator, the Bundesnetzagentur, published its final report on the power outage of 4 November 2006 that affected around 15 million people across Europe. A central conclusion is that TSOs should automatically check the N-1 security of the network every 15 minutes. This would imply that operations are able to continue if a single facility (such as a transmission line) fails. The report also states that cooperation and communication, and in particular the exchange of data between TSOs, should be improved.

Bundesnetzagentur, 27/2/07

German Regulator Makes Further Decisions On Gas And Electricity Network Charges

The German regulator, the Bundesnetzgentur, has authorised gas and electricity network charges through delegated powers. For gas tariffs, valid until 31 March 2008, the regulator disallowed some costs submitted by the companies in all cases, ranging from 3% for Energie- und Wasserversorgung Altenburg GmBH to 27% for Gasversorgung Garbsen GmBH. The regulator disallowed costs submitted by electricity companies in all cases except Stadtwerke Boizenburg/Elbe GmBH (increase of 1%) and Stadtwerke Tornesch GmBH (unchanged). For all other companies the cuts in costs ranged from 2% to 20%. These electricity tariffs are valid until 31 December 2007.

Bundesnetzagentur, 14/2/07

EEX's Gas Trade To Start In E.ON Market Area

The German energy exchange EEX intends to start its planned gas trading in the market area of E.ON Ruhrgas and BEB Erdgas und Erdöl. The EEX plans to expand rapidly to other market areas.

Financial Times Deutschland, 7/2/07; Dow Jones International News, 6/2/07

German Regulator Decides On Electricity And Gas Grid Tariffs

Germany's energy regulator, the Bundesnetzagentur, announced a number of decisions on gas and electricity grid tariffs, in almost all cases disallowing some of the costs that were submitted by the grid companies. For gas tariffs, valid until 31 March 2008, cuts ranged from 7% for Wasser- und Energieversorgungs gesellschaft Salzgitter to 17% for Stadtwerke Lübeck Netz. For electricity tariffs, valid until 31 December 2007, cuts ranged from 5% for Stadtwerke Wedel to 16% for Stadtwerke Winsen (Luhe). Uncharacteristically, the Bundesnetzagentur ordered an increase in the tariffs of Gemeindewerke Leck by 3%, due to an increase in the costs of the upstream grid.

Bundesnetzagentur, 6/2/07

Utilities E.ON And RWE To Enter Nationwide Retail Market

E.ON launched a budget retail unit "E Wie Einfach" ("E for Easy") promising to undercut prices of established local suppliers throughout Germany. E Wie Einfach pledged to cap its power prices for two years and its gas prices for one year. German utility RWE also announced its intention to enter the nationwide retail market by offering gas and electricity.

Reuters, 5/2/07; Associated Press, 1/2/07

Italy

300.000 Euro Allotted For Conciliation Measures Training Projects

AEEG, the Italian Regulator, decided to fund improvements in procedures for the settlement of disputes between companies and final customers. AEEG allotted a total of EUR 300,000 for 2007–2008 (with EUR 140,000 in 2007) for training the staff of the Consumer Associations that are members of the Consiglio Nazionale Consumatori e Utenti (CNCU). Financing is available for training projects starting in 2007–2008.
AEEG web site, 24/2/07

A "Card" To Make Comparison Of Energy Prices Easier

AEEG published a consultation document that includes proposals for a "price comparison card". AEEG would impose on energy retailers an obligation to adopt such a card in order to grant final customers all the information they need to choose their electricity suppliers. The card is intended to improve transparency of economic terms and conditions, make the costumer aware of all costs and to provide customers with the information required to compare offers of different retailers.
AEEG web site, 12/2/07

Renewable Energy Sources: Proposals To Update Generating Costs

AEEG published a consultation document on the costs of renewable energy sources intended to collect the information used in updating minimum prices guaranteed to plants with capacity up to 1MW generating from renewable sources. Interested operators can submit a unit cost evaluation for renewable energy production, in EUR/MWh, specifying technical and cost information for a variety of renewable energy sources.
AEEG web site, 9/2/07

Netherlands

NMa Fines Network Operator NRE

The Dutch competition authority, the NMa, has fined network operator NRE Network Ltd €180,000 for setting connection charges that violate the Electricity Act. A recent investigation by the DTe, the Dutch Energy Regulator and a division of the NMa, revealed that in 2006 NRE repeatedly charged a higher connection tariff than allowed by the Electricity Act.
DTe Website, 16/2/07

NMa Demands Zebra Improves On Gas Network Services

The DTe, the Dutch energy regulator and a division of the Dutch competition authority (NMa), has issued binding directives to gas network operator Zebra requiring it to increase the efficiency of its gas transmission network services. Zebra operates a gas transmission network in Zeeland, a south-western province of the Netherlands. Following information from market participants, the DTe has concluded that Zebra provides too little information to market participants and does not efficiently facilitate customer switching of gas supplier. The DTe has therefore determined that Zebra must: make unused transmission capacity available to other gas suppliers; allow customers to switch supplier if the current suppliers do not use all the available transmission capacity; and publish information on available capacity and prices on its website. In addition, Zebra must redistribute transmission capacity that becomes available after contract termination or renegotiation, to all suppliers that request it. Zebra is required to report to the DTe on the progress on these tasks by next year.
DTe Website, 15/2/07

NMa Sets 2007 Gas And Electricity Transmission Tariffs

The Dutch Competition Authority (NMa) has set the maximum tariffs for the transmission of gas and electricity in the Netherlands, effective as of 1 February 2007. Tariffs for regional electricity transmission have increased on average by 2.1% from the previous year, while tariffs for regional gas transmission tariffs have fallen on average by 0.2%. The combined increase in transmission tariffs since last year is 1.4%, which equals the maximum inflation correction that network operators are by law allowed to pass on to end-users.
DTe Website, 1/2/07

Portugal

Electricity Tariffs To Decrease 2%

The cancellation of CAEs (PPA contracts) will lead to a one-off 2% reduction in electricity prices for domestic and industrial customers in the second half of the year. CAEs will be replaced by a stranded cost compensation mechanism (CMECs). The reduction in prices derives from differences in the method and timing of payments, compared to the CAEs.
Diário Económico, 19/2/07; Jornal de Notícias, 17/1/07

Romania

Romania To Privatise Three Remaining Electrica Divisions

AVAS, Romania's privatisation authority, will put up for sale the three remaining branches of state-owned power grid Electrica in the second half of the year. The sale will follow the separation of the company's supply and distribution operations to comply with EU regulations, including those of supplier Electrica Muntenia Sud, which is currently being privatised.
Mediafax News Brief Service, 24/1/07

Russia

Free Electricity Market Prices To Increase By 30–40%

According to the Ministry of Economic Development and Trade, the unregulated electricity prices are expected to increase by 30–40% this year and by 13–15% next year.
Prime TASS Energy Service, 19/2/07

Household Electricity Subsidies To Stay Until 2015

President Putin announced at a news conference that electricity subsidies for residential customers will be maintained until at least 2015.
RIA Novosti, 1/2/07

Spain

Energy Regulator Allows ACS To Raise Its Voting Rights In Iberdrola

The Spanish energy regulator, CNE, has authorised construction group ACS to exercise voting rights above 3% on non-strategic decisions by Spanish utility Iberdrola. The 3% voting limit applies to shareholders in Spanish energy companies who also own stakes in other Spanish energy companies. ACS owns 40.4% of Spanish electric utility Unión Fenosa and has recently acquired a 12.4% stake in Iberdrola.
El País, 16/2/07; Enervía, 16/2/07

Spanish Stock Market Authority Extends Period For Endesa Shareholders To Accept E.ON's Takeover Bid

The Spanish Stock Market Authority, CNMV, has extended the period for Endesa shareholders to accept E.ON's takeover bid until 29 March. The extension was granted because Endesa will hold an extraordinary general meeting on 20 March to decide whether it will amend by-laws that restrict the voting rights of a single company to 10%, a precondition of E.ON's offer. Previously, Spanish utility Gas Natural had withdrawn its takeover bid for Endesa, leaving E.ON as the only bidder.
El País, 14/2/07; Gaceta de los Negocios, 14/2/07

Energy Regulator Considers New Remuneration Scheme For Renewables Should Apply Only To New Facilities

The Spanish Energy Regulator, CNE, has finished a non-binding report on a draft bill issued by the government that modifies the remuneration for renewable energy (see November GERN issue). CNE estimates that the proposed scheme would reduce by €400 million (US$530 million) the annual cost of supporting renewable energies. CNE agrees on the main points of the draft, but it considers that the new scheme should not be applied “retroactively”, meaning that it should only apply to facilities entering service after the bill is passed. This is especially relevant to wind farms, whose premia stand to be significantly reduced by the bill.

Gaceta de los Negocios, 14/2/07; El Mundo, 14/2/07

Turkey

Union Challenges Petkim Privatisation

The Turkish oil sector workers union will take legal action to halt the privatisation of petrochemical producer Petkim. The powerful sector union, which has in the past has won court cases to delay the sale of oil refiner Tupras and Petrol Ofisi, said Petkim’s sale would not serve the public good.

Reuters News, 13/2/07

Turkey To Postpone Electricity Grid Privatisation

Turkish authorities have dropped their plans to sell the first three of 20 state-owned electricity distribution networks by the end of this year. The prime minister announced that they will delay the privatisation of electricity distribution companies in the regions of Istanbul’s Asian side (AYEDAS), the capital Ankara (BEDAS) and the north western region of Sakarya (SEDAS) until after upcoming general elections, scheduled to be held before November.

Economist Intelligence Unit, 13/2/07

North American News

US

FERC Launches Review Of Electric Power Market Operations

The Federal Energy Regulatory Commission (FERC) began a series of hearings to review the operation of competitive wholesale power markets. Some groups say they want the industry to return to its regulated past, but FERC Chairman Joe Kelliher took that off the table by noting that the Energy Policy Act of 2005 essentially made wholesale power competition the national policy.

E&E News PM, 27/2/07

NY State Regulators Oppose National Grid-Keyspan Merger

An expert staff report from the New York Public Service Commission has criticized the proposed purchase of KeySpan Corp by National Grid on the grounds that the US$11,800 million deal "creates an unreasonably high number of risks and uncertainties for New York ratepayers." The report expressed concern about National Grid owning KeySpan's power plants, particularly Ravenswood, and recommended divesting the plant prior to the deal closing. The PSC is not expected to rule on the merger until this summer.
Dow Jones International News; Newsday, 24/2/07

FERC Issues Landmark Changes To Open Access Transmission Tariff

Ten years after issuing omnibus rule Order 888, designed to open the interstate electric power market to competition, the Federal Energy Regulatory Commission has issued major revisions in a 1,200-page Order 890. The final rule calls for a revised Open Access Transmission Tariff (OATT) aimed at (among other things) eliminating the wide discretion in the transmission provider's calculation of available capacity and rates. The rule also opens up the process of transmission planning to include customers and other interested parties.
NGI's Power Market Today, 15/2/07

Senate Energy Committee Begins Investigation Of FERC's And CFTC's Overview Of Natural Gas Spot And Futures Markets

The Senate Energy and Natural Resources Committee is preparing to investigate natural gas spot price volatility. The Committee is concerned that the complexity of current gas trading markets and the rise in gas commodity prices mean that states' task of regulating costs is made more difficult. They will reconsider legislation to ensure transparency and oversight of hedged and forward market contracts in gas commodity markets, involving both FERC and the Commodity Futures Trading Commission.
Foster Natural Gas Report, 9/2/07

Wisconsin Regulators Approve WPS, People's Energy Merger

The Wisconsin Public Service Commission has approved a merger between WPS Resources Corp. and People's Energy Corp, following earlier approval by the Illinois Commerce Commission. Stockholders in both companies gave the go-ahead in December. The new holding company will be called Integrys Energy Group and have assets of more than US$10,000 million.
Associated Press Newswires, 8/2/07

Marketers And Shippers Seek FERC Review Of Net Present Value Discount Adjustment Proposal And Flexible Services Rate Of Gas Transmission Northwest

The Canadian Suppliers have sought a review by FERC of Gas Transmission Northwest's proposal to discount the net present value of the capacity bids of all prospective shippers, irrespective of credit strength, using a "Probability of Default" (POD) factor. The shippers argue that this is inappropriate and anti-competitive. They consider that application of the POD discount mechanism to capacity bids by both creditworthy and non-creditworthy shippers is not just and reasonable or supported by evidence.

Foster Natural Gas Report, 2/2/07

Canada

Canada, U.S. On Course For LNG Collision

The Canadian government has told U.S. regulators that large LNG tankers will not be allowed to go through Canadian waters at the Head Harbour Passage, near New Brunswick, en route for two proposed gas terminals in Maine being reviewed by FERC, because of the unacceptable environmental risks. Any dispute between the U.S. and Canada over the passage is likely to go to an international court.

National Post, 16/2/07

Mexico

AES Acquires Two 230 MW Petroleum Coke-Fired Power Plants In Mexico

The AES Corporation has purchased two 230 MW power plants in Mexico from subsidiaries of Exelon Corporation and ALSTOM. The plants, using petroleum coke in circulating fluidized beds, are fully contracted facilities that supply power to two major companies, CEMEX and Penoles, under 20-year agreements in accordance with Mexican self-supply regulations.

Business Wire via Energy Central, 12/2/07

EDF Sells Its 5 Plants In Mexico

As a result of EDF's strategy to focus its commercial activities in Europe, the company is selling its 5 natural-gas fired plants in Mexico. EDF is the second largest foreign investor in generation after Iberdrola.

Reforma, 6/2/07

Central and South American News

Argentina

Government Allows Increase In Tariffs For Edesur

Argentina's government has published a resolution that allows the distribution company Edesur, a subsidiary of Spanish Endesa, to increase its annual income by 38% through a tariff increase. These tariffs will apply to all user categories except for residential consumers. This is the first increase allowed since the devaluation of the Argentinean peso in 2002.

Expansión, 10/2/07; Gaceta de los Negocios, 10/2/07; Cinco Días, 10/2/07

Bolivia

Presidents Agree An Increase In The Gas Price

The presidents of Bolivia and Brazil, Evo Morales and Luiz Inácio Lula da Silva, have agreed a 259.9% increase in the price of the gas that Bolivia supplies to the Cuiabá power plant. The price for the rest of gas imports is still being negotiated.

El País, 16/2/07; Agence France Press, 15/2/07; InfoBAE Diario, 15/2/07

Brazil

Hydroelectric Project To Start In 2010

Brazil's energy regulator, Aneel, has authorized a consortium formed by Suez and two Brazilian companies to bring forward the start of the 1087 MW Estreito hydroelectric project from 2012 to 2010 and to split the start of commercial operations into two stages. The project has now to obtain technical approval from the Mines and Energy Ministry.

Business News Americas, 15/2/07

Deadline To Demonstrate Eligibility For Social Tariff Extended

Brazil's Energy Regulator, Aneel, has decided to extend the deadline for low-income families to demonstrate that they are eligible for the Social Tariff. The deadline was 28 February and the proposed extension will be staged according to the amount of energy that families consume. The Social Tariff allows for discounts of up to 60% on consumers' power bills for families whose income is less than R$120 (US$ 57.61) per capita and consuming less than 220kWh (see last GERN issue).

O Estado de São Paulo, 15/2/07; Gazeta Mercantil News, 15/2/07; FolhaNews, 14/2/07

Regulator Reduces Subsidy To Buy Fuel

Brazil's Energy Regulator, Aneel, has decided to reduce the value of the annual contribution to the so-called Conta de Consumo de Combustíveis Fósseis by 36.6%. This contribution is paid by all consumers as a part of their power bill in order to finance the cost of fuel used for electricity generation in the north of Brazil. Due to this reduction, electricity bills will fall by 1.4% on average.

Folha de São Paulo, 7/2/07; O Globo, 7/2/07, 6/2/07

Dominican Republic

Lower House Approves Renewables Bill

The Dominican Republic's Lower House has approved a renewable energies bill. The bill aims to create the necessary regulatory framework to promote development and investment in renewable energy projects. The senate will now begin the bill's final review and, if approved, the bill will be submitted to the President for signing into law.

Business News Americas, 19/2/07

Jamaica

Ministry Submits Energy Policy Draft Proposal To Parliament

Jamaica's Energy Ministry has submitted an energy policy draft proposal for approval to Parliament. The proposed new policy places more emphasis on energy efficiency, fuel sources and energy use in transport than the current policy and recommends a target for renewable electricity production. According to the proposal, renewables should produce 10% of total electricity by 2010 and 20% of total electricity by 2020.

Business News Americas, 20/2/07

Peru

Agreement With The Camisea Consortium To Set Gas Distribution Prices

Peru's Energy and Mines Ministry has signed an agreement with gas companies developing the Camisea natural gas project. According to the deal, natural gas prices for distribution outside Lima and Callao will be set for the period 2007–2011 and can increase up to 5% per year in the period 2012–2016. Wellhead prices will be fixed at US$0.80/MBTU for residential use and US$ 1.00/MBTU for other consumers.

Business News Americas, 21/2/07

Government To Increase Tariff To Extract Oil From Amazonia

Peru's Government has prepared a bill to increase the tariff that oil companies pay for every oil barrel extracted from Amazonia. Resources coming from this tariff will finance a fund for the regional ecological development of the Amazonian region.

El Comercio, 12/2/07

Guatemala

Social Tariff To Remain Stable Until April

After its quarterly electricity tariff revision, the Guatemalan electricity commission, CNEE, has decided to leave most tariffs unchanged. Only tariffs for customers of the distribution company DEORSA will increase by 3.64%, while the rest will stay stable until April.

Siglo Veintiuno, 1/2/07

Venezuela

President Begins Nationalization

Venezuela's president Hugo Chávez signed an agreement with AES's president under which Venezuelan state oil company PDVSA will buy AES's 82% stake in electricity company La Electricidad de Caracas for US$739 million. In addition, Chávez said that the government will take majority control of oil projects in the Orinoco River basin by 1 May.

Global Insight, 9/2/07; Dow Jones international news, 9/2/07; AFX International Focus, 9/2/07, 2/2/07; Financial Times, 2/2/07

Asia Pacific News

Australia

Government Announces Plan To Ban Conventional Lightbulbs

The Australian Government has announced a plan to ban conventional light globes in an effort to cut back greenhouse gas emissions. Environment minister Malcolm Turnbull stated that the plan should reduce emissions by 4 million tonnes by 2012. The policy has the support of environmental groups, such as Greenpeace, since they say the initiative helps to cut demand without threatening jobs or industry.

Sydney Morning Herald, 21/2/07; Minister for the Environment and Water Resources Media Release, 20/2/07

Dawson Valley Pipeline Ring-Fencing Waiver Approved

The Australian Competition and Consumer Commission (ACCC) and the Australian Energy Regulator (AER) released their final determination to accept an application to waive ring-fencing obligations for the Dawson Valley Pipeline (DVP). The coal seam methane pipeline is owned by Anglo Coal (Dawson) and its major user is a joint venture of the owner and Mitsui Moura Investment. Anglo Coal is also the operator of the DVP. The approval waives the obligation that prevents the parties from carrying on a related business and having marketing staff work for both businesses since the DVP is not considered a significant part of the Queensland pipeline network and there are significant costs associated with compliance.
ACCC web site, 14/2/07

China

China Expected To Increase Electricity Prices

China is likely to increase electricity prices in the middle of this year as domestic power producers lobby for a tariff hike to cover climbing coal costs. They said that higher coal prices are partly due to efforts to shut smaller coal mines in a bid to increase efficiency and safety as well as reduce pollution.
Xinhua Financial Network News, 9/2/07

India

Interim Tariff Set For Hydro Plant

The Central Electricity Regulatory Commission has approved the provisional tariff for the Tehri hydroelectric project until 31 March 2007. To encourage the developer to provide peaking power, from 1 January 2007 the tariff rate of Rs.3.50 per kilowatt-hour (kWh) will be divided into 2 parts—a charge for output of Rs2.50 per kWh and a capacity charge of Rs18,000 per day. The capacity charge is payable on the saleable declared capacity for the peaking support.
Indian Business Insight, 8/1/07

Indonesia

New Task Force to Fight Illegal Fuel Trade

The Energy and Mineral Resources Ministry announced that it will establish a more powerful task force to combat the illegal trade in subsidised fuel, which is estimated to cost the government around US$6 million a year. State oil and gas firm PT Pertamina oversaw the previous team, but the coordinating minister for political, legal and security affairs will supervise the new team’s day-to-day work.
The Jakarta Post, 20/2/07

Exploration Rights For CBM To Be Tendered

The government will hold its first-ever tender for exploration and production licences for coal-bed methane (CBM) gas in March to meet the growing demand for gas for both local use and exports. The tender will cover two areas that are believed to hold the biggest deposits of CBM: one in Sumatra of 183 trillion cubic feet (tcf) and the other in Barito, South Kalimantan, of 101.60 tcf. However, the government has yet to issue the necessary regulations governing exploration and production of CBM.

The Jakarta Post, 9/2/07

Financial Regulator To Investigate Gas Company

Indonesia's financial market regulator has suggested that the country's state-owned gas company, Perusahaan Gas Negara (PGN), violated capital market transparency rules by withholding information about delays in the construction of a major pipeline. The regulator, Bapepam, said it was still looking into the extent of the infringement to determine whether PGN or any brokerage houses should face prosecution.

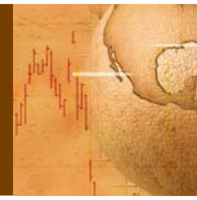
Financial Times (Asia), 2/2/07

Thailand

Unions Protest Over Draft Legislation

The labour union of the Electricity Generating Authority of Thailand (Egat) has handed over a letter to the government protesting against the draft legislation governing energy operators, fearing the act will lead to privatisation. The Union's president will be among participants at the second public hearing on the draft act. The government intends to conduct four hearings—one in each region—to gather ideas from the public before making any decisions.

The Nation, 14/2/07



Our Practice

NERA is at the forefront of the continuing transformation of energy industries worldwide. Our experts have developed approaches for introducing competition in segments such as power generation, where competition is workable, and for improving the regulation of sectors where it is not. We work with companies and governmental bodies worldwide to design competitive power markets and to develop tariffs and rules of access for regulated transmission and distribution systems for electricity and gas and transport of oil and oil products. With industry restructuring, we also help companies develop strategies for exploring new opportunities and minimising new risks, including issues related to climate change and other environmental initiatives.

NERA helps our clients to develop new regulatory strategies and, when needed, support our clients with analysis and testimony before regulatory commissions, antitrust and competition policy agencies, and domestic and international courts. Our economists help clients to decide which lines of business to pursue; to divest assets no longer consistent with their strategy; to identify and evaluate opportunities for mergers, acquisitions and investment; and to develop bidding, trading, contracting, and marketing strategies and organisations. Our work also includes designing and conducting energy auctions and providing strategy and valuation advice on mergers and acquisitions, the financing of energy companies, and the financial restructuring of distressed companies.

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