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Economic Consulting

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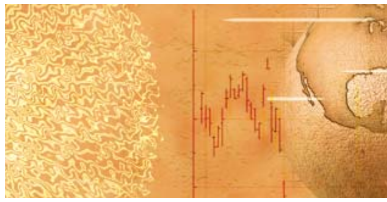
Global Energy Regulation



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European News

UK

Ofgem Criticises Energy Suppliers For Not Lowering Prices

Ofgem has criticised two major British energy suppliers for failing to cut their bills following falls in wholesale gas and electricity prices from the high levels reached in winter 2006. EDF (Électricité de France) Energy and Scottish Power have not reduced their charges yet this year. Ofgem's research shows a big gap between the prices of EDF and Scottish Power and the prices of other retail suppliers.

Reuters News, 23/04/07.

Milford Haven Project Suffers Planning Delays

National Grid has declared *force majeure* on contracts allowing gas companies to use a new gas pipeline from two new liquefied natural gas terminals at Milford Haven in Wales to the rest of the grid. National Grid said a court decision holding up work on a pressure reduction station near Swansea would reduce daily contracted flow from 450 gigawatt hours (GWh) a day to about 410 GWh a day from October.

Reuters News, 10/04/07

Ofgem Implements Reform Of Gas Transmission Offtake Arrangements

Ofgem has approved proposals from National Grid on new arrangements for the offtake of natural gas from the gas transmission network. The new framework will require grid users to make long-term commitments to purchase offtake capacity through auctions and require them to pay for varying their offtake over the day. Implementation is scheduled for April 2008, a year later than originally planned. The industry could appeal against the decision to the Competition Commission.

Platts Commodity News, 05/04/07; *Global Insight Daily Analysis*, 06/04/07

Gas Industry Criticises National Grid Over Capacity Investment

National Grid has rebutted criticism that it has been slow to provide sufficient capacity at vital gas import points, saying its investment decisions have been based on clear demand signals from network users through capacity auctions. Excelerate Energy—which operates a liquefied natural gas terminal at Teesside in the northeast of England—said that National Grid should look at forecast flows from new import infrastructure, in addition to the results of capacity auctions, when making investment plans.

Dow Jones Energy Service, 04/04/07

UK Government Increases Microgeneration Support

UK Chancellor Gordon Brown said in his budget address that he would increase microgeneration grants for homes to £18 million. The government has allocated an additional £6 million to the Low Carbon Buildings Programme for households. The House of Commons Trade and Industry Committee said in January that too many government barriers prevented widespread adoption of microgeneration. The new budget proposes to let householders with microgeneration sell any excess back to the grid without tax liability. Ofgem is to examine how "green homes" can benefit more when they sell electricity back to the grid.

Renewable Energy Report, 02/04/07

Ofgem/DTI Announce Offshore Transmission Proposals

Ofgem and the Department of Trade and Industry (DTI) have announced details of the future licensing regime for potential electricity transmission owners. Following consultations, DTI/Ofgem have opted for a "non-exclusive" system, allowing competition between many licensed transmission owners to provide specific offshore grid connections, rather than an "exclusive" system, involving tendering for a number of different offshore regions where a single transmission owner provides grid connections.

Ofgem/DTI Press Release, 29/03/07

Belgium

Distrigas Commits To A Reduction In Its Long-Term Supply Contracts

Belgium's main gas supplier, Distrigas, is committed to reducing the amount of gas it sells through long-term agreements with industrial consumers. Distrigas will reduce the length of its industrial gas contracts to five years and open up to competition 70% of the gas it supplies each year. Distrigas' commitments follow discussions with the European Commission (EC) which opened a file on the utility in May 2006, alleging abuse of dominant position. Specifically, the EC considers that the long-term supply contracts of Distrigas could prevent new entrants from participating in the Belgian gas market.
Europolitics, 12/04/07; EC Press Release, 11/04/07

Regulators Commit To Solving Gas Interconnection Access Problems

The Belgian and French energy regulators (CREG and CRE respectively) have agreed to cooperate in order to solve the current access problems in the gas interconnection between their countries, particularly at Blaregnies/Taisnières. Both regulators wish to foster the creation of a regional gas market.
CREG and CRE Press Releases, 06/04/07

Bulgaria

Bulgaria Delays Power Plant Sale

Bulgaria has delayed the sale of a coal-fired power plant to Greece's Public Power Corporation until the end of April, according to the country's privatisation agency. This is the fourth delay to the sale, which has dragged on for more than two years due to legal, environmental and coal-purchase disagreements.
Reuters News, 10/04/07

European Union

EC Considers Electricity Prices Are High Due To Lack Of Competition

The European Commission (EC) has published the results of a study in six European electricity markets covering the years 2003 to 2005. The report reviews the electricity markets of Belgium, Germany, Spain, France, the Netherlands and the United Kingdom, and concludes that wholesale prices in all of these countries are higher than expected under perfect competition.
AFX International Focus, 20/04/07; Dow Jones Energy Service, 20/04/07

France

Government Approves New Nuclear Plant

The French government has decided to approve EDF's plans to build a new nuclear power plant in northern France. The project had been approved by the European Commission in October 2006. The new plant, with an installed capacity of 1650 megawatts (MW), could enter into operation in 2012.

AFX International Focus, 11/04/07; La Tribune, 11/04/07

Conseil d'État Opposes Last Resort Tariffs

The French Conseil d'État, the highest administrative court in the country, has published its opinion on the regulation approved by the French government in January 2007, establishing electricity tariffs for eligible consumers that decide to return to the regulated market. The Conseil considers these tariffs to be against the European objective of liberalising the electricity markets. The European Commission (EC) had reached the same conclusion in January 2007, publishing a communication regretting the French government's approval of the tariffs of last resort. The EC could take the French government to the European Courts over this issue.

Les Echos, 11/04/07

Germany

German Regulator Decides On Electricity And Gas Grid Tariffs

Germany's energy regulator, the Bundesnetzagentur, has authorised gas and electricity network charges through delegated powers and by its own authority. For gas tariffs the regulator disallowed some costs, ranging from 4% (Stadtwerke Wertheim) to 27% (Stadtwerke Winsen (Luhe) GmbH; and Netzgesellschaft Ostwürttemberg GmbH). In all cases except Stadtwerke Bredstedt GmbH, the regulator disallowed some costs, ranging from 2% to 20% of the costs submitted by electricity companies. In the case of Stadtwerke Bredstedt GmbH, the regulator adopted an increase of 5%.

Bundesnetzagentur, 04/04/07

Anti-Trust Watchdog Drops Proceedings Against Gas Suppliers

Germany's Federal Cartel Office has dropped proceedings against four gas wholesale suppliers after they agreed to adopt contractual terms and conditions corresponding with officially set criteria. Wingas, Bayerngas, Gas-Union and Saar Ferngas all committed to stick to limits in terms of contract delivery periods to avoid market foreclosure effects.

Platts, 03/04/07

Government Agrees On Tougher Cartel Law

The German cabinet approved a draft law that aims to increase competition and reduce prices in the power sector. The new law would grant the Federal Cartel Office greater power by allowing it to charge incumbent energy companies with market abuse if their prices rise above average generation costs. Moreover, companies will have to justify their prices rather than the authorities having to prove that an abuse has occurred. The new rules would only apply until 2012. The cabinet also approved a decree aiming to cut electricity transmission fees and making connection easier for new power plants.

Reuters, 25/04/07; Dow Jones Energy Service, 25/04/07

Italy

Recommendation To Reduce Fiscal Charges On Energy Price

AEEG, the Italian regulator, sent a recommendation to the Italian Parliament and the Government suggesting the cancellation of certain fiscal charges on energy prices provided for in the Budget Law 2005 and 2006. According to the regulator, such charges increased the yearly total cost for electricity supply by Euro 135 million (or Euro 150 million including VAT).

AEEG's web site, 24/04/07

New Rules To Incentive Distributed Generation And Photovoltaic Plants

AEEG has introduced measures to encourage distributed generation and to implement the incentive mechanism for photovoltaic plants provided for in the ministerial decree issued in February 2007. Incentives for distributed generation include indemnities to be paid to generators in case of a delay by the network operator in estimating a budget for connection or in building the connection, and a reduction of 50% in connection charges for renewable plants. AEEG has also set out the procedure for implementing the incentive scheme to support photovoltaic generation, which will be administered by GME, the electricity market operator.

AEEG's web site, 13/14/07

AEEG Launches Consultation To Improve Quality Of Service In 2008-2011

AEEG has launched a consultation to improve quality of electricity supply services from 1 January 2008. Measures proposed by AEEG include, among others: (i) incentives to reduce the number of interruptions on medium and low voltage distribution networks; (ii) indemnities to residential customers and for small-medium enterprises connected to low voltage networks that experience frequent interruptions; (iii) better monitoring of voltage quality; (iv) audit of data on quality of service communicated by operators to the regulator; and (v) incentive to investments to increase quality of air power lines and voltage stability in areas with high and sudden withdrawals.
AEEG's web site, 05/04/07

Netherlands

NMa Settles Tariff Dispute Eneco

On 21 March, the Board of the Dutch Competition Authority (NMa) made a binding decision in a tariff dispute between electricity distributor Eneco Netbeheer and its client EMO. EMO had previously complained that Eneco charged two transmission tariffs where a single transmission tariff would be appropriate. Eneco claims two transmission tariffs are justified on the ground that EMO possesses two separate connections to its distribution grid. The NMa has ruled in favour of EMO and has decided that Eneco has to base its transmission tariff on a single connection.
DTe Website, 03/04/07, Dossier: 102392

NMa Repeals Decision On Intergas "Standard Volumes"

On 23 March, the Board of the Dutch Competition Authority (NMa) ruled in favour of various objections by Intergas Netbeheer to a decision on "standard volumes" of regulated network activities for 2005-2007. Standard Volumes, or "rekenvolumina," are part of the DTe's methodology for setting network companies' allowed revenues. The Board of the NMa has repealed its 2005 decision on Intergas' standard volumes and it has set new standard volumes for electricity supply to small users.
DTe Website, 09/04/07, Dossier: 102122_7/24

NMa Rejects Appeals To Decisions On X-factors And Maximum Transmission Tariffs

The Board of the Dutch Competition Authority (NMa) rejected appeals by Intergas Netbeheer, Netbeheer Haarlemmermeer and Obragas Net against decisions on x-factors and on maximum transmission tariffs for 2006, stating there were insufficient grounds for these appeals.

DTe Website, 09/04/07, Dossiers: 102207_4/25 & 10123_9/30; 102207_3/21 & 102123_7/24; 102207_5/25 & 102123_10/30.

NMa Transfers Gas Transmission Safety Supervision To The State Supervision Of Mines

On 16 April, the Dutch Competition Authority (NMa) and the State Supervision of Mines (SSM) signed a protocol for co-operation on the supervision of gas transmission in the Netherlands. Henceforth the SSM, a division at the Dutch Ministry of Economic Affairs, will supervise the safety of gas transmission in production pipelines, as well as the national transmission grid and regional distribution grids.

DTe Website, 20/04/07

Romania

Economy Minister Discusses Privatisation Plans

The last of the electricity distribution and supply companies owned by state–owned incumbent Electrica will be put up for privatisation in the second half of this year, according to the Minister of Economy and Finance, Varujan Vosganian. Electrica currently owns three electricity distributors and the purchase of another by Enel will be completed by July 2007.

Rompress, 18/04/07

Russia

RAO UES Board Accelerates Privatisation Of Gencos

On 27 April the Board of RAO UES approved a revised privatisation plan of generation companies. According to this plan RAO UES will be able to sell and float shares of all generation companies simultaneously, through the transmission and hydro-generation holding companies that were approved earlier. The decision comes amid the fears that upcoming parliamentary elections in December and presidential elections in March 2008 may disrupt the privatisation process.

Global Insight, 30/04/07

President Restructures Nuclear Industry

President Putin signed a decree to merge all civilian nuclear activities into a single company, Atomenergoprom. The activities include extraction of uranium, production of nuclear fuel, generation of nuclear power, and construction of nuclear power plants in Russia and abroad. The new company will be wholly owned and controlled by the government.
RIA Novosti, 27/04/07

Government Approves Electricity Market Liberalisation Timing

The Prime Minister signed a decree with the detailed timetable for tariff liberalisation in the power sector. The size of the unregulated market will increase twice a year until full liberalisation in 2011.
Aton—Sector News, 20/04/07

Rosatom Joins Rosal In Building A Power Plant And Smelter

Rosatom and aluminium giant Rusal announced plans to build a nuclear power plant and a smelter in the Far East. The project will run as a public-private partnership, enabling the parties to seek public funds earmarked for infrastructure development.
Associated Press, 9/04/07

Spain

Energy Regulator Allows Enel To Buy Up To 24.9% Of Endesa

The Spanish energy regulator, CNE, has authorised Enel to hold 24.9% of Endesa. However, Enel will have to respect Endesa's plans for investment in the Spanish market and the CNE will retain the power to veto any of Endesa's decisions if they affect Spain's general interest or public security. In addition, the Spanish government has lifted the limits on Enel's voting rights in Endesa. The only condition imposed on Enel is that it will be obliged to inform the government about those aspects of Endesa's corporate strategy that might affect the public interest. Following this decision, Enel's voting rights in Endesa will be limited to 10%, the maximum level allowed to any single shareholder in Endesa under the company's own bylaws.
Expansión, 28/04/07; El País, 27/04/07; Cinco Días, 27/04/07

Government Approves SoLR Auction Amounts

The Spanish government has approved the contract volumes to be purchased by distribution companies to cover sales to tariff customers. In the first auction, which will be held before 20 June 2007, distribution companies in Spain and Portugal will buy between 3,500 and 9,000 MW of base load contracts to be delivered in the third quarter of 2007.

BOE, 24/04/07

Switzerland

New Electricity Supply Law To Open Market

The Swiss Parliament approved the electricity supply law (StromVG) on 23 March (subject to any popular referendum). The law will allow consumers with yearly demand of more than 100 MWh to choose their energy supplier from 2008, with full market opening following in 2013. The new law will support renewables by introducing feed-in tariffs and renewable certificates. The new law also establishes an independent power regulator and a legal framework for the independent transmission system operator.

Platts EU Energy, 06/04/07

Lower House Votes On CO2 Decree

Switzerland's lower house of parliament has voted on two decrees requiring CCGT plants to offset their CO_2 emissions. At least 70% of the emissions have to be offset within Switzerland. This ratio might be reduced to 50% if the security of supply is under threat. There will be no free allocation of emission rights. The decrees face a final vote in Parliament and one of the decrees might be subject to a popular referendum.

Energy Economist, 01/04/07

North American News

US

Law Demands Gas Cleanup Plan; Lipa Chairman Wants Written Timetable From Keyspan On Plans For Toxic Sites Before Any Vote On Service Contract

The Long Island Power Authority (LIPA) has asked KeySpan Corp to deliver a detailed plan for decontamination of old and neglected toxic gas-plant sites owned by the company, as a condition of the LIPA approving a service agreement between KeySpan and its prospective owner, National Grid. This unexpected position from LIPA is a response to increasing concern among residents, environmentalists and legislators about the problems arising from old gas manufacturing sites. Local legislators have sought assurances that cleanup costs will not be borne by customers.

Newsday, 27/04/07

Chairman Kucinich To Hold Domestic Policy Subcommittee Hearing "Federal Electric Transmission Corridors: Consequences For Public And Private Property"

The hearing will examine implementation of sections of the Energy Policy Act, 2005, which create extensive new federal authority to site electric transmission lines throughout the country. The hearing will consider the implications of this new law for private and public land.

Oversight and Government Reform Committee Press Release, 25/04/07

FERC Dismisses Request From Pipeline Operators For Compensation Based On Gas Quality

FERC has upheld gas interchangeability standards developed by the Florida Gas Transmission Co (FGT) and will apply these standards to both re-vaporised liquefied natural gas (LNG) and domestic supplies received by FGT. Of equal policy importance, FERC rejected a mechanism in FGT's tariff that would have provided for recovery of costs incurred by downstream entities to test or treat re-vaporised LNG entering their systems, when it has a higher calorific value than other gas.

Foster Natural Gas Report, 20/04/07

State Approves Keyspan Refunds

The Public Utilities Commission has approved a settlement in which customers of KeySpan Energy Corp in New Hampshire will receive refunds of more than US$3 million—about US$35 per typical residential heating customer—after being overcharged for gas for six years. The overcharging arose following a change in the formula used to calculate bills.

Associated Press Newswires, 14/04/07

FTC Moves To Block Equitable-Dominion Deal

Following the Public Utility Commission's approval of the acquisition of Dominion Peoples by Equitable Resources Inc, the Federal Trade Commission (FTC) has sought an injunction to halt the transaction on the grounds that it would lead to a lack of competition for many customers. If the FTC ultimately rejects the Equitable-Dominion deal, then it could lead to a dispute over which of the two regulatory agencies has the ultimate say over the transaction.

Pittsburgh Post-Gazette, 14/04/07

Connecticut State Regulators Hope To Spark Power Plant Construction

State regulators are ready to launch an incentive programme aimed at encouraging the building of new power plants in Connecticut. In the past, power plant projects won approvals, but failed over financing because of concerns that new plants were too risky, according to regulators. The state Department of Public Utility Control (DPUC) plans to launch a programme offering guaranteed power contracts for up to 15 years.

The Associated Press, 23/04/07

Who Will Pay To Put Power Lines Underground? Everyone, Under FPL Proposal

Under a proposal by Florida Power & Light Company (FPL) all of FPL's 4.4 million customers would pay to help some communities put their lines underground. FPL is offering to pay 25 percent of the cost of burying power lines, leaving local governments to cover the remainder. The initiative would allow FPL to recover its portion by increasing the bills of all its customers. The Public Service Commission plans to review FPL's proposal.

South Florida Sun-Sentinel, 22/04/07

Nevada Electric Rates Went Up Despite Regulation

An AP analysis of federal data shows consumers in 16 states and the District of Columbia—which deregulated power since the late 1990s—paid an average of 30% more for power in 2006 than their counterparts in regulated states. However, Nevada's electric rates soared 94 percent from 1990 to 2006 even though the state continued to regulate the power industry. Nevada electrical rates nearly doubled because of the California energy crisis and the rising cost of natural gas, industry experts said.

The Associated Press, 21/04/07

Electric Utilities Only Partly Deregulated In New Hampshire

New Hampshire became one of the first states to pass an electric deregulation bill in 1996, but separation of power generation from the "poles and wires" business remains incomplete. Still, the original goal of deregulation—lower electric rates—has been accomplished to some degree. The state, which once had among the highest electric rates in the US, now has average rates for the Northeast region.

The Associated Press, 21/04/07

FERC Completes Transition To Mandatory Electric Reliability Standards

Having set the mandatory reliability standards for the national power grid two months ago, FERC fleshed out the monitoring and enforcement structure, including the blueprint for the operations of the eight regional reliability entities. The order is the third in the landmark series establishing a mandatory reliability regime, a process that was sparked by the August 2003 blackout that cut through large swaths of the northern United States and Canada.

NGI's Power Market Today, 19/04/07

Canada

British Columbia Government Tables Law To Impose New Green Tax On Consumers

The government of British Columbia (BC), has introduced legislation to impose a green tax on bills for electricity, natural gas, propane and fuel oil. The CA$25 million fund will be used to address energy and environmental problems, showcase home-grown green technologies, support new or unused technologies in BC and demonstrate commercial success for new energy technologies.

The Associated Press, 23/04/07

Ontario Homeowners Pay Dearly For Electricity Price Certainty

The Ontario Energy Board announced the second decrease in a year in residential electricity prices, with a base rate of 5.3 cents per kilowatt hour guaranteed until the price is reviewed again in six months. Even though electricity prices have dropped almost nine per cent in the past year, people who don't like the uncertainty of the twice-yearly changes are locking into multi-year agreements at rates as high as 8.99 cents per kilowatt hour.
The Associated Press, 08/04/07

Central and South American News

Argentina

Government Postpones Agreed Rate Hikes For Edenor And Edesur

Argentina's government has decided that the rate revision set to be concluded by February 2007 will come into effect on 1 February 2008. The revision was to include rates for industrial, commercial and residential customers.
Dow Jones International News, 30/04/07

Government Increases Gas Tariffs

The Argentinean government approved tariff increases for the company Gas Natural BAN, a subsidiary of the Spanish company Gas Natural. The increase in tariffs will affect all of the company's consumers, with an average rise of 14% and 15% for domestic and industrial consumers respectively. The adjustments will be applied retroactively from 1 November 2005 and will represent a 27% increase in Gas Natural BAN's annual revenues. Adjustments for domestic consumers will start on January 2008, while industrial consumers will have tariff increases from July 2007.
AFX International Focus, 10/04/07; Clarin, 10/04/07; La Nacion, 09/04/07; Dow Jones, 09/04/07

Bolivia

Congress Approves Energy Contracts

Bolivia's Congress has finally approved the 44 oil and gas contracts by which tax revenue is tripled. These contracts had been suspended in March, when the opposition parties found errors in the documents.
Latinnews Daily, 20/04/07

Brazil

Regulator Approves Price Caps For Renewables Auction

Brazil's energy regulator, ANEEL, has set price caps for the renewables generation auction that will be held on 24 May. The price cap for hydroelectric projects will be set at 135 Reais (US$67) per MWh, while maximum prices for biomass and wind projects will be 140 Reais (US$69) per MWh.

Business News Americas, 26/04/07

Regulator Authorises Tariffs Adjustments For 6 Distribution Companies

ANEEL approved tariff adjustments for 6 distribution companies. Tariffs for industrial customers of Coelba, Cocern, Energipe, AES Sul and RGE will increase by 5.09%, 5.81%, 1.78%, 1.52% and 2.16% respectively, while tariffs for residential customers of the same 5 companies will increase by 5.55%, 5.41%, 1.95%, 1.66 and 0.20%. On the other hand, Coelce's industrial tariffs will decrease by 9.13% while residential tariffs will decrease by 9.42%.

Business News Americas, 20/04/07

Regulator Approves Tariff Increase

ANEEL authorised an increase in electricity tariffs for consumers of Companhia Energética de Pernambuco (Cenel), the distribution company operating in 185 municipalities of the Northeastern state of Pernambuco. Tariffs for domestic and industrial consumers will increase by 0.79% and 5.68%, respectively.

Gazeta Mercantil News, 25/04/07

Regulator Approves Tariff Increase

ANEEL authorised a 3.20% average increase in electricity tariffs for consumers of Enersul, the subsidiary distribution company of Portuguese EDP. Tariffs for domestic and industrial consumers will increase by 3.46% and 2.58%, respectively.

Agência Lusa, 04/04/07

Colombia

Government Launches E&P Action

The Colombian government will auction oil and natural gas exploration rights for 13 offshore blocks along the Caribbean coast. Those offering to transfer the biggest share of oil or gas production to the government if they make a commercial discovery will win the auction and will have a 10-year right to explore in the area and rights to produce oil until the field is depleted.

Dow Jones International News, 12/04/07

Peru

Council Of Ministers Approves Biofuels Regulations

Peru's Council of Ministers approved a proposal that will make the mixing of biofuels with diesel and gasoline compulsory. According to the new legislation, it will be compulsory to mix 2% biodiesel with diesel as of 2009, and this quota will increase to 5% in 2010. In addition, gasoline will have to include 7.8% ethanol by 2010.

Global Insight Daily Analysis, 24/04/07; Business News Americas, 19/04/07

Asia Pacific News

Australia

Energy Reform Implementation Group—COAG Response

At its meeting on 13 April, the Council of Australian Governments (COAG) agreed to a broad ranging reform agenda based on the Energy Reform Implementation Group's final report. Reforms include the creation of a National Energy Market Operator (NEMO), the introduction of a national transmission planning function and improvements to financial markets such as the development of options for the integration of spot and forward contract markets.

COAG National Reform Agenda: Competition Reform, 13/04/07

Bangladesh

Bangladesh To Reduce Fuel Subsidy

Bangladesh's military-backed interim government said that it will raise the price of fuels used for transport and cooking by up to 21% in the face of rising global oil prices. The government also said that it will now regularly adjust local oil prices to global market rates, which would end a longstanding government policy of selling subsidised fuel. State-owned Bangladesh Petroleum was selling diesel and kerosene at 30% below international prices which encouraged smuggling to neighbouring countries and led to a billion dollar government subsidy in the past two years.

Agence France Presse, 02/04/07

China

China To Restrict Gas Use

China will issue new regulations on natural gas use within two months in a bid to ease supply shortages, according to state media. The government will restrict the production of synthetic ammonia and formaldehyde, which use large volumes of natural gas, to ensure other sectors can access gas supplies. The government will also raise the price of natural gas "in the near future" to encourage energy efficiency. China's gas production rose to 49.3 billion cubic meters (bcm) in 2005, almost doubling production of 27.2 bcm in 2000.

AFX News, 12/04/07

India

Regulator Increases The Price For Unscheduled Interchanges

In a move to prevent electricity grid outages, the Central Electricity Regulatory Commission (CERC) plans to increase the price of unscheduled interchanges (UIs) by 31%. The UI rate is the price states must pay to draw power from the grid above their entitlement. CERC hopes that the proposed increase in UI will deter states from overdrawing power. The proposal is a response to "chronic overdrawing" by 12 states.

The Times of India, 09/04/07

Indonesia

Indonesian Government Considers Upstream Oil And Gas Incentives

The Indonesian government says it will offer more investment incentives in the upstream oil and gas sectors. Indonesia's oil production has fallen in recent years, which has made the country a net oil importer since 2004. At present, a number of contractors have to pay tax to both the central and regional administrations.

Asia Pulse, 24/04/07

Indonesia To Issue Coalbed Methane Rights

Indonesian Government Considers Restricting Foreign Electricity Investment
The Indonesian government may ban foreign investors from building small and medium capacity power plants. A draft regulation will be proposed preventing foreign investors from building hydropower plants with a capacity of less than 50 megawatts and steam powered electric plants with a capacity of below 100 megawatts. The draft regulation would also ban foreign investment in submarine transmission cable and power relay stations. An official of the Capital Investment Coordinating Board said the goal of the regulation is to encourage domestic investors to construct power plants.

Asia Pulse, 05/04/07

Malaysia

Malaysia Tightens Sulphur Content Regulations

Consumers will have to use low-sulphur fuel from June or July, depending on when oil companies exhaust their existing fuel stock. The Environmental Quality Act for the supply and use of low-sulphur fuel was passed on 1 April, but the regulations allow oil companies three months to comply. The new fuel will have 0.05% sulphur content in both petrol and diesel, compared to the current 0.15% in petrol and 0.3% in diesel.

New Straits Times, 07/04/07

New Zealand

Plan To Give Watchdog Bark, Not Just Bite

Commerce Minister Lianne Dalziel and Energy Minister David Parker released a discussion document on regulatory control provisions on 4 April, arising from last May's review of the Commerce Act. Currently the Commerce Commission must choose between doing nothing and price control; the proposal envisages more light-handed options such as a negotiate/arbitrate regime. The aim is to strike a better balance between consumer rights and incentives to invest.

The New Zealand Herald, 5/04/07

Philippines

Meralco Seeks Generation Rate Rise

Manila Electric Company (Meralco) is seeking to increase its generation tariff by P1.73 per kilowatt hour (kWh). In an application to the Energy Regulatory Commission (ERC) Meralco requests the increase to recoup losses made on its power supply purchases, primarily due to Wholesale Electricity Spot Market trends during December 2006 and January 2007.

Manila Bulletin, 10/04/07

Napocor Files Rate Increase Application

The Energy Regulatory Commission (ERC) is considering an application filed by the National Power Corporation (Napocor) to amend electricity rates. Under the proposal, rates could drop by P0.01 per kilowatt-hour (kWh) in Luzon and Mindanao, while rates in Visayas would rise by P0.0035/kWh. Napocor also filed for an adjustment in its generation rate and an adjustment in tariffs for exchange rate fluctuations. The application will now be the subject of public hearings.

BusinessWorld, 03/04/07

Thailand

Thailand Plans Investment In Nuclear

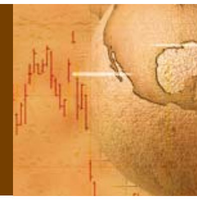
Thailand's Science and Technology Ministry is amending the law on nuclear technology to pave the way for Thailand's first nuclear power plant, according to Energy Minister Piyasvasti Amranand. He claims that nuclear power is the best option for Thailand, while alternative fuels are too expensive. The Energy Ministry plans to expand nuclear capacity by 2,000 megawatts (MW) by 2020 and by another 2,000MW by 2021. Nuclear power would then account for 9% of electricity generated.

The Nation, 26/04/07

Thailand to Require Use of Bio-Diesel

The National Energy Policy Council (NPEC) is to compel oil refiners to mix bio-diesel with conventional diesel from 1 April 2008. Energy Minister Piyasvasti Amranand, who chairs the Council, said that 2% of the diesel formula must be made from bio-diesel.

Thai News Service, 05/04/07



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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