NERA
Economic Consulting

Reporting on energy regulation issues around the world

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European News

UK

Ofgem Outlines Price Control Initial Proposals

Ofgem has published its Initial Proposals in the Gas Distribution Price Control Review. Ofgem is proposing that Britain's gas distribution networks should cut their operating expenditure by 3.3% a year between 2008 and 2013 from forecast actual levels in 2006-07. Ofgem also said that its proposals contain increases in capital and replacement expenditure of 26% and 32% respectively compared with expenditure in the previous price control period, which ran between 2002 and 2007. Overall, Ofgem says revenues would increase 0.6% per annum until 2013.

Ofgem document 125/07, 29/05/07; AFX Asia, 29/05/2007

Competition Commission Begins Gas Network Code Appeal Process

The Competition Commission has begun a 30-day process to determine an appeal by generator E.ON UK against Ofgem's decision to reform gas transmission exit capacity charging by introducing auctions. The commission must publish its decision by 4 July 2007.

Platts Commodity News, 29/05/2007

Government Publishes Energy White Paper

The UK government published an Energy White Paper containing proposals on smart metering, suppliers' obligations to assist customers in undertaking energy efficiency measures, market arrangements for distributed generation and reform of the Renewables Obligation scheme. The Government also published separate consultations on the future of nuclear power in the UK and on planning procedures for large infrastructure projects, including new power stations. The White Paper takes forward the proposals from the government's Energy Review, published during June 2006.

DTI Press Release, 23/05/2007

UK Nuclear Decision Delayed Until October

The UK government will consult on new-build nuclear power until 10 October 2007. The new energy white paper sets the government’s long-term policy goals and is a blueprint for legislation that will affect energy infrastructure, climate change-related regulations and environmental rules.

Platts Commodity News, 23/05/2007

UK Government Proposes Energy Efficiency Incentives

The UK Government has proposed incentives for the country’s “big six” electricity companies to sell energy efficiency services, through the recent energy white paper. The white paper put forward a package of proposals on energy efficiency, renewables and the need for “a balanced portfolio of power station capacity that should include nuclear”.

Platts Commodity News, 23/05/2007

Electricity Connections Disputes Prompt Ofgem Investigation

Ofgem is investigating complaints about unfair competition in connections against three electricity distribution network operators (DNOs) - EDF Energy, Central Networks and SP Distribution. The complainants, all competitors in the connections market, state that these DNOs have unfairly favoured their own connections operations.

Utility Week, 20/04/2007

Ofgem Considers Changing Electricity Industry Rules

Ofgem is investigating whether British Gas is using “unfair’’ sales tactics, by calling customers after they have agreed to switch to rivals and inducing them to stay with British Gas by offering a cheaper rate if they change their minds. The industry, through the Master Registration Agreement Forum, found British Gas guilty of bending the rules, but British Gas appealed to Ofgem. Ofgem found that British Gas had not “knowingly’’ done anything wrong because there was “sufficient ambiguity’’ in the rules.

The Daily Telegraph, 08/05/2007

Bulgaria

PPC To Appeal Against Bulgarian Privatisation Agency Decision

Greek electricity utility Public Power Corp (PPC) said it filed an appeal against the Bulgarian government’s decision to cancel the privatisation of the Bobov Dol plant. PPC won the tender to buy Bobov Dol over two years ago. The Bulgarian Privatisation Agency halted negotiations because of a lack of agreement over how to operate the plant in accordance with EU environmental regulations. PPC said that it will come forward with revised proposals.

AFX International Focus, 22/05/2007

European Union

Commission To Issue Unbundling Regulations

The European Commission (EC) is drafting new ownership unbundling regulations for electricity and gas grid operators in the European Union (EU). The new legislation may also set up a single EU regulator for cross-border gas and electricity exchanges. The new regulations, expected by autumn 2007, are aimed at fostering the liberalisation and integration of EU energy markets.
Global Insight Daily Analysis, 30/5/07; European Daily Electricity Markets, 24/5/07

Commission Approves Edison-DEPA's Pipeline Access Limits

The European Commission (EC) has decided to approve the access limitations requested by the Italian company Edison and the Greek company DEPA for the gas pipeline they are building between both countries. European Union rules require that infrastructure owners grant third-party access to such infrastructure. However, in this case, the EC has decided that a 25-year exemption will foster competition in the Italian gas market, by allowing Edison to compete more effectively with incumbent ENI SpA, and DEPA to enter the Italian market.
Reuters News, 22/5/07; Dow Jones International News, 22/5/07

Commission Evaluates Coal Regulation

The European Commission (EC) published a report on the application of the Regulation on State Aid to the coal industry. This Regulation, approved in 2002 to regulate state aid for the restructuring of the coal industry in certain European Union member states, will expire in 2010. The EC was requested to evaluate it at the end of 2006 in order to consider possible amendments. Its report concludes, however, that the Regulation needs no modification.
EC Press Release, 21/5/07

EC Opens Antitrust Cases Against RWE And ENI

The European Commission (EC) has decided to open antitrust proceedings against two gas incumbents: German RWE AG and Italian ENI SpA. The EC suspects both companies of abusing their dominant market position. In particular, RWE is suspected of creating obstacles for third-party access to the regional wholesale market of North Rhine – Westphalia, while ENI is accused of capacity hoarding and strategic underinvestment in the transmission system to exclude competitors from the market.
Financial Times, 12/5/07; Reuters News, 11/5/07

France

Regulator Publishes Report On Electricity Interconnections

The French Energy Regulator, Commission de Régulation de l'Energie (CRE), has published its first annual report on electricity interconnection management and use. The report gives a positive evaluation of the capacity auctions introduced in 2006 for allocating capacity on all French interconnections, but acknowledges that further measures are required to reduce price differentials.

CRE Press Release, 22/5/07

Total And GDF To Sell 10% Of Their New LNG Terminal

The French Energy Regulator, Commission de Régulation de l'Energie (CRE), has asked Total and Gaz de France (GdF) to free up 10% of the capacity in the Fos–Cavaou LNG Terminal for other companies. As a consequence, around 0.8 billion cubic meters per year will be offered to other market players under short-term contracts, when the facility starts operations (expected to be in 2008). CRE believes that this measure will improve liquidity in the southern part of the French gas transport network.

European Spot Gas Markets, 21/5/07; **www.cre.fr, 16/5/07**

Germany

Regulator Welcomes the Cooperation Agreement of Gas Network Operators

The German regulator, the Bundesnetzagentur (BNetzA), welcomed the new gas sector Cooperation Agreement (Kooperationsvereinbarung), which was recommended to its members by the network operators' associations BGW, VKU and GEODE. The new Cooperation Agreement became necessary after the BNetzA declared substantial parts of the first Agreement invalid in November 2007 and complies with that decision. Instead of the single booking system ("Einzelbuchungsmodell"), the new Agreement is based on the two-contract model (Zweivertragsmodell"). It also introduces some simplifications in the nomination process and centralises the creation of balancing groups ("Bilanzkreise"). However, the BNetzA still has some reservations about the section on balancing energy, which should be developed further, and the number of market areas, which is still judged to be too high. The BNetzA has threatened to resort to formal proceedings against non-cooperating network operators if the number of market areas does not fall sufficiently in the short-term.

Bundesnetzagentur, 2/5/2007

German Regulator Decides On Electricity And Gas Grid Tariffs

The Bundesnetzagentur has authorised gas and electricity network charges through delegated powers and by its own authority. For gas tariffs valid until 31 March 2008, the regulator disallowed some costs submitted by the companies, ranging from 3% (Stadtwerke Glückstadt GmbH) to 19% (Stadtwerke Waren GmbH). For electricity tariffs valid until 31 December 2007, the cuts in costs ranged between 5% (Stadtwerke Georgsmarienhütte GmbH) and 15% (Stadtwerke Saalfeld GmbH). The decisions of gas and electricity tariffs are based on the Bundesnetzagentur's examination of the companies' current operating expenditures, of the accounting costs of their fixed assets and current assets and of their cost of capital.
Bundesnetzagentur, 23/5/2007

Gas Company To Reduce Gas Trade Zones

The German-Russian gas trader Wingas has announced that it will reduce its three gas trade zones to just one from 1 October. After that date, there will be 13 gas trading zones in Germany, compared with the target of 10 set by the Bundesnetzagentur.
Reuters, 15/5/2007

Cartel Office Publishes Comparison Of Gas Prices

The Federal Cartel Office, the Bundeskartellamt, has published a second Germany-wide comparison of gas prices. The publication of prices is part of the process of monitoring market abuse by energy companies and originates from a decision by the economics minister in June 2006. The comparison gives household customers an overview of current prices offered by gas companies as well as their intended price changes.
Bundeskartellamt, 30/5/2007

Italy

Increase In Hydro Reserves Partially Reduces Alarm For Availability Of Generating Capacity

The increase in hydro reserves during the last days of May has partially reduced concern about the expected availability of hydro generating capacity and of thermal plants using water from the river Po for their cooling systems in summer 2007. In the coming days, the Ministry of Economic Development, together with the Protezione Civile, the Ministry of Environment, the Authority for the Po basin, the Italian energy regulator, Terna and affected Regions will set rules for the use of hydro resources during next months.
Ministry of Economic Development web site, 31/05/2007

Proposals For Review Of Electricity Tariff For Residential Customers In View Of Demand Liberalisation On 1 July 2007

Aeeg, the Italian energy regulator, launched a new consultation document setting out Aeeg's proposals for the new electricity tariffs for residential customers applicable from 1 July. Aeeg proposes two regimes. A transitory regime will consist of tariffs for residential customers with the same structure as at present, with changes in tariff components to them compatible with market liberalisation without reducing social protection. For the final regime, Aeeg proposes three options, (1) a single tariff for all residential customers, (2) an extension of the transitory regime, or (3) a modification of the existing regime to make tariffs reflect better the actual cost of serving each class of residential customer.
Aeeg's web site, 23/05/2007

Form To Compare Offers Of Electricity Retailers

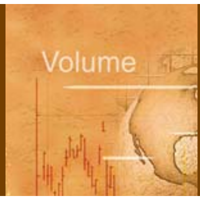
In order to enhance the ability of residential and small final customers to compare the offers of electricity suppliers, Aeeg has provided a form in which retailers have to describe offers to final customers. For residential customers the form has to describe the retailer's offer (including discounts and bonuses, if any) and the yearly saving with respect to tariffs or reference prices set by Aeeg and updated quarterly. For non-residential small customers, the form also includes a list of all the costs charged to them, so that they have clear information on the total cost of services provided by the retailer.
Aeeg web site, 11/05/2007

Netherlands

NMa To Tighten Tariff Regulation

An investigation by the Dutch competition authority NMa has shown that the four major utilities in the Netherlands have been earning profits above a "reasonable" level. The NMa reports that the utilities' excess profits were not achieved through illegal actions, such as cross-subsidisation, but are the result of growth in sales figures, differences in asset valuation and differences in the time given for each utility to become more efficient.

The NMa will consider measures to bring actual profits back to the level it considers reasonable, which may or may not result in advice to the Minister of Economic Affairs to amend Dutch energy laws. The NMa's objective is to provide a secure supply of electricity to consumers at reasonable prices, and it expects to announce its findings soon. The NMa has also voiced its intention to conduct similar profit investigations regularly at the end of each regulatory period.
DTe Website, 02/05/2007



NMa Says Essent-Nuon Merger Needs A Permit

In the proposed merger of Essent and Nuon, two major integrated utilities in the Netherlands, the Board of the NMa has decided that the parties will have to get approval before the merger can be approved. Following the NMa's phase 1 investigation into the merger, it has expressed its concern that the merged entity would obtain a dominant position on the Dutch wholesale (electricity) and retail (electricity and gas) markets. Essent's and Nuon's offer to divest part of their generation portfolio was not sufficient to remove the NMa's concerns. Essent and Nuon will now have to apply for approval, before the NMa will investigate the consequences of the merger further.

DTe Website, 22/05/2007

Portugal

ERSE Approves Gas Infraestruture Tariffs

For the first time, the Portuguese energy regulator, ERSE, has approved tariffs for gas transport, storage, LNG terminal and use of system. The new tariffs will be in effect from July 2007 until July 2008, and will be on average 11% lower than the previous tariffs. This decrease will not affect final users until mid-2008, when ERSE approves their new tariffs. Now that this tariff setting process has been completed, REN can proceed with its initial public offering, starting on 25 June 2007.

Agencia Financeira, 25/05/07; Jornal de Negocios, 25/05/07

Power Purchase Agreements Come To An End

The Portuguese Government has approved a Decree-Law that ends the Power Purchase Agreements (Contratos de Acquisição de Energia or CAEs) signed in 1995 between power plants and the System Operator and which currently cover nearly 80% of electricity produced in Portugal. Companies will receive compensation calculated using an average market price of €50/MWh.

Jornal de Negocios, 18/05/07

Initial Public Offering Of REN

The Government has approved a resolution setting conditions for the Initial Public Offering of 19% of REN, the Portuguese gas and electricity network operator. Applications for these shares will submitted between 25 June and 6 July and small investors will benefit from a 5% discount.

Data Processing, 17/05/07; Jornal de Negocios, 11/05/07; Jornal de Negocios, 10/05/07

Russia

Government Rejects Electricity Sector Investment Programme

The government rejected the power sector investment programmes of RAO UES, Rosenergoatom and other energy companies and requested redrafting. The reason was a 28,000 million roubles (US$1.1 million) deficit in 2008. The total planned investments in 2008 were 902,000 million roubles (US$35 million).
Kommersant, 18/05/07

Governor Of Murmansk Appeals To President Against RAO UES

The governor of Murmansk region asked the president of Russia to intervene against a tariff increase by RAO UES. According to the governor, prices for electricity in the region doubled unexpectedly and could seriously damage the non-ferrous metal industry located in Murmansk.
BBC Monitoring Former Soviet Union, 2/05/07

Spain

Senate Approves Electricity And Gas Bills

The Spanish Senate has approved two bills which implement European Directives on the common electricity and gas market, among other changes. Regulated tariffs will disappear in 2008 and 2011 for gas and electricity, respectively, although at the same time tariffs of last-resort will be established for small consumers. By 2009, petrol stations will have to offer fuels containing at least 3.4% of biofuels. The laws also require each of the electricity and gas transmission system operators, REE and Enagás, to create a separate business unit for system operation whose managing director must be approved by the government. The laws still have to be approved by Congress.
Expansión, 31/05/07; Cinco Días, 31/05/07

Government Approves Decree That Regulates Remuneration Of Renewable Energy Sources

The Government has approved a decree that modifies the remuneration of electricity generating facilities using renewable energy sources. These plants can choose between selling their electricity to distributors at a regulated price and selling it in the market. The decree offers different levels and ranges for the rate of return on renewable generating facilities, depending on which route they adopt (sales to distributors or to the market) and the technology used (wind power and hydroelectric facilities, as opposed to biomass, biogas and solar plants).
Enervia, 28/05/07

Switzerland

Market Opening Delayed

Switzerland's first stage of market opening, initially planned for January 2008, is likely to be delayed until mid- to late-2008, according to a timetable recently released by the Swiss Office of Energy (SFOE). According to the SFOE, parts of the supply law and the necessary by-laws will not be ready in time to meet the earlier deadline.

EU Energy, 18/5/2007

Turkey

Competition Board Approves Transfer Of Gas Import Capacity

The Turkish Competition Board approved the first agreement signed for the transfer of natural gas import rights by the Turkish Petroleum Pipeline Corporation (Botas) to a private company. The Competition Authority allowed Botas to transfer to Shell Enerji 250 million cubic metres per annum of natural gas import capacity until 2021. Shell must now apply to the Energy Market Regulatory Authority of Turkey (EPDK) for a certificate enabling it to import gas. The Authority also approved the transfer of 750 million cubic metres per year of natural gas import contracts to Bosphorus Gaz.

Anatolia news agency, 11/05/2007; BBC Monitoring European 22/05/2007

Turkey Plans New Nuclear Plants

The Turkish parliament has adopted a bill that sets the legislative framework for establishing nuclear-powered generation plants. The law authorises the ministry of energy to run a tender for the construction of plant and determine their technical specifications such as location and capacity.

Turkey This Week, 11/05/2007

NORTH AMERICAN NEWS

US

Arkansas Regulators Say They Will Fight Higher Electric Rates

Arkansas regulators say they will continue to fight an Entergy system agreement that will increase monthly bills for Arkansas residential customers by more than 12%. The money from Arkansas's largest electricity provider will bring generating costs for the states into "rough equalisation" as required by a system agreement among the Entergy units. Credits will be given to the customers of Entergy Gulf States-Louisiana, Entergy Louisiana, Entergy Gulf States-Texas and Entergy Mississippi.

The Associated Press, 31/05/07

Power Companies Could Be Fined Up To US$1 Million Per Day For Breaking Grid Rules

For the first time ever, regulators of the North American power grid will have the authority to issue fines ranging from US$1,000 to US$1 million per day to companies that violate electric reliability rules. Nearly four years after the country's biggest-ever blackout, 83 mandatory standards defined by NERC will become effective, governing everything from tree-trimming around power lines to emergency operations to balancing demand with power supplies.

The Associated Press, 31/05/07

Illinois Senate Panel Approves 3-Year Electric Rate Freeze

Illinois State Senate Democrats pushed ahead with a three-year freeze on electric rates, to end a deadlock in negotiations over how to lower electric bills that have doubled or tripled for some consumers since January. The Senate Executive Committee voted 7-3 in favour of rolling back electric rates to last year's levels and freezing them for three years, for both ComEd and Ameren Corporation customers. The plan will now move to the full Senate.

Dow Jones & Company, Inc., 31/05/07

Montana Governor Signs Re-Regulation Bill; NW Energy Helped

A move expected to bring back utility-built power generation was included in an energy re-regulation bill (HB 25) that Montana Governor Brian Schweitzer signed after expressing some reservations about the measure, which also puts strict pollution requirements on construction of any new coal- or natural gas-fired plant. Schweitzer said the new law gives NorthWestern the chance to seek longer-term, low-cost contracts "more effectively".

NGI's Power Market Today, 18/05/07

New York Seeks Aggressive Reduction in Energy Usage Through Expanded Efficiency Initiatives

The New York State Public Service Commission (Commission) initiated a proceeding to design an electric and natural gas Energy Efficiency Portfolio Standard (EPS). The EPS will establish targets for energy efficiency, similar to the existing Renewable Portfolio Standard, and other programmes, intended to reverse the pattern of increasing energy use in New York.

Albany, 16/05/07

CENTRAL AND SOUTH AMERICAN NEWS

Brazil

Regulator Opens Public Consultation To Revise Distribution Tariff

Brazil's energy regulator, ANEEL, has opened a Public Consultation on the review of tariffs charged by the distribution company Eletropaulo. According to Aneel, tariffs for residential consumers should decrease by 5.43% and the deadline for comments on the proposal is 14 June. The revision should come into effect by 4 July.

O Estado de São Paulo, 17/05/07; O Globo, 17/05/07

Renewables Auction Postponed

Brazil's mines and energy ministry has decided to postpone the country's first renewable energy auction, scheduled for 24 May. The auction will be held on 18 June, and those willing to participate must present the necessary documents by 11 June.

Business News Americas, 16/05/07

City Of Cuiabá Pays More For Imported Gas From Bolivia

Bolivia has started to charge a higher tariff for the gas exported to the Brazilian city of Cuiabá, in the Western state of Mato Grosso. The price will rise from the current US$1.09 per million BTU to US$4.20 per million BTU and will be applied to 1.5 million cubic meters of gas a day. The new tariff is similar to the current tariff for the gas exported to the state of São Paulo, which will now be increased by an additional remuneration for the value of the liquid components of the exported gas.

Business News Americas, 15/05/07; Folha News, 15/05/07;
El Cronista Comercial, 15/05/07; O Globo, 14/05/07

Regulator Approves Tariff Adjustments

Brazil's energy regulator, ANEEL, has authorised tariff adjustments for four distribution companies. For Caiuá Distribução de Energia, Companhia Nacional de Energia Elétrica and Empresa Elétrica Bragantina, tariffs for residential customers will decrease by 0.65%, 5.30% and 6.06%, respectively, while tariffs for industrial consumers will increase by 2.75% 1.23% and 3.07%, respectively. On the other hand, for Empresa de Distribuição de Energia Vale Paranapanema, tariffs for residential consumers will increase by 0.31% and tariffs for industrial customers will decrease by 0.57%. According to ANEEL, the changes in tariffs take into account both generation and non-generation costs, such as transmission costs.

Agencia Jornal do Brasil, 9/05/07; Gazeta Mercantil News, 8/05/07

Governor Reduces Electricity Tariff For Low Income Families

The Governor of the Northeastern state of Pernambuco has signed a decree that will reduce the electricity tariff for low income families by 26%. The decree will affect low income families consuming between 80 and 220 kWh and who are registered in Federal Government social programs. These families will be exempt from paying the tax known as Imposto Sobre Circulação de Mercadorias e Serviços in their electricity bill.

Gazeta Mercantil News, 8/05/07

Chile

Biofuels Exempt From Tax Levy

Chile's internal revenue service has decided to exempt ethanol and biodiesel from fuel taxes, both for the pure form of biofuels and for biofuels mixed with gasoline or diesel. In the latter case, mixed fuel will be subject to taxes corresponding to the percentage of fossil fuels it contains. The tax change will decrease the country's tax revenues by US$67 million, but this will be offset by the revenues on fuel taxes, which have been rising over the past few years.

Business News Americas, 18/05/07

Ecuador

President Submits Bill To Reform Hydrocarbons Law

Ecuador's President Rafael Correa has submitted a bill to the Congress intended to reform Hydrocarbons Law. The reform aims to fight "electricity smuggling" by imposing tougher fines for failures to fulfill agreements related to fuel quantity and quality.

Business News Americas, 15/05/07

Nicaragua

Regulator Increases Electricity Tariff

The Nicaraguan electricity regulator, INE, has authorised a 2% increase in the electricity tariff for customers of the Spanish company Unión Fenosa. According to the INE, this modification is due to the continuing rise in fuel prices, but it will not affect families consuming less than 150 kWh per month, which represent 70% of Union Fenosa's consumers in the country.

Agence France Press, 29/05/07

Peru

Government Approves Sale Of Gas Company

Peru's government has approved the sale of the Suez International's gas company Calidda to Ashmore Energy International. An agreement between the two companies had been announced in February but the transaction was subject to government approval.

Dow Jones International News, 24/05/07

Ministry Extends Hydroelectric Concession

Peru's energy and mines ministry has decided to extend the temporary concession on the hydroelectric project of San Gaban III, in the Southern province of Carabaya. The two-year concession had been awarded to generator Egeg in April 2005 and has been now extended at the generator's request.

Business News Americas, 23/05/07

Venezuela

Government Buys 93% Of Electricidad De Caracas

The Venezuelan government has bought stake of nearly 93% in EDC, the country's largest private electric company. The share in EDC includes an 82% stake that Venezuela agreed to buy in February from AES Corp. The takeover, which will cost US$836.9 million, is part of the nationalisation plan announced by President Hugo Chávez in January 2007 (see January GERN issue).

Associated Press Newswires, 11/05/07; DowJones Newswires, 10/05/07

ASIA PACIFIC NEWS

Australia

Draft decision On Dawson Valley Pipeline Access Arrangement

The Australian Competition and Consumer Commission has issued a draft decision on a pipeline access arrangement for the Dawson Valley pipeline, a small pipeline that transports coal seam methane. Currently only its owners, Anglo Coal and Mitsui, ship gas on this pipeline, but the access arrangement will ensure that future coal seam methane producers will be able to seek access. The decision finds that Anglo Coal overstated non-capital costs and recommends a tariff approximately 25% less than had been proposed.

Australian Competition and Consumer Commission, 25/5/07

Electricity Price Rise Of 11% Sought By AGL

Power company AGL has applied to South Australia's Essential Services Commission for a rise in retail prices of 11% over the next three years in response to higher wholesale costs, attributable to the continuing drought in Australia.

Australian Broadcasting Corporation (ABC) News, 15/5/07

New Zealand

Unison Reaches Charges Accord

Power lines firm Unison has struck a deal with the Commerce Commission which will allow it to avoid price control. The Commission had indicated in 2005 that it would take control of Unison's electricity distribution services as the firm was earning "excess profits". Under the settlement Unison has cut average line charges and rebalanced charges regionally to reflect more accurately the cost of supplying customers.

The Press (Christchurch), 12/5/07

China

China Prevents States From Encouraging High Energy Consumers

China's economic planning agency has ordered local authorities to end policies that favour large energy consumers, to assist the nation's efforts to save energy. The National Development and Reform Commission also warned local governments not to introduce regulations and policies, such as tax cuts, to attract new high energy-consuming projects. The Chinese government has set a goal of reducing energy consumption per unit of gross domestic product by 20% by 2010, while pollutant discharge should drop by 10%.

Asia Pulse, 28/05/07

India

India To Establish National Electricity Exchange

Indian Energy Exchange Ltd has applied to the Central Electricity Regulatory Commission for approval to establish a national electricity exchange for short-term power trading. Short-term (within day) power trading accounts for 15% of total power trading in India.

The Press Trust of India Limited, 24/05/2007

Indian Regulator Refuses To Recognise Oil And Gas Discoveries

The Indian energy regulator, the Directorate General of Hydrocarbons (DGH), has refused to recognise two of Cairn Energy India Ltd's new oil and gas discoveries. According to the DGH, these wells were drilled without its approval, in violation of the production-sharing contract (PSC) provisions.
AFX International Focus, 24/05/2007

Renewable Generation Upper Limit Raised

The KERC (Power Procurement from Renewable Sources) Regulations 2004 place an upper and lower limit on the amount of energy which can be sourced from renewables – previously a minimum of 5% and a maximum of 10%. The state must review these limits once every three years and has now increased the upper limit to 20%. Total power purchased from renewable sources in financial year 2001 was 1.34%, but increased to 7.4% in financial year 2007.
The Hindu, 14/05/2007

Indonesia

Indonesian Capital Market Regulator Fines PGN

Senior officials at Indonesia's state-owned gas transmission and distribution company Perusahaan Gas Negara (PGN) have paid a penalty of Rupiah 5 billion following an order from the country's capital market supervisory agency Bapepam fined the executives for failing to disclose to the public delays in its South Sumatra-West Java gas pipeline project. It also ordered PGN to pay Rupiah 35 million.
Platts Commodity News, 25/05/07

Philippines

DoE Seeks BIR Directive On VAT Zero-Rating For Biofuels

The Department of Energy (DoE) has said that the Bureau of Internal Revenue (BIR) has yet to issue a directive on how zero-rating for VAT on biofuels would be treated in the overall computation of pump prices, despite a request from the DoE. A new law in the Philippines introduced zero-rating for VAT on biofuel products to stimulate investments in this emerging industry.
Manila Bulletin, 05/05/2007

Singapore

Singaporean Regulator To Investigate High Electricity Reserve Price

The Energy Market Authority (EMA) said yesterday that it is investigating a spike late last year and early this year in the price of "regulation reserve" (stand-by generation capacity). Prices for regulation reserve spiked to an all-time high of S$719.50 per megawatt hour (MWh) in January, compared with just S$53.40 per MWh in the first nine months of last year, due to tight supply of regulation reserve at that time. The Market Surveillance and Compliance Panel has also carried out an investigation which concluded that the current regulation market structure warrants closer review.
Straits Times, 17/05/2007

Thailand

Thailand Introduces Ethanol Production Incentives

Thailand's Board of Investment has granted tax incentives to seven ethanol production and petrochemical projects. The projects have a combined investment value of THB82.75 billion. The incentives include an exemption from machinery import tax and corporate income tax, with the duration of the tax break depending on the location of the projects.
Comtex News Network, 02/05/2007

Thai Government Reduces Price Of Gasohol

The Thai Energy Ministry has reduced the price of gasohol, a blend of 90% gasoline and 10% ethanol, by 0.40 baht per litre. The Ministry hopes this action will encourage motorists to switch to gasohol from conventional gasoline consumption. Energy Minister Piyasvasti Amranand said that a handful of vehicles still use conventional gasoline. However, should all carmakers guarantee that all vehicles produced for sale in Thailand could use gasohol, the Ministry would end distribution of conventional gasoline.
fnWeb Daily News, 04/05/2007

NERA
Economic Consulting

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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NERA produces two newsletters that report and analyse energy matters around the world. *Energy Regulation Briefs* summarise NERA's views on the economics behind topical developments in energy sector regulation. Previous issues have discussed regulators' use of "benchmarking," FERC's Order 2000, problems in the California electricity sector, and competition policy in the UK electricity market. The *Global Energy Regulation Newsletter* compiles brief summaries of news stories about energy regulation around the world. The coverage includes network regulation, industry restructuring, and the organisation of electricity and gas markets. The "GERN" allows energy sector professionals to easily keep in touch with looming problems, the latest developments in regulatory methods, and innovative solutions. To view the latest editions or to receive our newsletters each time they are published, click here: **www.nera.com/newsletters.asp**.

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