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Global Energy Regulation

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EUROPE

UK

UK Government Proposes Fourth Carbon Budget

The UK government has announced its Fourth Carbon Budget, which will apply from 2023 to 2027. The Budget commits the UK government to reducing carbon emissions by 50% from 1990 levels, contingent on other EU countries undertaking similar commitments. If other EU countries do not follow suit, the UK government may revise upwards the quantity of allowed emissions. At the same time, the UK government recommitted itself to pressing for tighter emissions reductions targets across Europe as a whole including a 30% reduction in carbon emissions by 2030.
DECC website, 17/05/11

DECC Announces Conclusions On Delivery And Role Of The Energy Regulator

The Department of Energy and Climate Change (DECC) has announced the conclusions of two review programmes. The first review examined DECC's management of environmental programmes and has introduced new internal governance arrangements to increase ministerial oversight. The second review examined the role of the energy regulator, Ofgem, and established that the regulator will regulate independently whilst providing for a greater role for target-setting by the government. The review also introduced new obligations for Ofgem to produce annual reports demonstrating that it is delivering on government targets.
DECC website, 19/05/11

Insight in Economics™

Ofgem Announces Projects Eligible For Low Carbon Networks Fund

Ofgem has announced that all six projects submitted by the electricity distribution networks are eligible for a share of £64 million of funding from the Low Carbon Networks (LCN) fund. Five of the six UK distribution network companies took part in this year's competition. The projects include research on how to convert a distribution network to connect more renewables and using smart grid data to better allocate capacity on the network.
Ofgem website, 24/05/11

Ofgem Releases Options For Project TransmiT

As part of its investigation into GB transmission charges, Project TransmiT, Ofgem has set out its options for reform. The proposals include moving from the current locational transmission charges towards a "postage stamp" charge, whereby all generators face the same transmission charges for the grid irrespective of their location. As an alternative, Ofgem is also investigating changing the method for calculating locational charges. The new locational charging methodology would seek to reflect better the impact that generation has on the grid, and may result in lower charges for intermittent generation. Ofgem is currently consulting on which of these options to pursue or whether to undertake deeper root and branch reform of transmission charging arrangements.
Ofgem website, 27/05/11

Austria

Government Assesses Law To Prohibit CCS

Austria is assessing a new law that would prohibit Carbon Capture and Storage (CCS), the geological storage of carbon dioxide. The Austrian energy minister said that CCS technology was not yet mature and the possible risks as well as the sustainability of this type of storage were not yet sufficiently researched. In order to achieve its energy and climate targets, Austria would focus on expanding renewable energy sources, energy efficiency and energy saving. The new law excludes from the legal prohibition only small research projects. The economics ministry said that the motivation for the new law was an EU directive, which regulates the legal prerequisites for the geological storage of carbon. Under this directive, member states retain the right to prohibit the storage of carbon in their national territories or to prioritise other uses of the bedrock.
Bundesministerium für Wirtschaft, Familie und Jugend website, 31/05/11

Belgium

CREG Ceases Publication Gas Supply Parameters

The Belgian energy regulator, CREG, has taken issue with a number of parameters used by Belgian gas suppliers in their tariff formulae for residential customers. Belgian gas suppliers commonly use the parameter “Igd” (Index gas distribution) to determine the energy component of gas contracts based on a variable price. CREG is of the opinion that the Igd parameter should no longer be used for a number of reasons: it no longer accurately reflects the evolution of Belgian gas distribution charges; it is not included in the gas suppliers’ own wholesale contracts; and the use of the Igd term artificially increases suppliers’ profit margins. In addition to indexing gas prices to the Igd parameter, gas suppliers either index prices to oil contracts or to gas prices quoted on the Belgian gas exchange. CREG considers oil-indexation to be needlessly complicated and outdated, but gas-price indexation to be relatively easy. CREG has found that since 2009 oil-price indexed prices are generally higher than gas-price indexed prices, but this has not led to lower profit margins for suppliers using gas-price indexation. In addition, CREG has found that tariff formulae under both approaches, respectively, are very similar, and as a result CREG has come to doubt the existence of true competition between either group of suppliers. Given these findings, CREG has decided to cease publication of the Igd parameter as well as the parameters reflecting the prices of oil products, effective 1 June 2011.

CREG website, 20/05/11

CREG Stands By Its Calculation Of Nuclear Rent

The debate on nuclear rents in Belgium continues. CREG has responded to a report of the Belgian National Bank calculating nuclear rents in Belgium by pointing to its various shortcomings. Amongst others, CREG has pointed out that the National Bank’s report incorrectly assumes that most nuclear power is sold to large industrial customers at exceptionally low prices. In addition, CREG has criticised the National Bank’s report for not considering power prices on the Endex-exchange to be a relevant reference price for the Belgian power market, and for failing to account for the possibility that part of the nuclear rents can be transferred from Electrabel to other subsidiaries of the GDF Suez Group, such as ECS. CREG therefore stands by its own estimate of the nuclear rent, which (as reported in last month’s GERN) lies between €1,750 and €1,950 million.

CREG website, 04/05/11

Bulgaria

Bulgarian Renewable Electricity Law Takes Effect

The new Bulgarian Renewable Energy Law came into effect on 3 May 2011, replacing the earlier Renewable Energy Law of 2007. The law reduces support for wind and solar projects by increasing the cost of connecting to the grid and reducing the length of electricity suppliers' long term power purchase obligation to new renewable plant. In addition, the regulator now sets the feed-in tariff for renewable power generators after construction of future plants is complete, rather than providing investors with revenue certainty in advance of development.

Bulgarian Government Gazette, 03/05/11

European Union

After Fukushima: EU Stress tests start on 1 June 2011

Starting from 1 June 2011, all 143 nuclear power plants in the European Union will be re-assessed using EU-wide criteria. The European Commission (EC) has called for comprehensive tests embracing both natural and man-made hazards (i.e. effects of airplane crashes and terrorist attacks). The EC and the European Nuclear Safety Regulators' Group (ENSREG) agreed on the criteria to be covered and how the checks will be carried out.

European Commission press release IP/11/640, 25/05/2011

France

Government Fixes Nuclear Power Price (ARENH) And Electricity Market Reform Gets Go Ahead

The French energy minister announced on 18 May that all the necessary decrees were now in place for the Act on the reorganisation of the electricity market (No. 2010-1488 of 7 December 2010, also known as "Nome") to take effect on 1 July 2011. The Act provides temporarily for regulated access ("ARENH") to nuclear power generated by EDF at French nuclear power plants commissioned before publication of the Act. However, the European Commission has asked the French government to clarify how it calculated the ARENH prices. Access is granted to suppliers that supply final customers in metropolitan areas, as well as to network operators (to cover losses).

The French regulator, the Commission de Régulation de l'Énergie (CRE), approved the price of €40/MWh at which the government proposed EDF should sell its nuclear power (the "ARENH price") from 1 July 2011. The CRE said that the methodology for fixing the ARENH price applicable from 1 January 2012 should be based on a decree, in the absence of which, the CRE had to

establish a methodology for identifying and assessing the relevance of producing nuclear power. Based on its methodology, the CRE calculated an ARENH price of between €36/MWh and €39/MWh – lower than the price of €42/MWh set by the government. The CRE added that the government's proposed price included the cost of necessary future safety investments, but that those costs were uncertain. The CRE recommended integrating those costs into the price only once they had been recorded in the accounts of EDF.
The government did not revise its proposed ARENH prices, which have since been set by decree and published in France's official journal.
Le Figaro, 02/05/11; Journal Officiel, 20/05/11; Commission de Régulation de l'Énergie website, 03/05/11, 14/04/11,18/05/11, 20/05/11, 28/04/11;
Ministère de l'Économie, de l'industrie et de l'emploi website, 18/05/2011;
Les Echos, 02/05/11

Regulator Rejects Biogas Feed-In Tariff Proposal

The French economy and energy ministers asked the French energy regulator, the Commission de Régulation de l'Énergie (CRE), for its opinion on a draft decree determining the feed-in tariff granted to electricity generators using biogas, as well as the conditions under which these feed-in tariffs are paid. The CRE rejected the ministers' proposal for a number of reasons, including: (1) the feed-in tariffs were too high and would lead to excess remuneration of these plants, (2) the period during which feed-in tariffs were paid was too short compared to the operational life of these plants, (3) the ministers did not include a proposal for reducing tariffs in response to likely reductions in investment costs in the future. The CRE took the decision on 28 April, but has only now published it on its website. The government made a few modifications to the decree, but did not adjust the level or the duration of the feed-in tariffs. The decree was issued on 19 May 2011.
Journal Officiel, 21/05/11; Commission de Régulation de l'Énergie website, 28/04/11

Regulator Adjusts Gas Distribution Tariffs

The French energy regulator has determined new gas distribution network tariffs for a number of distribution network operators based on a "CPI-X" price adjustment formula. The regulator's decision included an assessment of the "regularisation of the incomes and expenses account" (CRCP), used to correct previously identified differences between projected and actual revenue and expenditures. The regulator took the decisions on 28 April, but has only now published them on its website.
Commission de Régulation de l'Énergie website, 28/04/11

New Interconnector Declared Project Of "Public Utility"

The French minister for energy has declared the very high voltage interconnector between "Baixas" (Perpignan) and the Spanish border a project of "public utility" by a decree published in France's official journal on 4 May 2011. The project had already been classed as a high priority project by the European Union and benefits from €225 million of public financing under the European energy programme with a total cost estimated at about €700 million. Following the declaration of public utility, the project has now obtained the principle administrative authorisations. Construction is expected to start in 2011 and commercial operation in 2014.

Ministère de l'Économie, de l'industrie et de l'emploi website, 04/05/11, 23/05/11

Parliament Votes Against Shale Gas

The French Parliament, the Assemblée nationale, adopted the draft law banning the technique of "hydraulic fracturing" to exploit oil and gas shale. According to environmentalists, the method of hydraulic fracturing pollutes the groundwater by injecting large quantities of water and chemicals to break the rock and then to extract the gas. The law will now have to be examined by the senate.

AP French Worldstream, 11/05/11; Agence France Presse, 11/05/11; Bulletin Quotidien, 12/05/11

Germany

Renewable Framework Under Construction

The German government is working on a number of changes to the German renewable framework. According to press reports, a draft of the Renewable Energies Act (EEG) includes higher subsidies for offshore wind plants and plans to better integrate all types of renewables into the market. The environment minister said that the support for renewables could be linked to the level of electricity demand, which might prevent oversupply at times when demand is low. The German government also approved a draft law intended to reduce the bureaucratic burden in the development of offshore wind farms.
Thus, the federal maritime and hydrographic agency (BSH) would become a one-stop shop instead of developers having to apply for permits from a number of authorities.

ADPnews Germany, 06/05/11; ADP Renewable Energy Track, 06/05/11; ADPnews Germany, 18/05/11

End For Coal Subsidies In Germany By 2018

The German upper house, the Bundesrat, approved the revision of the Hard Coal Financing Act (Steinkohlefinanzierungsgesetz), which removes the requirement to re-examine subsidies to German coal mining in 2012.
The implication is that the five remaining German mines would continue to receive some subsidies until 2018 to help with closures and inherited liabilities, but not beyond. The European Commission had allowed subsidies until 2018 on the condition that a final date was set for closing the German mines.
The government therefore concluded that there was no leeway in re-examining the subsidies. The German government said that domestic hard coal would no longer contribute to secure energy supply in Germany, as global hard coal supplies were readily available and domestic hard coal already accounted for only a small share of the German energy mix.

Bundesregierung website, 27/05/11

German Government Decides Nuclear Phase-Out

On 30 May 2011, the “Ethics Commission ‘Secure Energy Supply’” submitted its final recommendations to the German government on how to achieve the “energy turnaround” (the shift to renewable energy). The Commission recommended that German nuclear plants should only continue operation until lower risk technologies could replace them. The Commission believed that nuclear power could be phased out within the next decade, although it would be “an extraordinary challenge for all interested parties”. On the same day, the German government announced that all German nuclear plants would be shut down progressively by 2022. That date would be final, without the possibility of carrying over generation rights beyond 2022. Nuclear power plants already shut-down during the nuclear moratorium would not be reactivated. Only the three newest nuclear power plants (Neckarwestheim 2, Isar 2 and Lingen) would be allowed to operate until the very end. In a report on the impact of the nuclear moratorium, the specialists of the Bundesnetzagentur (BNetzA) had noted that supply shortfalls could arise in the south of Germany during winter. In that case, nuclear plants that had been shut down would be employed as cold reserves. The government said that this arrangement would only last for at most two years and the BNetzA was commissioned with finding an alternative solution. The government said that Germany could achieve the role of an international pionneer by converting to renewable energies. The goal was to achieve a renewable share of 35% in 2020, up from 17% today. The government also said that a draft reform of the German Renewable Energies Act was already in place and the legislative process could now “take its course”.

Bundesregierung website, 30/05/11

Italy

Quality Of Call Centres Of Energy Companies Improves

Aeeg, the Italian energy regulator, published the Fifth Merit List on quality of service of the call centres of 32 major electricity and gas retailers. The list refers to the period July-December 2010 and to retailers serving more than 50,000 customers. It is based on monitoring of retailers' compliance with specific criteria (e.g. access, quality of service, customer's satisfaction). The new list shows that general customer service is improving, as waiting time is falling, customers are receiving better information and operators' behaviour towards customers is improving.

Aeeg web site, 16/5/11

Consumer Switching Is Increasing In The Electricity Market

In its report to the Government and the Parliament on the "major protection service", which caused the European Commission to open an infringement procedure against Italy, Aeeg states that four years after the complete opening of the retail market, about 16.5% households and 22.4% of small and medium enterprises have changed their electricity supplier, and that further action could be taken to enhance competition. Such action includes allowing new retailers to offer the major protection service, better monitoring of the retail market and a review of the major protection service conditions every two years.

AEEG web site, 02/05/11

Netherlands

NMa Publishes Draft Method Decisions GTS 2006-2009 And 2010-2013

On 17 May, the Dutch competition authority, the NMa, published draft method decisions for the Dutch gas transmission network operator, GTS, covering the regulatory periods 2006-2009 and 2010-2013. The current draft decisions follow from last year's verdict by the industry appeals tribunal (CBb), which overturned the regulatory methods already in place from 2006 and 2009, respectively, and required the NMa to redo these methods. The draft method decisions differ in a number of ways from the originals, most notably regarding the rate of return (WACC), which the NMa has re-determined using the latest available information, and the valuation of GTS's regulatory asset base (RAB), where the NMa has reverted to a method that it used in its 2005 method decision, but that was later overturned by a Ministerial Regulation. Interested parties can submit their views with the NMa up to six weeks from 17 May. The NMa intends to publish its final method decision in August 2011, followed by a decision on GTS's tariffs for 2012 in December.

Energiekamer website, 17/05/11

Portugal

Commission Requests Changes To End-User Gas Price Regulation

The European Commission sent a formal request to the Portuguese government to change its end-user gas price regulation, so that it complies with European Union rules. According to Portuguese law, companies have an obligation to supply natural gas at regulated prices to small and medium-sized businesses, as well as to households. EU law states that regulated prices can be set only in exceptional cases, such as to protect vulnerable consumers. Unless it complies with this request within a two-month period, Portugal could be referred to the European Court of Justice.

European Commission website, 19/05/11

Romania

Romanian Government Commits To Full Gas Price Liberalisation By 2015

The Romanian government announced that it will introduce a phased liberalisation of gas prices. From 2013, all non-domestic customers will be eligible and price controls will be removed. Domestic customers will be able to choose their suppliers by 2015. The moves follow the Romanian government's recent decisions to sell stakes in key energy companies including the gas pipeline operator, Transgaz.

MediaFax News Service, 09/05/11; ROMPRES, 19/05/11

Russia

Gazprom To Lose US$ 2,600 Million from Tariff Caps

According to the Ministry of Economic Development, Gazprom will lose 73,000 million roubles (US$ 2,600 million) in 2012 as a result of the restrictions on tariff increases. The government had agreed to increase in gas tariffs by 15% in 2012, but on the Prime Minister's instructions, this figure is now being revised to a growth rate in line with inflation of 5-6%. The Ministry of Economic Development could not reliably estimate similar losses in the power sector. The Minister of Economic Development expressed concern that reduction of the tariff increases will significantly affect the investment programs of the natural monopolies.

Ria Novosti, 12/05/11; Nezavisimaya Gazeta, 13/05/11

FTS Publishes Indicative Tariffs For Guaranteed Suppliers

The Federal Tariff Service published an order approving new energy and capacity tariffs for suppliers of last resort, effective from 1 April 2011.
The tariffs show wide regional variation, with the highest levels in the Central and North-Western regions and the lowest in Siberia. The average of all regional tariffs in the Central and North Western Federal Districts (including Moscow and St Petersburg) is about 600 roubles per MWh (US$ 21/MWh) for energy and 213,000 roubles per MW per month (US$ 7,600/MW per month) for capacity.

Rossiyskaya Gazeta, Regulator's Website, 06/05/11

Spain

Supreme Court Entitles Companies To Become Suppliers Of Last Resort

The Supreme Court overturned the law that gave the five largest power utilities a responsibility to supply electricity at regulated prices to 20 million domestic consumers under Supply of Last Resort arrangements, without allowing other suppliers to participate. When the government adopted the legislation in 2008, it argued that the auctions designed to procure energy for the Supply of Last Resort could impose financial difficulties on smaller suppliers. According to the Supreme Court, the government did not provide objective criteria to justify this restriction when the law was enacted.

Cinco Días, 20/05/11; El Mundo 20/05/11

Competition Authority Imposes Largest Fine In The Electricity Sector

The Spanish Competition Authority imposed fines on the five largest electricity utilities, as well as on the electricity companies' association (Unesa). The Competition Authority initiated its investigation in 2009 and concluded that these companies hindered the transfer of customers to other suppliers in the electricity retail market and that they also engaged in price-fixing practices that affected the largest industrial consumers. The utilities argue that the government prompted them to agree the prices for the largest industrial consumers to protect them from large price increases. The total penalty, which amounts to €60 million (US$ 85.6 million), is the largest ever imposed in the sector and is distributed in proportion to the size of each company.

Cinco Días, 14/05/11; Expansión 14/05/2011

New Spain-France Interconnection Line To Be Completed In 2014

The construction of a new high-voltage electricity interconnection between Spain and France has been approved following a meeting of the Spanish and French Industry Ministers in Madrid this month. The line, estimated to become operational in 2014, will represent a doubling of the interconnection capacity between the two countries (up to 2,800 MW). The budget allocated to the project amounts to €700 million (US$ 1,000 million), of which €225 million (US$ 342 million) will be provided by the European Union. The entity in charge of completing the project is INELFE, a joint company owned equally by the Spanish and French transmission system operators, REE and RTE.

Energy Market Price, 06/05/11 ; La Vie Immo, 24/05/11

Switzerland

Government Decides End To Nuclear Power

The Swiss Government, the Bundesrat, has decided on the gradual phase-out of nuclear power. Existing nuclear power plants will be decommissioned at the end of their operating life and will not be replaced by new nuclear plants. In order to guarantee security of supply, the Bundesrat has designed a new "Energy Strategy 2050", which sets the following priorities: greater energy savings (energy efficiency), expansion of hydro power and renewable energies, and, if required, fossil electricity generation (CHPs and CCGTs), as well as imports. Moreover, the Bundesrat wants to expand energy networks and to strengthen energy research. Following Fukushima, the Bundesrat had asked the Swiss federal department of environment, transport, energy and communications (UVEK) to evaluate a number of options by the end of May with a view to setting out draft laws in the autumn. The Bundesrat said that some "rough estimates" of the economic costs of the change in the energy mix and for measures to reduce electricity demand amounted to about 0.4% to 0.7% of GDP.

Bundesrat website, 25/05/11

NORTH AMERICAN NEWS

US

California PUC and PG&E Agree on Electricity Rate Revisions

The California Public Utility Commission (CPUC) approved revisions to the residential electricity rates of Pacific Gas and Electric Co. (PG&E) that will allow the utility to charge high-use customers less by reducing the Tier 4 rate from 40.4 cents per kilowatt-hour to 33.3 cents per kilowatt-hour. PG&E's rates include four blocks, or so-called tiers, which vary by geographical area and season. The price for each Tier increases as monthly usage exceeds baseline usage levels by specific percentages, with the highest Tier price subsidizing the lowest-usage customers. Low-income customers who qualify for subsidized rates have not seen a rate increase in 20 years and will now see a slight increase in their bills. Customers in mid-tiers will also see bill increases due to adjustments to the baseline usage calculation. The CPUC did not approve PG&E's other proposals, such as the adoption of a US$3 fixed monthly charge or the elimination of the fourth Tier.

San Jose Mercury News, 27/05/11; SNL Energy, 26/05/11

FERC Seeks Comments on Transmission Incentives Program

The Federal Energy Regulatory Commission (FERC) is seeking comments on its current transmission incentives program, intended to encourage development of transmission infrastructure. Order No. 679 was issued in July 2006 and adopted incentives for transmission developers including an increase in the return on equity, recovery of prudent pre-commercial operation costs, inclusion in rate base of 100% of prudently incurred "construction work in progress" (CWIP), hypothetical capital structures and accelerated depreciation. Since the issue of the Order FERC has received over 75 applications for incentives representing approximately US$50,000 million in proposed investments.

FERC, 19/05/11; SNL Energy, 19/05/11

FERC Approves Incentive Rate Treatment for Several Transmission Projects

The Federal Energy Regulatory Commission (FERC) approved incentive rate treatment for transmission projects proposed by Atlantic Wind Connection, Desert Southwest Power, Ameren Services Co, and Central Transmission. The approval of the 250 mile Atlantic Wind Connection project, which will interconnect up to 6,000 MW of offshore wind power, is contingent on the project being included in PJM Interconnection's regional transmission plan. The Desert Southwest Power project calls for a 188 mile, 500kV transmission line to connect resources such as wind generation to southern California. Among the incentives are inclusion of 100% of construction work in progress in rate base, and the opportunity to recover 100% of prudently incurred costs in the event that the project is abandoned for reasons outside the company's control.

FERC, 19/05/11; SNL Energy, 19/05/11

Texas Challenges EPA's Takeover

The state of Texas has challenged the US Environmental Protection Agency (EPA) in federal court in response to the agency's final rule published on 4 May establishing its control over the state's greenhouse gas (GHG) regulations. The EPA stated that it will ensure applications for GHG permits by utilities, independent power companies and others planning new sources of GHGs do not face delays. Texas is the only state that refused to implement a "tailoring rule" requiring generators with projects subject to "prevention of significant deterioration" air permits to include GHG emission limits in their air permits, if they increase emissions of the gases by at least 75,000 tons/year.

SNL Energy, 05/05/11; Electric Power Daily, 04/05/11

Ozark And Kinder Morgan File Formal Settlements In The Latest Round Of FERC Rate Investigations

Both Ozark Gas Transmission and Kinder Morgan Interstate Gas Transmission have filed formal settlements with the Federal Energy Regulatory Commission, following FERC's investigations of their above average rate of return on equity. Ozark Gas Transmission will share with its customers 30% of any revenues it takes in above US$35.5 million/year and Kinder Morgan Interstate Gas Transmission will reduce certain fuel fees. In addition both companies have agreed to a one-year rate moratorium. Ozark is required to file a rate case within four years.

Platts Commodity News, 02/05/11; Inside F.E.R.C. 09/05/11

FERC Denies El Paso Petition To Mothball Southwestern Gas Compression Facilities

FERC has denied El Paso Natural Gas permission to deactivate temporarily 21 gas compressor units in New Mexico and Arizona on the grounds that it could decrease firm pipeline capacity and might not reduce rates. This decision sets a new policy under which future evaluation of requests to mothball compressor stations temporarily will be handled under a different section of the Natural Gas Act, requiring the request to go through the formal abandonment process rather than the section intended for emergencies.

Foster Natural Gas Report, 29/04/2011; Inside F.E.R.C., 02/05/11

CENTRAL & SOUTH AMERICAN NEWS

Peru

New Developments In Energy Legislation

The Peruvian government is preparing changes in the law to provide new incentives for development of renewable energy and to extend the scope of the retail market for natural gas. The government has presented a bill that extends the accelerated depreciation tax benefit for hydroelectric and other renewable facilities until 2020. In addition, the country's President presented a plan to widen the supply of natural gas beyond the capital, in particular to the southern part of the country. Finally, the government delayed for one year the introduction of an electronic auction market for the sale of natural gas and for transmission capacity surpluses.

Andinas Agencia de Notícias, 22/05/11; Business News Americas, 09/05/11

ASIA PACIFIC NEWS

Australia

Short Term Gas Trading Market Data Validation And Price Setting Process Rule Change

The Australian Energy Market Commission published a rule change intended to improve the efficiency and accuracy of price setting in the short term trading market (STTM) for natural gas. The primary purpose of the change is to reduce the risk of erroneous information about facilities affecting the setting of prices and schedules in the STTM by giving the Australian Energy Market Operator (AEMO) more time to review and confirm the accuracy of such information.

The Australian Energy Market Commission website, 05/05/11

Emerging Renewable Energy Technologies Receive Additional Funding As Part of Latest Budget

Additional support for renewable energy technologies was included as part of the Australian government's 2011/12 Budget. Specifically, funding is to be directed at two measures, an Emerging Renewables programs and a Renewable Energy Venture Capital Fund. The Emerging Renewables program was previously established to help reduce the cost of renewable energy technologies and is to have its funding lifted from A$40 million (US$43 million) to A$100 million (US$107 million). The Renewable Energy Venture Capital Fund is aimed at supporting Australian start-up renewable energy companies by making early-stage equity investments and has had its funding of A$100 million (US$107 million) confirmed out to 2023/24. Both of these funds are administered by the Australian Centre for Renewable Energy.

Minister for Resources and Energy website, 10/05/11

Regulator Does Not Approve Powercor's Bushfire Pass-Through Provision

The Australian Energy Regulator (AER) has decided not to approve Powercor's application to pass through the costs relating to changes in the compliance framework in response to the recommendations of the Victorian Bushfire Royal Commission. Powercor applied for a positive pass-through amount of approximately A$104 million (US$111 million) to be passed through to distribution network users as part of the 2011-2015 regulatory control period. The AER stated that the events referenced by Powercor in its application do not meet the pass-through requirements under clause 6.6.1 of the National Electricity Rules.

The Australian Energy Regulator website, 13/05/11

Competition Tribunal Decision On Electricity Distribution Determinations For South Australia and Queensland

The Australian Competition Tribunal (the Tribunal) has overruled a decision of the Australian Energy Regulator (AER) following appeals by the electricity distribution network operators in South Australia (ETSA Utilities) and Queensland (Energex and Ergon Energy), allowing them to recover additional revenues. All three businesses applied for a review of the estimated cost of corporate income tax included in the AER decision, with ETSA Utilities and Ergon Energy also applying for a review of other aspects of the AER decision. The Tribunal's decision has allowed ETSA Utilities, Energex and Ergon Energy to recover an additional A$301 million (US$321 million), A$298 million (US$318 million) and A$243 million (US$259 million) respectively over the five year regulatory period. The Tribunal found that the largest component of the additional revenues came from revising the estimate of corporate income tax, with the Tribunal concluding that the value of tax imputation credits the AER used to estimate the corporate income tax allowance was incorrect. Further, the Tribunal also stated that the AER had made erroneous calculations with respect to the valuation of ETSA Utilities' easements, and Ergon Energy's non-system capital expenditure, the control mechanism for alternative control quoted services and labour cost escalation rates.

The Australian Energy Regulator website, 25/05/11

China

China To Separate Auxiliary Business From Power Grid Companies

The State Electricity Regulatory Commission (SERC) said China is planning to separate auxiliary businesses from power grid companies in 2011. At the same time, four auxiliary companies are to merge into two companies integrating power design and construction. The plan for auxiliary business separation and merger has been approved by the State Council.

Xinhua News Agency, 16/05/2011

Power Shortages Likely This Summer; Retail Electricity Prices To Rise

China's main electricity distribution company, State Grid, said this summer China could face its worst summer power shortages since 2004. It also suggested that the power shortage may exceed the 2004 historical record shortage of 30GW during peak hours, if current drought and extreme weather problems worsen. A number of observers claim that the country's state-owned utility companies are deliberately holding back electricity generation because electricity prices, which are regulated, fall short of generation costs, which are closely related to the international coal prices. One generation company, China Power International, warned that one-fifth of the 436 coal-fired power plants in the country could face bankruptcy if the utilities cannot raise rates. The China Center for Energy Economics Research notes that, although the government regulates prices of coal for power generation, generation companies are sometimes unable to buy this coal because coal companies cut back supplies, or stop selling it, due to the low regulated prices. An official at the National Development and Reform Commission (NDRC) said recently that China would raise retail electricity prices at the beginning of June as a response to the expected shortages.

Industry Updates, 24/05/11; scmp.com, 25/05/11;
China Daily Information Company; International Herald Tribune 25/05/11;
Xinhua News Agency, 30/05/11; China Daily, 31/05/11

India

Maharashtra State Electricity Distribution Company (MSEDCL)

An official from the Maharashtra State Electricity Distribution Company Ltd (MSEDCL) said MSEDCL would remove the reliability charge from distribution in the metropolis of Pune due to improved power availability. There are plans to withdraw the charge-based zero load-shedding model from other revenue districts.

The Times of India, 30/05/11

Power Cuts To Be Warned

Following a series of power outages in Bangalore that had come with little warning, the Karnataka Electricity Regulatory Commission (KERC) directed the Karnataka Power Transmission Corporation Limited (KPTCL) to notify scheduled maintenance works one week in advance, allowing for timely information to reach affected consumers.

DNA - Daily News & Analysis, 25/05/11

Prime Minister Says India Is Committed To "Harnessing" Nuclear Power

In the annual "Report to the People", Indian Prime Minister Manmohan Singh said India would push ahead with nuclear power, noting that India would be "… committed to the highest levels of safety in the nuclear programme, and have initiated the process of strengthening the Atomic Energy Regulatory Board and making it an autonomous and independent regulatory authority.

BBC Monitoring South Asia, 23/05/11

About 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 Economic Consulting (**www.nera.com**) is a global firm of experts dedicated to applying economic, finance, and quantitative principles to complex business and legal challenges. For half a century, NERA's economists have been creating strategies, studies, reports, expert testimony, and policy recommendations for government authorities and the world's leading law firms and corporations. With its main office in New York City, NERA serves clients from more than 25 offices across North America, Europe, and Asia Pacific.

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