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Global Energy Regulation

Contents

EUROPE

UK

Ofgem Grants Offshore Transmission License To Consortium Backed By European Investment Bank

Ofgem granted Blue Transmission, a consortium owned by infrastructure funds Macquarie and Barclays, a license to own and operate the transmission link to the Walney 2 wind farm. The sale of the high-voltage link to the 184-MW wind farm will receive half its funding from the European Investment Bank (EIB). The EIB has so far funded just under £1,000 million worth of offshore transmission projects, to promote the goal of reducing the price of renewable energy through infrastructure investment. Blue Transmission has also been appointed Ofgem's preferred bidder for the high-voltage link to the 630-MW London Array windfarm, the UK's largest offshore transmission project.
Ofgem website, 18/09/12, 26/09/12

Opus Energy Fined £125,000 For Misreporting Under The Renewables Obligation

Opus Energy, an energy supplier to the business sector, was fined £125,000 by Ofgem for misreporting the amount of energy it supplied in 2009-10. The Renewables Obligation requires energy companies to provide evidence to Ofgem on the amount of electricity supplied from renewable sources, as a proportion of total supplied. The misreporting was attributed to failings in Opus Energy's internal procedures, and Opus Energy was engaged in the settlement process. Without this engagement, said an Ofgem spokesperson, the penalty would have been much higher.
Ofgem website, 18/09/12

Ofgem Reaches Voluntary Agreement With Suppliers Over Indebted Prepay Customers

Ofgem announced it had reached an agreement with energy suppliers to allow more customers using prepayment meters to switch supplier. Prepayment meters are often installed when a customer repeatedly fails to pay their energy bills, leaving them indebted to the supplier. Under the new agreement, these customers will be able to take advantage of lower prices by switching up to £500 of debt between suppliers, up from £200. Ofgem believes this will allow tens of thousands of customers previously above the threshold to take advantage of lower bills and clear their debt.
Ofgem website, 23/09/12

Energy Minister Strengthens Regulators Powers To Fine Suppliers

Energy and Climate Change Secretary Edward Davey announced plans to change the way energy suppliers pay fines for breaching their supply license conditions. Currently, fines that are enforced are paid directly to the Treasury, with any compensation to consumers made on a voluntary basis. Following the change, Ofgem can compel suppliers to compensate customers who have lost out.
DECC website, 23/09/12

Austria

New Entry-Exit Tariff Regime For Austrian Long-Distance Gas Pipelines

E-Control, the Austrian regulator, decided on the new tariff regime for the natural gas network. A revision of the tariff system was required by EU Regulation No 715/2009 and the Natural Gas Act in 2011 anticipated it would come into force on 1 January 2013. As of next year, all gas providers, transit suppliers, and traders will pay separate charges for their entry and exit capacities.
E-Control website, 19/09/12

E-Control Adopts New Regulation On Energy Consumption Data (DAVID-VO) For The Introduction Of Smart Meters

The Austrian energy regulator, E-Control, adopted a new regulation that specifies the energy consumption data from smart meters that will enable consumers to monitor their electricity consumption and to use energy more efficiently. It requires network operators and energy suppliers to present the data in a transparent and comprehensive way for all consumers. E-control anticipates potential reductions in electricity consumption of about 3-4% and plans to equip 95% of all households with the new generation of meters by 2019.

E-Control website, 21/09/12

Belgium

CREG Approves Tariffs Updates Proposed By Fluxys Belgium

Fluxys Belgium submitted a proposal on access and use of the network of natural gas transmission and storage facilities, as well as ancillary services. This proposal marks the entry into force of the new transport model "Full Entry/ Exit ". CREG approved the tariffs submitted by Fluxys for the years 2012-2015.

Commission de régulation de l'électricité et du gaz, 06/09/12

European Union

European Commission Opens Proceedings Against Gazprom

The European Commission has opened formal proceedings to investigate whether Gazprom, the Russian producer and supplier of natural gas, might be hindering competition in Central and Eastern European gas markets. Following a number of complaints from different sources, the European Commission is investigating three potential anti-competitive practices: (1) that Gazprom may have divided gas markets by hindering the free flow of gas between member states, (2) that it may have prevented the diversification of gas supplies, and (3) that it may have charged unfair prices to its customers by linking the price of gas to oil prices.

European Commission, 04/09/12; Platts Commodity News, 10/09/12

Australia And Europe Will Be Linking Their Emissions Trading Systems

The Australian Minister for Climate Change and Energy Efficiency, Greg Combet, and the European Commissioner for Climate Action, Connie Hedegaard, announced that Australia and Europe will link their emissions trading systems no later than 1 July 2018. Under this arrangement, businesses will be allowed to cover their emissions using carbon emission rights from the Australian emissions trading scheme or the EU Emissions Trading System without distinction. Mr. Combet stated that Australian businesses will have access to a larger market for cost-effective emissions reductions and European market participants will be provided with enhanced business opportunities as well. An interim link will be established, whereby Australian businesses will be able to use EU allowances to help meet liabilities under the Australian emissions trading scheme from 1 July 2015.

EU Energy, 07/09/12; European Commission, 28/08/12

European Parliament Adopts The Energy Efficiency Directive

The European Parliament adopted the Energy Efficiency Directive. This directive brings forward legally binding measures to step up Member States' efforts to use energy more efficiently at all stages of the energy chain – from the transformation of energy and its distribution to its final consumption. Energy companies covered by the directive will have to achieve cumulative new savings of 1.5% of annual energy sales per year from 2014 to 2020. Member States will have 18 months to transpose the Directive into national law.

European Parliament, 11/09/12; European Commission, 13/09/12

European Parliament Divided Over Gas Shale Regulation

Two committees within the European Parliament adopted conflicting resolutions on shale gas and oil extraction activities, which revealed European Parliament lawmakers' divisions over the issue. The Environment Committee voted for a resolution urging for tougher regulation, including a ban on shale mining in sensitive geological areas, and called for a review aimed at tackling gaps in EU regulations. Meanwhile, the Energy Committee defended the right of each member state to decide whether to exploit shale gas and called on the EU to impose "robust regulatory regimes", but only at the national level. Both resolutions are due to be adopted in October.

European Parliament, 19/09/12; EurActive, 20/09/12

France

Improvements In The Allocation Of Aid For Rural Electrification

To allow improvements in the area of power systems for rural electrification, the Ministry of Ecology, Sustainable Development and Energy and the Ministry of Economy and Finance jointly announced the immediate entry into force of new rules for allocation of public funding to the Fund for Amortization of Electrification Costs (Fonds d'amortissement des charges d'électrification, FACé). Long included in EDF's accounts, even though financed by the taxpayer, the fund was converted into a financially independent entity attached to the state budget in 2011. Implementation of the changes was blocked during 2012, delaying certain community projects. The expected effect of this reform is to improve and accelerate the modernization of the network by combining flexible project management and the rules of public accounting.

Ministère de l'écologie, du développement durable et de l'énergie, 07/09/12

Government Limits To 2% The Increase In Gdf Suez Gas Prices For Individuals

The French government passed a new increase of 2% in gas prices for individuals and small business from 29 September 2012. The French energy regulator (CRE) stressed in a decision published in the Journal Officiel that the increase was not sufficient - according to its calculations, regulated prices for individuals should have increased by 6.1%.

Ministère de l'écologie, du développement durable et de l'énergie, 17/09/2012; Le Parisien 28/09/2012

Germany

Lack of Competition In District Heating Markets - Bundeskartellamt Reports On Findings Of Sector Inquiry Into District Heating

The Bundeskartellamt published a final report on its inquiry into the district heating sector launched in September 2009 which reveals clear gaps in competition. The locally established providers face practically no competition in their respective regional areas. There are no indications of generally excessive prices in the district heating sector. However, differences between prices in the individual network areas are considerable and in some cases amount to over 100%. Furthermore, the inquiry showed that prices tend to be higher in areas where municipalities make connection to the district heating network mandatory, and also that the supply in areas with large networks is considerably less expensive for customers. The Bundeskartellamt now plans to take a closer look at those areas earning the highest revenue in 2007 and 2008 and to identify any possible abuses of market power.

Bundeskartellamt website, 23/08/12

Grid Expansion: Bundesnetzagentur Publishes Guidelines On Optical Fibre Cable Installation In Connection With Work on Electricity Networks

The Bundesnetzagentur published guidelines on the laying of optical fibre cables or ducts in connection with work performed on electricity networks. The aim of installing power lines and telecommunications infrastructures simultaneously is to benefit from synergies and to accelerate broadband rollout. The electricity network operators could install optical fibre cables along with their own lines on behalf of a telecommunications operator, while the latter would share on a pro rata basis in the cost of the underground engineering work. Alternatively, the electricity network operators may lay the optical fibre cables at their own expense and sell the excess capacity outside their network operations. In particular, the guidelines address the question of whether and, if so, how the costs incurred by the electricity network operators will be considered from a regulatory point of view. The guidelines on the regulatory principles for cost allocation will apply until the end of the second incentive regulation period in 2018.
Bundesnetzagentur website, 27/08/12

Federal Cabinet Adopts Offshore Liability Rules And The Introduction Of An Offshore Grid Development Plan

The German federal government adopted the draft of a third act to update energy industry rules which aim to speed up the expansion and connection of offshore wind farms by the introduction of a binding offshore grid development plan. Besides this, a rule on compensation for the construction and operation of power lines connecting to offshore wind farms has been introduced. The intention is to evaluate the rules after three years and to adapt them if necessary. The draft law is to enter into force before the end of the year.
Bundesministerium für Wirtschaft und Technologie website, 29/08/12

Great Reliability In Electricity Supply

Electricity supply in Germany was again marked by a high level of reliability in 2011. This has been shown by the SAIDI (System Average Interruption Duration Index) value of 15.31 minutes, which reflects the average interruption in supply per connected end consumer over the past year. This figure is only just above that of 2010, when it was 14.90 minutes. It lies significantly under the average figure of 17.44 minutes for the period between 2006 and 2010 and at the top of international standards.
Bundesnetzagentur website, 03/09/12

Bundesnetzagentur Opens Public Dialogue On Grid Expansion

The Federal Network Agency (Bundesnetzagentur) published an initial assessment of the Electricity Network Development Plan and initiated a public consultation procedure. The public now has the opportunity to comment on the grid development plan, the Federal Network Agency's interim report and the environmental report until 2 November 2012. Within the framework of the consultation procedure, the Federal Network Agency is organising six information events in various parts of Germany, while its evaluation is still under way.
Bundesnetzagentur website, 06/09/12;
Bundesministerium für Wirtschaft und Technologie website, 06/09/12

Bundeskartellamt Fines Manufacturers Of Power Transformers For Collusive Tendering

The Bundeskartellamt imposed fines totalling €24.3 million on four manufacturers of power transformers. Between the spring of 1999 and March 2004 the four companies—ABB AG, Mannheim; Alstom Grid GmbH, Frankfurt am Main; Siemens AG, Munich; and Starkstrom-Gerätebau GmbH, Regensburg—engaged in anti-competitive agreements in tender procedures. The cartel involved agreements in Germany on quotas and collusive tendering for medium-sized power transformers (from 12.5 MVA) and large power transformers (from 100 MVA), which in turn affected the tender procedures of a large number of energy suppliers. All four companies filed applications for leniency with the Bundeskartellamt and were granted a reduction in fine. The orders imposing the fines are not yet final and can be appealed to the Düsseldorf Higher Regional Court. However, all the companies agreed to have the proceedings terminated by settlement.
Bundeskartellamt website, 20/09/12

Ireland

Bord Gais To Follow Competitors With 5pc Electrcity Rise

Ireland faces across the board price increases for both electricity and gas supplies next month. Bord Gais Energy has posted increases of 4.8% to residential electricity charges and 8.5% to gas prices, adding €50 to the average annual energy bill. Airtricity will raise gas prices similarly and will increase its electricity charges by 4.7%. Electric Ireland, a subsidiary of ESB, will also raise its electricity prices by 5.9% and gas by 8.5%. Factors contributing to these prices rises include increased costs of wholesale energy; increases in transmission and distribution charges on the electricity networks regulated by the Commission for Energy Regulation; and a drop in the value of the euro against sterling.

Irish Times, 18/09/12, 8/9/2012, and 05/09/12; Irish Independent, 18/09/12

Bord Gais Energy Under The Hammer Next Year

The auction process to sell state-owned Bord Gais Energy (BGE) will begin in the first quarter of 2013. The sale of BGE is to be the first privatisation under the Irish government's New Era programme, which aims to raise €3,000 million through the disposal of state assets. The sale of Bord Gais Energy will not include the Bord Gais network infrastructure. An adviser is to be appointed imminently to help manage the sale, tasked with setting a valuation for the business, organising the sale process, and drumming up interest in the asset.

Irish Independent, 21/09/12; Business and Finance Daily News Service, 21/09/12

Italy

Eni Auctions 5,000 Million Cubic Meters Per Year On Its Gas Pipelines

Following an enquiry started in March 2012 regarding a possible abuse of dominant position, the Italian Antitrust authority accepted Eni's proposals to foster competition on the TAG, TENP, and Transitgas pipelines. As a result, Eni will auction 5,000 million cubic meters per year on these international gas pipelines for the next five years until October 2017. The auction will split up the pipeline capacity, so that 60% of the gas will flow through the TENP/Transitgas pipeline, while the remaining 40% will pass through the TAG pipeline. Moreover, Eni has also changed the price determination mechanism for the winning bid, to a marginal price mechanism.

AGCM website, 06/09/12; Quotidiano Energia website, 06/09/12

GSE Publishes Call For Bids To Invest In Renewables

The Gestore dei Servizi Energetici (GSE) published competitive auction rules to incentivise new electrical plants powered by renewable sources, as required by the Ministerial decree of 6 July 2012. Businesses interested in such incentives will need to apply and register between 8 October and 6 December 2012.

GSE website, 08/09/12; Quotidiano Energia website, 10/09/12

Netherlands

Energy Bills Could Be Almost €500 Lower; ConsuWijzer Launches Campaign To Help Switching

The NMa published a report for the first half of 2012 on competition and consumer confidence in the energy market. It found that consumers pay on average up to €488 too much for energy, on an annual bill of some €2,000. Meanwhile 36% of consumers have switched supplier once or more and another 33% are considering a move. Consumers think that switching will benefit them only €72 on average, whereas in reality it could save them up to €488. Since some of the potential switchers think that switching would be a “hassle”, ConsuWijzer (a consumer advice service) has started a campaign to encourage switching.

NMa website, 27/09/12

Poland

Polish Financial Market Authority (KNF) Approves Gas Trading Regulations For Poland’s Power Exchange (POLPX)

The Polish Financial Market Authority (KNF) approved regulations governing the trading of gas, in what is seen as another step forward in opening up Poland’s gas market to competition. These regulations outline how gas is to be traded and how transactions are to be settled on Poland’s power exchange (POLPX).

Reuters News, 05/09/12l Polish News Bulletin, 19/09/12

Polish Office Of Competition And Consumer Protection (OUKiK) Publishes Report On Gas Market Liberalisation

The Polish Office of Competition and Consumer Protection (OUKiK) has published a report giving its view on gas market liberalisation. UOKiK’s proposals include separating the retail and wholesale operations of the Polish gas monopoly (PGNIG) and a gradual freeing of gas prices to ensure protection of vulnerable customer groups.

UOKiK website, 10/09/12; UOKiK press release, 10/09/12

Polish Energy Regulator (URE) Rejects The Motion Of Polish Gas Monopoly (PGNIG) For An Increase In Gas Prices

The Polish Energy Regulator (URE) has rejected the proposal of the Polish gas monopoly PNGIG to increase gas prices. URE stated that it could not approve what it considered to be an “excessive” increase in the price of gas submitted by PGNIG. In its defence, PGNIG noted several factors leading up to the request for a gas price increase, including the depreciation of the Polish currency (złoty) and that PGNIG is currently selling Russian gas below import costs. Under Polish energy regulations, PGNIG can submit a new proposal to URE.

Dow Jones Global Market Select, 13/09/12; PAP Market Insider, 13/09/12; Polish News Bulletin, 14/09/12

Polish Office Of Competition And Consumer Protection (OUKiK) Approves Polenergia’s Purchase Of Renewable Energy Firm Polish Energy Partners

The Polish Office of Competition and Consumer Protection (OUKiK) approved the takeover of the renewable energy firm Polish Energy Partners by Polenergia, an energy holding company based in Luxembourg.

SeeNews Renewables, 25/09/12; PAP Market Insider, 28/09/12

Russia

New Presidential Decree To Hinder EU Gazprom Inquiry

President Putin signed a presidential decree whereby Russian strategic enterprises will need permission from a designated government authority if they are requested by foreign governments, international organizations, and regulators to perform the following activities: (a) disclose information; (b) change contracts or any documents pertaining to the pricing policy in the foreign countries; and (c) change the ownership structure in the companies and properties listed abroad. Permission will be refused if the activities are deemed to be against the economic interests of Russia. The government has a month to designate the relevant authorities for this purpose. The list of strategic enterprises has been approved by a separate decree in 2004 and comprises over 500 companies and institutions, including Gazprom.

Kremlin.ru, 11/09/12

Russian Energy Minister:Moldova Should Denounce EU Energy Reforms To Get Cheaper Russian Gas

Russian energy minister Aleksander Novak said at a press conference that Moldova should denounce the EU-Moldova Partnership and Cooperation Agreement as a precondition for negotiations for cheaper Russian gas. Russian Gazprom is a majority owner of Moldovagas, the monopoly supplier and distributor of gas in Moldova. If the plans to implement the Third Energy Package goes ahead, Moldovagas will be faced with ownership unbundling obligations.

RosBusinessConsulting, 12/09/12; Global Insight, 13/09/12

Spain

Garoña Nuclear Power Plant To Be Shut Down In 2013

The Garoña nuclear power plant is expected to shut down in 2013, after the expiration of the legal deadline to request renewal of its operating license. Even though the government and the Spanish Nuclear Security Council recently approved its life extension for six years, from 2013 to 2019, the owners of nuclear plant decided not to request a renewal of the license, pointing to regulatory risk.

El País, 06/09/12; ABC, 21/09/12

Government Approves New Energy Taxes

The Spanish government has approved draft legislation that would impose seven new taxes on electricity generators with a view to reducing the country's electricity tariff deficit (the difference between the costs charged to the tariffs and the receipts). The accumulated tariff deficit currently amounts to about €24,000 million (US$31,000 million). The proposed law, which would take effect by January 2013, includes a 6% tax on all generation revenues in addition to taxes on nuclear fuel, hydroelectric generation, and a "green cent" tax on gas, on coal, and on gasoline and diesel used to produce electricity. The legislation aims to raise revenues of €2,734 million (US$3,532 million).

Elmundo.es, 14/09/12; Agencia EFE, 14/04/12

Turkey

Private Gas Companies To Increase Imports From Russian Gazprom

The Turkish Energy Market Regulatory Authority (EMRA) granted four licences to private companies to import Russian gas into Turkey through the Transbalkan I pipeline, beginning later this year. Only four of the 13 applicants were granted a licence to import, having secured gas purchase agreements with Gazprom. Turkish energy minister Taner Yildiz stated that up to six licences may be granted, if other companies are able to arrange long-term contracts with Gazprom, which is one of the conditions for securing a licence. The application process will be open for an additional month to allow more companies to negotiate agreements. A volume of 6,000 million cubic metres per year to be imported through the pipeline became available after BOTAS, the state-owned dominant player, did not renew its 25-year contract with Gazprom late last year.

Platts Energy in East Europe, 07/09/2012; HIS Global Insight Daily Analysis, 26/09/12

Turkey To Increase Electricity Imports From Iran

The Turkish Energy Market Regulatory Authority (EMRA) announced that electricity exports from Iran to Turkey via the Baskale-Khoy power lines will increase in the upcoming period through to January 2013, from 250 MW to 300 MW in September-October, and up to 400 MW in November-December of this year. The rise in exports came as a result of the increase in electricity consumption in Turkey, which showed year-on-year growth of 8.2%, reaching 144 TWh.

Trend News Agency, 19/09/12

NORTH AMERICAN NEWS

Canada

Canada Issues New Rules On Greenhouse Gas Emissions

Canada issued new rules restricting emissions from coal-fired plants to help meet its target of reducing greenhouse gas emissions to 17% below 2005 levels by 2020. The new rules set a higher performance standard for new coal-fired power plants and existing plants that have reached the end of their useful lives. The new “emission intensity” level set out in the rules is equal to that of a natural gas-fired, combined-cycle unit. Coal plants that incorporate carbon capture and storage technology may apply for an exemption from the new performance standard until 2025. Coal-fired power generation capacity in Canada accounts for about 15% of total Canada’s energy supply. Alberta, Nova Scotia, and Saskatchewan generate a higher percentage of their electricity supply from coal plants. The province of Ontario, on the other hand, has vowed to shut down its remaining coal-fired capacity by the end of 2014.

SNL Energy, 05/09/12; Reuters, 05/09/12

Nova Scotia Regulators Reject Fee For Utilities Switching Suppliers

Nova Scotia regulators ruled that six of the province’s municipal utilities can switch to a new electricity supplier from the province’s dominant supplier, Nova Scotia Power, Inc., without paying a fee. In response to the municipal utilities’ plan to switch supplier, Nova Scotia Power Inc. adopted an “embedded cost recovery mechanism” (ECRM) in its general rate application in order to recover stranded costs. The board found that imposing the ECRM would inhibit the ability of these municipal utilities to seek supply from other providers, which is allowed under legislation. The board is still considering whether these stranded costs can be recovered from the customers of Nova Scotia Power, Inc.

Nova Scotia Utility and Review Board, 06/09/12; SNL Energy, 10/09/12

US

Texas PUC Delays Vote on Potential Increase to Price Caps in Wholesale Market

On 28 September 2012, the Texas Public Utility Commission ("Texas PUC") voted to delay an earlier decision to raise market price caps to US$9,000/MWh in 2015. The Texas PUC will hold another resource adequacy workshop at the end of October in order to allow for further analysis of the wholesale market's design and the appropriate level and timing of price cap increases. Price caps in the Texas wholesale power market were doubled to US$4,500/MWh from 1 August 2012. The Texas PUC is still weighing the option of adopting a centralized forward capacity market construct.

EnergyChoiceMatters.com, 28/09/12; SNL Energy, 01/10/12

Michigan PSC Orders Opt-Out Option For Smart Meter Customers

The Michigan Public Service Commission (PSC) ordered all investor-owned utilities to offer an opt-out option to their customers with smart meters if they have concerns on data privacy and cyber-security. This order comes as a response to a recent PSC report recommending that such issues be addressed through utility tariffs and rules. The report also recommends that Michigan adopts an integrated "smart grid vision", taking into account reliability and cleaner power sources, to assist utilities in planning. Investor-owned utilities that choose not to include an opt-out option if they consider it burdensome or cost-prohibitive must provide an explanation to the PSC.

Michigan PSC website, 11/09/12; SNL Energy, 12/09/12

FERC Approves SPP Automated Curtailment Plan For Non-Dispatchable Resources

On 20 September 2012, the Federal Energy Regulatory Commission (FERC) approved a revised plan submitted by Southwest Power Pool (SPP) to automate the curtailment of new "non-dispatchable generation resources" (NDRs) during periods of transmission congestion. NDRs include certain wind facilities and other intermittent resources that cannot be automatically dispatched by SPP. They currently receive phone instructions from SPP to curtail when required to relieve congestion. The SPP has developed market software and tariff changes that would automate curtailment instructions for NDRs. FERC asked SPP to engage in a stakeholder process to evaluate the concerns with automating curtailment of existing generators.

FERC website, 20/09/12; SNLEnergy; 24/09/12

Mexico

Mexico To Develop Shale Gas

A Mexican government official stated that the country will begin aggressively developing its shale gas resources. Third-party contractors from Mexico's private sector and international companies will be invited to participate in shale exploration and infrastructure development through service contracts where revenues would be based on production expectations or actual gathered volumes. The energy ministry has estimated that Mexico has roughly 300 trillion (300 million million) cubic feet of natural gas—equivalent to about 50 billion barrels of oil—in at least five shale basins around the country.

Platts Commodity News, 19/09/12; The Oil Daily, 21/09/12

CENTRAL & SOUTH AMERICAN NEWS

Brazil

Government Changes Rules For Electricity Concessions

The Brazilian government approved a Provisional Measure on the renewal of electricity concessions, which authorizes the extension of concessions by 30 years for hydro power plants, and for transmission and distribution assets, and by 20 years for thermal power plants conditional upon the application of a new tariff formula. The affected companies have until 15 October 2012 to express interest in renewing their contracts. Tariffs and compensation values for generators are due to be released on 1 November 2012, after which companies will have 30 days to sign new contracts. The concession terms were announced as part of a package that also included a proposed reduction in energy tariffs for industrial and residential consumers, which would take effect from February 2013.

Reuters Focus, 17/07/12; IHS Global Insight Daily Analysis, 19/09/12

Chile

The Ministry Of Energy Ends Preventive Rationing

The Ministry of Energy has announced the end of the Decree for Preventative Rationing—which limited hydroelectric generation—due to the improvement in hydrological conditions and the start-up of new generation projects. This preventative rationing lasted for 1.5 years and was aimed at managing the generation deficit affecting the security of the Sistema Interconectado Central (SIC) in the region between Taltal and Chiloé, where most of Chile's population lives.

Chilean Ministry of Energy, 03/09/12; Business News Americas, 03/09/12

ASIA PACIFIC NEWS

Australia

Draft Report On Power Of Choice Review

The Australian Energy Market Commission (AEMC) released for public comment its draft report on the Power of Choice Review. The review proposes reforms to the national electricity market so that consumers can have more control over their electricity consumption through greater demand side participation (DSP). The proposals considered include allowing large consumers to participate in the wholesale electricity market; providing different electricity tariffs at different times of day and in different locations; improving access to consumption data to inform consumer choices; encouraging investment in metering technology; improving incentives for network service providers to consider DSP options rather than network investment; and enabling consumers to sell their distributed generation to parties other than their retail electricity supplier. Stakeholder submissions are due by 11 October 2012.

AEMC website, 06/09/12

Final Determination On Optimisation of Asset Base And Use Of Depreciated Assets

The Australian Energy Market Commission (AEMC) published its final determination on the rule change requests submitted by Major Energy Users (MEU) on optimisation of the regulatory asset base and the use of fully depreciated assets. The MEU proposed that the regulator should periodically review the existing asset base to ensure that assets are only included to the extent they are utilised, and reject the allowance for the replacement of an asset that can be used productively for further service, even if it is at the end of its economic life. The AEMC declined to make the proposed rules, noting that the potential benefits were outweighed by the likely increased complexity and costs of the regulatory process, the increased risk to service providers that may discourage future efficient investment, and the requirement on the regulator not to play too detailed a role in approving service providers' plans.

AEMC website, 13/09/12

Consultation Paper On Network Regulation Rule Change

The Australian Energy Market Commission (AEMC) has published a consultation paper on the proposed savings and transitional arrangements that will apply to network service providers as they switch to new rules proposed in a draft determination of the AEMC. The draft determination provides for significant changes to capital expenditure incentives; the powers of the Australian Energy Regulatory (AER) when reviewing and amending proposals for future capital and operating expenditure; the determination of the rate of return; and the overall regulatory determination process. Submissions on the consultation paper are due by 25 October 2012.

AEMC website, 14/09/12

New Zealand

Consultation Paper On The Connection Of Distributed Generation

The Electricity Authority (EA) has released a consultation paper on a review of Part 6 of the Electricity Industry Participation Code (the Code), which deals with the connection of distributed generation to distribution networks. One proposal considered in the consultation paper is a simpler notifications process whereby distributed generators seek to connect small-scale distributed generation (SSDG, i.e. distributed generation with capacity up 10 kW) to a distribution network. The objective of this proposal is to encourage owners of SSDG to notify distributors of the presence of SSDG by lowering the transaction costs of achieving compliance. Submissions on the consultation paper are due by 30 October 2012.

Electricity Authority website, 04/09/12

Cambodia

Government Expected To Issue License For Offshore Oil Development

The Cambodian National Petroleum Authority (CNPA) expects to issue a licence for offshore drilling to US firm Chevron by the end of the year. The reserves, discovered in 2010, have not yet been tapped due to the lack of effective regulation in the country. Under the licence, a production-sharing agreement is likely to see the government net as much as 80% of revenue from the project. Development of the field is expected to begin next year.

Dow Jones Global News, 26/09/12; Wall Street Journal Asia, 27/09/12

India

Madras High Court Gives Thumbs Up To Kudankulam Nuclear Plant

The Madras High Court ruled that there were no legal impediments to the opening of Units I and II of the Kudankulam Nuclear Power Project (KNPP). The court ruled environmental concerns were "unfounded", although it made clear that periodic inspection by the regulatory authorities would be necessary. The plant, owned by Indo-Russian joint venture Nuclear Power Corporation of India Ltd, is now expected to begin loading fuel. When operational, it will provide 2,000 MW of electricity capacity.

The Hindu, 01/09/12; Free Press Journal, 01/09/12

Gas Regulator Sets Gujarat High-Pressure Tariff

The Petroleum and Natural Gas Regulatory Board (PNGRB) has lowered the pipeline tariff for the 2,239 km high pressure gas network by around 40%. The pipeline, owned by Gujarat State Petronet Ltd (GSPL), provides gas transportation across the region. The regulator accused GSPL of charging "discriminatory" tariffs to different customers, ranging from US$0.048 per mmBtu to US$0.838 per mmBtu. The tariff will now be fixed at US$0.458 per mmBtu, 40% less than that requested in GSPL's submission to the regulator. This decision is applicable retroactively from November 2008, and GPSL must account for this difference in future billing.

Metis Sectoral Post, 12/09/12; Accord Fintech, 13/09/12

Government Approves Plan To Restructure US$35,500 Million Of Distribution Company Debt

An Indian government cabinet panel, headed by Prime Minister Mahmohan Singh, has approved a series of measures aimed at reviving the flagging state-owned electricity distribution companies. Years of failure to increase tariffs due to political pressure and weak governance has left the state utilities indebted and forced to scale back power purchases, providing a drag on the fast-growing economy. State governments can now take on half of these debts, and distribution companies will be allowed to issue government-backed bonds for further borrowing. However, taking up the measures is voluntary and some have warned that, without thoroughgoing reform of the tariff-setting regime, redistributing the companies' debts will not make them viable in their own right.

Financial Times, 24/09/12; Dow Jones Global News, 24/09/12

Regulator Gives Green Light To Cyclical Load-Shedding In Kerala

The regional regulator, the Kerala State Electricity Commission (KERC), has given immediate permission for load shedding during peak demand hours. The load-shedding periods will last thirty minutes, and are permitted twice a day until 30 November. To solve the on-going demand-management problems that have afflicted the state, the Kerala State Electricity Board (KSEB) has also asked KERC for permission to introduce financial disincentives for over-consumption.

Business Line, 28/09/12; The Hindu, 28/09/12

Indonesia

Industrial Gas Prices Increase By 50%

The Energy and Mineral Resources Ministry has implemented a 50% hike in gas prices for industrial consumers, lower than the 55% requested by state-run distributor PT Perusahaan Gas Negara (PGN). The increase will be implemented in two stages: a 35% increase in September with a further 15% rise in April. The change comes in response to steeply rising upstream prices, where PGN has seen gas from the Grissik field rise from US$1.85 per mmBtu to US$6.50 per mmBtu.

Jakarta Post, 01/09/12; Jakarta Globe, 01/09/12

Electricity Price Increase Moves Step Closer

A parliamentary commission approved a plan to raise electricity prices, leaving only approval by the full parliament as a barrier to introducing the measure. The price increase is expected to be 15% for households consuming more than 990 VA (volt-amps). Ambitious plans to increase government capital expenditure by 15% were also approved, with the aim of increasing Indonesia’s low electrification rate, which stood at 74% in March.

Jakarta Globe, 18/09/12; Jakarta Post, 19/09/12

Japan

TEPCO Raises Household Electricity Rates

Tokyo Electric Power Company (TEPCO) raised household electricity rates by 8.46% this month to cover growing expenditure on damage compensation and decommissioning at nuclear power station Fukushima Daiichi. The rate rise is based on the assumption that TEPCO’s Kashiwazaki-Kariwa nuclear power plant, currently out of service, will resume operation.

Japan Times, 02/09/12; Electric Daily News, 04/09/12

Despite Phase-Out Pledge, Japan Stills Allows New Nuclear At Oma

Japan's government unveiled a plan that would see the country phase out nuclear power before 2040, although the fate of many of its current reactors remains unclear. The policy calls for Japan's 50 plants to be taken out of service on completing their 40-year lifespan, and no new plants to be built. However, warnings were sounded about the consequent rising cost of electricity from renewables and imported fuels. The Industry Ministry subsequently stated that new building would be allowed if projects had been approved before the new policy. Development at the Oma plant in the Aomori prefecture is now expected to go ahead. If allowed to complete its 40-year lifespan, this plant could run well into the 2050s, casting doubt on the government's commitment to a nuclear-free future.

Financial Times, 15/09/12; Kyodo News, 15/09/12

Philippines

National Grid To Intervene In Meralco Purchase Of Government Transmission Assets

The Energy Regulatory Commission has allowed the National Grid Corporation of the Philippines (NGCP) to intervene in the scheduled purchase of sub-transmission assets by power distributor Manilla Electric Co. (Meralco). The purchase, a US$9 million deal with National Transmission Corporation, had received earlier regulatory approval. However NGCP, as operator of the transmission system, said its investment in these assets must be recognized. It therefore seems likely Meralco will have to compensate NGCP to complete the sale.

Philippine Daily Inquirer, 19/09/2012

Distributor Asks Regulator To Simplify Feed-In Tariffs For Renewables

Distributor Manilla Electric Co. (Meralco) has asked the Energy Regulatory Commission to simplify the developing regulatory regime for collecting feed-in tariffs from renewable generators. There are concerns that the current cost-recovery mechanism, which integrates the charges into the utilities' regulated tariff, risks hiding the true costs of green energy from consumers. The current policy, to be implemented from 2014, would list this item as a separate charge on consumers' bills.

Manila Standard, 25/09/12; Manilla Bulletin, 26/09/12

Thailand

Regulator Agrees To Rise In Fuel Tariff

The Energy Regulatory Commission of Thailand (ERC) is set to raise household electricity prices by US$0.01 per kWh. This rise comes in response to steeply rising fuel prices and to reduce the subsidy paid by the Electricity Generating Authority. From May to August, this subsidy totaled US$456.5 million.

The Nation, 04/09/12

Vietnam

Restructuring Of Vietnam Electricity Points The Way To Future Privatizations

Vietnam Electricity (EVN), the state-run corporation overseen by the Ministry of Trade and Industry, has cut costs and restructured its business. Along with other nationalized industries, EVN has been under pressure to make cost reductions. According to official statistics, these have so far totaled US$86.2 million. EVN is also expected to divest itself of shares in joint ventures such as generation companies Da Nhim-Ham Thuan-Da Mi Hydropower JSC, Thac Ba Hydropower JSC, and others. Moreover, EVN is expected to establish power generation companies in order to privatize some of its generation assets.

Vietnam News Summary, 21/09/12

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 20 offices across North America, Europe, and Asia Pacific.

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