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Reporting on energy regulation issues around the world

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Global Energy Regulation

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UK

Ofgem To Fine Energy Companies for Failing To Meet Energy Efficiency Obligations

The British energy regulator, Ofgem, launched investigations into six energy firms (British Gas, Drax, GDR Suez/IPM, Intergen, Scottish Power, and SSE) that failed to meet their obligatory energy efficiency targets for December 2012. The Department of Energy and Climate Change set the targets under the Community Energy Saving Programme and the Carbon Emissions Reduction Target. These energy companies only narrowly missed their targets on average, having delivered 99% of the required level overall, although they over-delivered on some programmes and under-delivered on others. Since January 2013, a number of energy companies have chosen to continue installing energy efficiency measures, which Ofgem may regard as a mitigating circumstance in its eventual decision about the level of fines.

Ofgem Press Release, 01/05/13

DECC Allocates £21 Million To Low Carbon Pilot Projects

The Department of Energy and Climate Change (DECC) awarded £21 million to entrepreneurs to help bring a range of new and innovative low carbon products to market. The awards include £16 million distributed as part of the Energy Entrepreneurs Fund, which aims to support energy efficiency technologies such as building control systems, advanced lighting systems and space heating and cooling technologies, alongside power generation and energy storage technologies including fuel cells, biomass boilers, and heat pumps. DECC also made smaller awards of £2 million for energy storage innovation and £3 million for heat storage projects.

DECC press release, 13/05/13

DECC Announces Call For Evidence For Geological Disposal Site

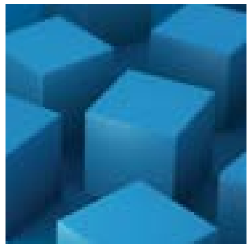
The Department of Energy and Climate Change (DECC) reaffirmed its commitment to geological disposal of radioactive waste, including a new Call for Evidence on the site selection process for the Managing Radioactive Waste Safely programme. The government intends to use the responses to inform a public consultation later this year. DECC confirmed that the invitation remains open for communities to come forward and to express an interest, without commitment, in the site selection process for a geological disposal facility, after Cumbria County Council voted against allowing one in the county earlier this year.
DECC press release, 13/05/13

DECC Announces Further Reforms To Retail Energy Market

The Department of Energy and Climate Change (DECC) confirmed the UK government's backing for Ofgem's market reforms and set out plans to make changes to the retail energy market. DECC's proposals include promises to ensure that customers on uncompetitive legacy tariffs will be automatically moved to their supplier's cheapest variable rate tariff and that customers who are on fixed deals will be moved automatically to their supplier's cheapest variable rate tariff when their fixed deal ends. DECC has also promised to provide £900,000 to set up a new Big Energy Saving Network to coordinate and provide advice on switching, tariffs, and government support to help the poorest get warmer homes and lower bills. In addition, DECC's proposals require energy suppliers to provide information to consumers in a format that would allow it to be read via smart phones and to give powers to Ofgem to take action to protect consumers against poor practice by supplier switching sites.
DECC press release, 17/05/13

Ofgem Announces Results Of First Round Of Low Carbon Networks Fund Competition

Ofgem announced that 23 projects will go through to the final stage of its three innovation competitions for the regulated network companies. This is the first year of the network innovation competitions (NICs), which make available up to £27 million per year to fund onshore and offshore electricity transmission companies and up to £18 million to fund gas distribution and transmission companies. The Low Carbon Networks Fund is in its fourth year and is worth up to £64 million per year to electricity distribution companies.
Ofgem press release, 20/05/13



DECC Releases Guidance For Intensive Energy Users On Applying For Compensation For The Impact Of Energy Policy

The Department of Energy and Climate Change (DECC) has released new guidance setting out how businesses can claim compensation from the first tranche of a £250 million fund to cover the indirect costs of the EU Emissions Trading System (EU ETS). Up to £113 million has been allocated for this scheme. The government has also committed to establishing a compensation scheme to address the indirect costs of the Carbon Price Support mechanism, subject to state aid clearance. That scheme is currently being considered by the European Commission and will be announced later this year.
DECC press release, 20/05/13

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DECC press release, 20/05/13

DECC Launches Call For Evidence On Refining

DECC has launched a Call for Evidence to inform a review of the long-term role of the UK's refining and fuel import sectors. The UK market is currently supplied by both domestically refined and imported oil products but the government is considering how, in the light of a changing market, our demand for refined oil products is likely to be met over the next few decades. The review will assess the contribution of both the domestic and imported refining sectors to the UK economy, jobs, skills development, and environmental protection. It will also assess the impact of policy and the regulatory framework on competitiveness. The Call for Evidence will run for eight weeks, with conclusions published towards the end of the year.
DECC press release, 20/05/13

Belgium

CREG Approves Adjusted Transmission Tariffs For 2012-2015

CREG, the Belgian federal energy regulator, approved an adjusted tariff proposal submitted by Elia on the basis of an amended method for setting transmission tariffs. The total revenue needed to cover Elia's costs is almost unchanged, but changes to the tariff structure affect the allocation of costs among network users. Overall, average tariffs billed to generators will drop by 52% for the period 2012-2015. Average costs invoiced to consumers will therefore rise. For an industrial consumer connected to the high voltage grid (380-220-150 kV), tariffs will rise by 29% from 1 June 2013 and by a further 10% from 1 January 2014 (a rise of 1%-2% in their total electricity bill). For a residential consumer with an average consumption of 3500 kWh/year, the annual electricity transmission charge will rise from €32 to €35 on 1 June 2013 and to €39 on 1 January 2014.
Commission de régulation de l'électricité et du gaz, 17/05/13; Elia, 17/05/13

Belgian Nuclear Regulator Authorizes GDF Suez's Local Reactors To Resume

Electrabel, a Belgian power utility controlled by French group GDF Suez, is preparing to restart two nuclear reactors shut since last summer, after the country's regulator authorised their reopening. Belgium's Federal Agency for Nuclear Control said in a statement that it had lifted restrictions imposed on two nuclear reactors in Doel and Tihange after a thorough review found that the reactors were fully compliant with 11 separate requirements. The Belgian regulator ordered the two reactors to be shut last summer, after tests carried out with new technology found small cracks in the steel of the reactor containment vessels. The company has not said exactly when it expects its reactors to be operating at full capacity.
Dow Jones Global Equities News, 17/05/13; Bloomberg, 17/05/13

Denmark

DERA Continues Discussion Of New Regulation Of Danish District Heating Companies With "Analysis Of District Heating Costs"

The Danish energy regulatory agency, DERA, published a paper analysing differences in the cost of providing district heating between companies operating in different regions of Denmark. The paper concluded that the source of fuel, the location, type of ownership, and size are all important determinants of the cost of heating provision. Danish district heating companies are currently regulated through a cost pass-through mechanism but a number of recent reports have discussed changing the regulatory framework to enhance efficiency.
energitilsynet.dk, 17/05/13

European Union

EC Grants Third-Party Access Exemptions To The Trans-Adriatic Pipeline

The European Commission has formally approved the application by the Trans-Adriatic Pipeline (TAP) for exemption from certain EU regulations on energy infrastructure. In particular, this decision exempts TAP from third-party access, regulated tariffs, and ownership unbundling obligations for a period of 25 years. The pipeline will have an initial capacity of 10 bcm per year, and will open up the so-called Southern Gas Corridor by enabling Europe to export natural gas from Azerbaijan.

TAP website, 17/05/13

European Parliament Adopts Directive On The Safety Of Offshore Oil And Gas Operations

The European Parliament has approved new rules on the safety of offshore oil and gas operations. Under the new Directive, no licence shall be granted unless drilling operators ensure they have "sufficient physical, human and financial resources to minimise and rectify the impact of a major accident". The Directive requires companies to submit major hazard reports and emergency response plans to national authorities before operations are authorised to start. In addition, Member States are required to prepare external emergency response plans covering all offshore drilling installations within their jurisdiction. Member States have two years to transpose the Directive into their national laws, although for existing installations the deadline for transposition is five years.

European Parliament website, 21/05/13

European Commission Requests That Belgium And Estonia Comply With Renewable Energy Directive

The European Commission has formally requested Belgium and Estonia to take action to ensure full compliance with EU rules on renewables. Belgium and Estonia had until December 2010 to transpose the Renewable Energy Directive into their respective national legislations. Neither of these Member States has complied with the legal obligation to inform the Commission of the measures taken to fully transpose the Directive. The Commission has stated that it may refer both states to the European Court of Justice if they do not comply with their legal obligations within two months.

EUROPA press release, 30/05/13

France

Regulator Confirms Latest Gas Tariff Schedules Comply With Tariff Formula

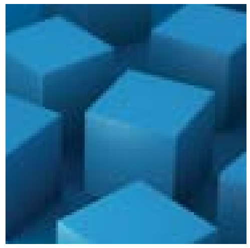
Under the decree of 18 December 2009 on tariffs for the sale of natural gas, GDF Suez submitted for approval by the French energy regulator, the Commission de Regulation de l'Energie (CRE), the tariff schedules for sales of natural gas for public distribution, effective from 1 June 2013. CRE verified that, according to the tariff formula as determined in the decree of 21 December 2012, GDF Suez's costs decreased by 0.034 cents per kWh from April levels, which resulted in reduction of the average public distribution tariff of 0.6%. The reduction will apply to the variable part of GDF Suez's gas distribution tariff.
CRE website, 22/05/13

Regulator Publishes Decision On The Commercialization Of Transhipment Services At The Montoir-De-Bretagne LNG Terminal

Elengy, the operator of the regulated LNG Terminal of Montoir-de-Bretagne, asked the French energy regulator, the Commission de Regulation de l'Energie (CRE), for permission to offer a transhipment service at the Montoir-de-Bretagne terminal within a non-regulated framework. The transhipment service is offered as a transfer of LNG between vessels, thereby allowing that the terminal be used as a connecting point for shipments to destinations that do not have direct connections between the departure and delivery points. CRE authorised the transhipment service proposal to be carried out within a non-regulated framework, subject to certain conditions to ensure a transparent separation between Elengy's regulated and unregulated businesses.
CRE website, 23/05/13

Regulator Authorises The Sale Of Additional Transmission Capacity On The North-South Link On Experimental Basis

The French energy regulator, the Commission de Regulation de l'Energie (CRE), authorised the proposal by GRTgaz to sell additional daily firm transmission capacity on the North-South link on an experimental basis, over the period 1 June to 31 October 2013. The new transmission capacity will be granted in the North-to-South direction, and is intended to alleviate congestion on the North-South transmission link, which has resulted in a significant price differential between the French North and South zones (PEG North and PEG South). Congestion on the North-South link has been caused by supply constraints in the South of France resulting from the drop in LNG imports since



2012 due to high LNG prices in Asia, which was offset by greater imports via pipeline from the North to the South of France. CRE requested that GRTgaz provides feedback on the mechanism by September 2013.
CRE website, 23/05/13

Regulator Approves Revision To Rules On Scheduling, The Balancing Mechanism, And Registration Of Balance Responsible Parties

The French energy regulator, the Commission de Regulation de l'Energie (CRE), approved new rules proposed by the Transmission Network Operator (RTE), for participation in the balancing mechanism, subject to several conditions, effective from 1 July 2013. Changes were proposed in all sections of the rules, including rules on (1) submission and selection of balancing proposals and recovery of balancing expenses; (2) registering Balance Responsible Parties; and (3) the Block Exchange Service which allows trading between Balance Responsible Parties. The changes were subject to formal stakeholder consultation before approval by the CRE. In its conclusions, however, CRE noted that major changes to the rules are still to follow, primarily those concerning the conditions for participation by the balancing entities as well as the permanent integration of various demand management options, which are still in the experimental stage. CRE asked RTE to incorporate these developments in the next revision of the rules scheduled for late 2013.
CRE website, 29/05/13

Germany

Bundesnetzagentur Publishes Annual Report 2012

The Bundesnetzagentur presented its Annual Report for 2012 to the public on 6 May 2013. The presentation highlighted construction and expansion of infrastructure as the key concerns of the Bundesnetzagentur. The Bundesnetzagentur has assumed a central role in planning and approval procedures in the electricity and gas sectors. The integration of renewable energy sources into existing networks is a task of great significance for the energy transition (Energiewende). Last year, the Bundesnetzagentur examined and confirmed the very first Electricity Network Development Plan submitted by transmission system operators. This led the Bundestag (lower house) to adopt the Federal Requirements Plan Bill, which determines all expansions in the extra-high voltage network deemed necessary and given priority to meet supply requirements for the next ten years. The Bill will be debated in the Bundesrat (upper house) in June, so that new planning and approval procedures can take effect in the summer.
Bundesnetzagentur, 06/05/13

The Federal Cabinet Presents Draft Amendments To The Energy Law

The Federal Minister of Economics and Technology, Philipp Rösler, said that proposed amendments to the Energy Law would provide additional investment incentives to accelerate expansion of the electricity network, and to improve the predictability of power prices through a clearer charging scheme. The draft legislation puts forward several amendments, including a new staggered network charging scheme for energy-intensive consumers from 2014, which depends on consumption and hours of usage per year. This proposed amendment is a reaction to the current state aid investigation by the European Commission into the exemption from network charges for energy-intensive final consumers. The amendments also clarify the rules on setting electricity and gas network tariffs, particularly the calculation of asset values, and the applicable price indices, and the inclusion of research and development costs. Furthermore, the Cabinet aims to put electricity consumption on a level playing field with the generation of electricity from renewable sources, by providing a new balancing option (so-called "variable rates") that would allow for more flexible demand side management.

Federal Ministry of Economics and Technology, 29/05/13

Bundesnetzagentur Expands Environmental Assessment For Network Expansion Plans

The Bundesnetzagentur will undertake a Strategic Environmental Assessment (SEA) for 2013 and examine the likely impact of planned electricity network expansion and reinforcement measures on people, animals and the environment. The BNetzA has now released a draft setting out the scope of the assessment. For the first time, the SEA will not only examine projects on land, but also projects in coastal waters as set out in the 2013 Offshore Network Development Plan (" O-NEP").

Bundesnetzagentur, 02/05/13

Italy

Approval For Second Phase Of Reform Over Retail Customers' Economic Conditions

The Italian energy regulator, Autorità per l'energia elettrica e il gas (Aeeg), approved Resolution 196/2013/R/Gas, defining the second phase of economic reforms for gas customers who have not chosen a supplier in the free market ("servizio di tutela"). Aeeg aims to allow small consumers to benefit from lower wholesale spot prices in national and international wholesale markets, by introducing new formulae for gas bills. The wholesale component of final prices will therefore abandon the historical reference to long term contracts and oil indexation. An "incentive mechanism" requires the benefits of renegotiations (in terms of price reductions) to be promptly transferred to end customers, especially if the prices of long-term contracts fall below spot market prices. The reform redefines the QVD component covering the costs of marketing to households and small businesses that have not chosen a new supplier in the free market. The Aeeg's goal for 2013 is to lower final gas prices by 7%.
Aeeg website, 13/05/13

Italian Regulator Starts A Reform To Set New Tariffs For Domestic Users

The Italian energy regulator, Autorità per l'energia elettrica e il gas (Aeeg), published a decision document (delibera 204/2013/R/EEL) initiating proceedings on the reform of tariffs for electricity network services (transmission) and metering. This document launches a reform of the components of household tariffs which cover general system charges. The aim of the reform is to foster the use of renewable sources, to improve market efficiency and to boost technological innovation. The Aeeg states that this reform, which meets requirements set by the European policies, will take effect from 2015, after a public consultation and a regulatory impact assessment.
Aeeg website, 16/05/13

Consultation Document On Technical Issues Of Gas Metering

A new consultation has begun on gas metering, covering technical issues beyond the main tariff issues already under consultation since February. This document consults on the initial approach to regulation of the metering service provided as part of natural gas distribution. The consultation covers a number of measures aiming at simplifying the verification of meters at the request of the end customer and reconstruction of consumption data in the cases where a failure is verified. A second consultation document may be published shortly on the definition of tariffs for metering and distribution.
Aeeg website, 16/05/13

Netherlands

ACM Issues Draft Method Decisions For Electricity And Gas Networks (2014-2016)

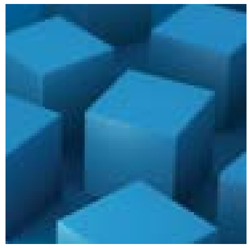
The Dutch Consumers and Markets Authority (ACM) set out draft method decisions for the regulation of TenneT (electricity transmission network), GTS (national gas network), and the regional electricity and gas networks. Method decisions set out how ACM will calculate tariffs for regulated network activities. Stakeholders have until 11 June 2013 to comment on these draft method decisions and held a hearing for stakeholders on 31 May 2013. ACM will incorporate comments from the consultation and the hearing into the final decisions, which it plans publish in the autumn.
ACM website, 01/05/13

Dutch And Norwegian Regulators Explore Options For Hedging The NorNed Power Cable

Acting jointly the Norwegian energy regulator (NVE), the Dutch Consumers and Markets Authority (ACM) is researching the possibilities for hedging long-term contracts between the Netherlands and Norway. On Nord Pool, the Nordic electricity market, market players manage the risk of price differences between regions with Contracts For Difference (CFDs), while in Northwest Europe market players use Physical Transmission Rights (PTRs) to transport electricity from one region to another. To form an internal electricity market, the EU target model looks for Financial Transmission Rights (FTRs) issued by the network operator as the principal instrument for cross-border hedging, leaving significant judgment and choices to national supervisors. ACM and NVE commissioned a study from consultants to inform decisions about long-term capacity allocation at national borders.
ACM website, 02/05/13

Adoption Of Incentive For Relative Availability On NorNed 2010-2011

On 26 March 2013, the Board of Directors of the Dutch Competition Authority set out the incentive payments for the relative availability of the NorNed cable in 2010 and 2011. TenneT is entitled to a bonus of €861,874 for 2010 and €1,330,197 for 2011. The Authority granted TenneT’s claim for force majeure, in respect of a major failure in 2011.
ACM website, 08/05/13



Approval Of Congestion Management Procedures For Cross-Border Networks

With the implementation of the EU Third Package, the Consumers and Market Authority (ACM) acquired a new power over the adoption of congestion management procedures for cross-border neworks. This power is enshrined in Article 5, paragraph 6, of the Electricity Act 1998 and Article 1a, paragraph 6, of the Gas Act. ACM issued a letter to give industry and user associations greater clarity over the procedure to be followed for approval of congestion management procedures on cross-border Networks.
ACM website, 08/05/13

Draft Decision Presented To European Commission On TSO Certification Of TenneT TSO, Gasunie Transport Services and BBL Company

Since July 2012, the operator of energy transmission networks must be certified by ACM as compliant with the unbundling requirements of EU Directive 2009/73/EC. TenneT TSO BV (TenneT), Gasunie Transport Services BV (GTS) and BBL Company V.O.F (BBLC) all applied for certification in September 2012. ACM has provisionally decided that TenneT meets the requirements; that GTS will meet the requirements, once ownership of the transmission assets of Dutch Gasunie NV has been transferred to GTS; and that BBLC will meet the requirements once it has made some planned changes to its management structure. Before the decision can be finally adopted, the European Commission must also give its opinion.
ACM website, 16/05/13

Change To Connection Code Following Tribunal Ruling Of 24 August 2012

The Consumers and Markets Authority (ACM) submitted for inspection a draft amendment to the decision of 11 November 2010 (NMa decision 103133_1/257) amending the Gas Tariff Code in connection with gas connections. The draft responds to an interlocutory decision of the Board of Trade and Industry (CBb, 24 August 2012, case LJN BX6776). The proposal amends Article 2.5.1.19 of the ACM Gas Tariff Code. The proposed text provides that in the billing of some connection work a network operator need only break down costs into the three broad headings: “Material, tools, transport and storage”, “Works” and “Cost of Overheads (excluding VAT)”. The procedure for this amendment does not contain a phase for registering objections. After adoption of the decision, stakeholders may appeal with to Board of Trade and Industry.
ACM website, 23/05/13

Norway

Norwegian Government Calls For Evidence On Norwegian District Heating Legislation

As part of the process of revising the Norwegian legislation on district heating, the Norwegian government issued a call for evidence on legislative changes regarding the price caps for district heating. These price caps are currently unrelated to the costs of each individual district heating company. Instead, they are determined by reference to the price of electric heating, which was historically the cheapest alternative source of heating in Norway due to the large amounts of hydro generation. The call for evidence follows a consultant report in April setting out the different options for change.

regjeringen.no, 30/05/13

Government Issues Call For Evidence On Transmission Cable To Germany And Great Britain

The Norwegian government issued a call for evidence on a proposal by Statnett to construct new electricity transmission capacity to Germany and Great Britain.

regjeringen.no, 22/05/13

NVE Drops Estimate Of "Reference Interest Rate" From 7.12% To 6.82% For 2013

NVE issued a new projected "reference interest rate" for 2013 of 6.82%. The reference interest rate, used in the regulation of networks, is set at the end of the year. NVE regularly sets out a forecast of the "reference interest rate" which is used in the regulation of tariffs. NVE had previously forecast a rate of 7.12%.

NVE website, 21/05/13

Poland

Poland Plans To Delay Shale Gas Taxes Until 2020

Poland's finance minister, Jacek Rostowski, announced a delay in the proposed taxation of shale gas output. The law outlining hydrocarbon taxes will come into effect in 2015, but taxes on shale gas output will not be collected until 2020. The move is intended to encourage investment in shale gas exploration and comes after ExxonMobil and Marathon recently closed their shale gas operations in Poland.

Reuters News, 22/05/13; Chemweek's Business Daily, 24/05/13

Portugal

Portuguese Regulator Confirms Customer Compensation By EDP Over Incorrect Metering

The Portuguese energy regulator, ERSE, confirmed that EDP's distribution unit will have to pay a total of €7 million (US$9.1 million) to electricity customers under time-of-use tariff schemes. This payment comes as compensation for wrongly configured multi-tariff meters.
ERSE website, 13/05/13

Portuguese Government Announces Investment In Electricity And Gas Networks

The Portuguese Secretary of State for Energy, Artur Trindade, announced plans to upgrade the country's electricity network, as well as to expand the natural gas network. Investment in the electricity network will amount to €135 million (US$176 million) and will be used to improve the quality of supply in the western part of the country. Investment in the natural gas sector will amount to €85 million (US$110 million) and will be used to expand the network in northern Portugal. Related to this network expansion, the government plans to hold tenders to award 26 licences for natural gas distribution in 27 municipalities, which will enable 276,000 consumers to access the natural gas network.
SeeNews, 29/05/13; SeeNews, 30/05/13

Romania

European Commission Sends Statement Of Objections To Romania's Power Market Operator OPCOM Outlining Potential Discriminatory Practices

The European Commission has sent the Romanian power market operator OPCOM a statement of objections regarding OPCOM's requirement that the participants in its spot market for electricity must have a Romanian VAT registration. The Commission's initial opinion is that this amounts to discrimination against companies on the basis of their locale and is therefore in violation of EU antitrust rules. The Commission opened the investigation in December 2012 and if OPCOM is found guilty, the Commission can forbid such behaviour in the future as well as levy a fine of up to 10% of the company's annual global turnover.
EC press release, 30/05/13

Russia

Government Consolidates Grid Assets

Consolidation of the Russian electricity grid companies into a single entity will be complete after Russian Networks (formerly MRSK, Interregional Network Company) issues additional shares and the government swaps them for its stake in the Federal Network Company (FSK). Earlier in May, President Putin decreed that the state's share in Russian Networks should be no less than 67.1%. The government owns a 79.6% stake in FSK and will use it to increase its stake in Russian Networks to 67.1%. As a result of this restructuring, FSK will become a subsidiary of Russian Networks.

Praim, 03/05/13; Vedomosti, 20/05/13

Federal Tariff Service To Curb Gas Tariffs

The Federal Tariff Service (know as FST) changed the gas tariff formula applicable to all non-household customers. The amendments will introduce correction coefficients in the quarterly price changes to smooth out prices and to prevent them from increasing by more than government target growth rates. A representative of FST did not rule out the possibility that the gas tariff growth rate in 2013 will be lower than the previously set cap of 15%.

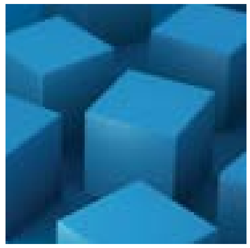
RIA Novosti, 15/05/13; FTS press release, 22/05/13

Spain

Spanish Regulator Approves Information Memorandum On Allocation Of Gas Interconnection Capacity Between Spain And Portugal

The Spanish energy regulator, CNE, approved the Information Memorandum containing the standard contract and the methodology for coordinated allocation of natural gas interconnection capacity between Spain and Portugal through an auction process for 2013. The document describes how to take part in the auction, the products being offered, and the allocation rules. It also details the schedule for the allocation of available capacity between October 2013 and September 2014.

CNE website, 10/05/13



Sweden

Energimarknadsinspektionen (EI) Proposes Changes To The Legislation Of Price Determination Of District Heating

As part of the ongoing process of revising the Swedish law governing district heating, the Swedish energy regulator, EI, published a report setting out three different options for revising current legislation on changing prices for district heating in Sweden: (i) negotiations (ii) cost-based prices; and (iii) index-based prices. EI expressed a preference for the index-based approach. The legislation currently governing the Swedish district heating sector has undergone a series of changes since 2002, including the district heating law (2008), which aimed at increasing transparency in the sector. The current system involves companies setting prices, with a district heating board ("Fjärrvärmenämnden") to resolve disputes. However, according to EI, this has not proven effective in preventing "overpricing" of heat in the sector.

ei.se, 02/05/13

Energimarknadsinspektionen Says: Many Remaining Barriers Are Preventing Significant Smart Meter Penetration

The Swedish energy regulator, EI, published a report analysing progress on the smart meter rollout in Sweden since introduction of legislation in October 2012 on hourly electricity metering, which allows consumers (up to 63A) to request free installation of a smart meter. The report states that only a very limited number of customers have installed meters, which can be explained by a number of factors including limited ways for consumers to adjust their electricity consumption.

ei.se, 04/13

NORTH AMERICAN NEWS

Canada

Alberta Revamps Energy Regulatory Authority

The Canadian government is creating a single new energy regulator for the province of Alberta, to be known as the Alberta Energy Regulator. The new organization will pull together all the province's existing regulatory powers into a single body, with the aim of streamlining the regulatory process and improving its transparency and environmental credentials.

The Globe and Mail, 14/05/13; www.energy.alberta.ca, 03/06/13

US

Rate Hike Approved For Southern California Gas

The California Public Utilities Commission (CPUC) has approved a rate increase totalling US$1,950 million for the Southern California Gas Co. Residential customers face monthly increases of about 5%, or US$1.94. The increase permitted by the CPUC is US$154 million less than the company originally asked for. It covers the period from 2012 to 2015 and is expected to contribute to improved safety and reliability of the infrastructure network.

CPUC website, 09/05/13; Los Angeles Times, 11/05/13

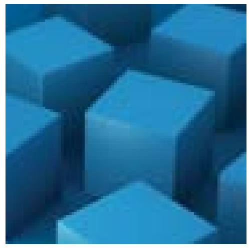
Return On Equity: FERC's Move From Midpoint To Median For Individual Electric Utilities

On 10 May 2013, the Washington, DC Circuit Court of Appeals upheld FERC's decision to change the measure of central tendency used to establish the Return On Equity (ROE) for individual electric utilities. The Court ruled that FERC did not act arbitrarily or capriciously by choosing the median instead of the midpoint. FERC has long relied upon the median of the ROEs for a range of proxy companies when determining the ROE for gas and oil pipelines. In contrast, for electric utilities, it relied upon the midpoint between the highest and lowest ROE for proxy companies until 2008, when it adopted the median as the best measure of central tendency for a single utility of average risk. However, FERC may continue to use the midpoint when setting the ROE for a group of electric utilities perceived as having diverse risks, such as a group of transmission owners participating in a Regional Transmission Organization.

United States Court of Appeals for the District of Columbia Circuit, Decision No. 11-1471, 10/05/13; SNL Financial, 10/05/13

CAISO Approves Real-Time Market Design Changes For Integration Of Variable Energy Resources

CAISO's board of governors approved additional design changes in its Real Time (RT) market to improve the integration of variable energy resources (VERs) and to comply with FERC Order 764. The system operator will now offer the option of intertie scheduling and settlement in 15-minute increments in order to improve operational data for purposes of forecasting, as more VERs are integrated into the network. For internal resources and dynamically-scheduled intertie resources, the CAISO will keep the existing five-minute dispatch. Intertie transactions scheduled using the hour-ahead scheduling process will be paid the price in each of the 15-minute settlement intervals during each hour, as opposed to the price projected by the hour-ahead scheduling process. Market



participants will be able to submit economic bids that CAISO can schedule in 15-minute intervals and settle at the 15-minute price.
Decision on FERC Order 764 Market Design Changes, 15/05/13; SNLEnergy, 16/05/13

FERC Partially Approves ISO-NE FERC Order 1000 Compliance Filing

The Federal Energy Regulatory Commission (FERC) partially approved the compliance filing for FERC Order 1000 by ISO New England Inc. (ISO-NE). FERC has ordered the grid operator to eliminate the federal right of first refusal, which gives exclusive rights to incumbent utilities to build and own certain transmission projects that are required for reliability reasons. Additionally, ISO-NE must propose a process for selecting the most efficient or cost-effective transmission solution when a transmission need is driven by public policy requirements. Another required change includes addressing deficiencies related to transparency and comparability of transmission planning principles.
FERC website, 16/05/13; SNLEnergy, 16/05/13

FERC Orders Changes To MISO Formula Rate Protocols

The Federal Energy Regulatory Commission (FERC) ordered changes to the formula rate protocols of Midwest Independent System Operator Inc (MISO) citing insufficiency to ensure just and reasonable rates. The FERC has ordered MISO to add provisions to ensure that a broader range of stakeholders can participate in transmission owners' annual formula rate update processes and that all interested parties will have access to information necessary to challenge the formula rates. Transmission owners will now be required to publish information on project costs and to submit rate updates to FERC.
SNLEnergy, 16/05/13; FERC website 16/05/13

FERC Partially Approves NYISO Proposal For Demand Response Compensation Rules

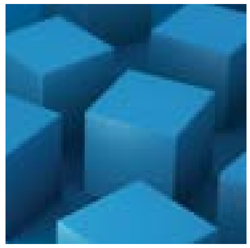
The Federal Energy Regulatory Commission (FERC) partially approved the proposal from New York ISO (NYISO) for new demand response compensation rules to comply with FERC Order 745. The NYISO is required to modify its proposal so that only entities that bought energy from the market in the area where the demand response reduces the LMP are allocated the demand response compensation costs. Additionally, the FERC ordered the ISO either to eliminate or to provide more justification for its US$75/MWh offer floor for demand response providers bidding into its day-ahead market. If the ISO chooses to modify the threshold, it must be based on a net benefits test.
FERC website 16/05/13; SNLEnergy, 17/05/13

US Energy Department Authorizes Second Proposed Facility To Export Liquefied Natural Gas

The United States Department of Energy has conditionally authorized two new entities to export domestically produced liquefied natural gas (LNG) to countries that do not have a Free Trade Agreement (FTA) with the United States.
Subject to environmental review and final regulatory approval, the facility is conditionally authorised to export LNG at a rate of up to 1.4 billion cubic feet per day (Bcf/d) for a period of 20 years.
DOE press release, 17/05/13; Washington Post, 18/05/13

Impact Of Supreme Court Decision In British Utility Windfall Tax Case Remains Unclear

The US Supreme Court decided that PPL Corp. can offset against US tax a British “windfall tax” imposed in 1997 on a privatised utility business that it had bought the year before. Britain’s Labour Party imposed a 23% windfall tax on 32 beneficiaries of perceived “giveaway” privatisations, based on the difference between the company’s “flotation value” and actual profits realised in an initial four-year period after privatization. PPL, which owned a share in a British utility, claimed a US foreign income tax credit to avoid paying taxes on the same income twice. The commissioner of the US Internal Revenue Service rejected the claim, on the grounds that the tax was based not on the utility’s income but on its value (the “windfall”). The case proceeded on appeal through the US Tax Court, federal circuit courts, and the US Court of Appeals (3rd Circuit). The decision of the last of these courts conflicted with the decision of a 5th Circuit court in a case concerning Energy Corp., so the Supreme Court stepped in to resolve the differences. In a unanimous 9-0 decision (PPL Corp. v. the Commissioner of Internal Revenue (12-43)), the Supreme Court reversed the 3rd Circuit’s opinion (thereby confirming the 5th Circuit’s approach), and determined that PPL should be allowed to claim a credit against its US income taxes for windfall tax paid in the United Kingdom. The court noted that the windfall tax was based on the difference between (1) the profits each company actually earned and (2) the amount the Labour government believed it should have earned, given its flotation value. The effect of this calculation was to impose a tax on all profits above a threshold, “a classic excess profits tax”, said Justice Thomas.
Supreme Court website, 20/05/13; SNL Power Daily, 24/05/13



Mexico

Mexican Congress Amends Renewable Energy Law To Boost Hydropower

The Mexican Congress approved changes to the renewable energy law to include the production of larger hydropower projects in the country's definition of "renewables". With this change, projects larger than 30 MW and with a generation density of at least 10 W/m2 qualify to be categorised as renewable. This change is aimed at providing incentives for the construction of new small and medium-scale hydropower plants and for the expansion of existing projects.

Sener website, 01/05/13; Hydroworld.com, 03/05/13

Government, Regulator, and Confederation of Industrial Chambers Reach An Agreement Over Natural Gas Price And Supply

The Mexican government, the energy regulator (CRE), and the National Confederation of Industrial Chambers (CONCAMIN) reached an agreement over the price of natural gas and investments for security of supply. The energy regulator agreed to lower, from 0.63 to 0.39 US$/GJ, the surcharge that it had approved earlier in the year to balance the amount of gas in the network. Meanwhile, the government made a commitment to ensure natural gas supply through strategic investments in pipelines and by increasing gas compression capacity in the distribution system.

Concamin website, 06/05/13

CENTRAL & SOUTH AMERICAN NEWS

Brazil

Brazilian Regulator Sets Out Commercial Procedures For Electricity Tariffs

ANEEL, the Brazilian regulator, released new commercial procedures for electricity tariffs that will apply from 1 January 2014. These procedures call for the creation of a "flag system" aimed at increasing consumers' awareness of electricity generation costs. According to this system, electricity bills will include a table showing an indicator of the cost that was incurred to generate electricity in that month. This cost indicator will be based on the level of water reserves in dams of the region where the consumer lives. More specifically, electricity bills will include a green, yellow, or red flag to indicate whether the cost of generation was low, medium or high in that particular month. The last two flags, yellow and red, will imply additional charges to the consumer, which can amount to US$1.4 per 100 kWh consumed, due to the higher generation costs.

Globo website, 10/05/13; Brazil Official Bulletin, 10/05/13

Peru

Peru Approves Universal Energy Access Plan 2013-2022

Peru's Ministry of Energy and Mines approved the country's Universal Energy Access Plan 2013-2022. This plan is aimed at achieving universal access to energy supply and at improving energy efficiency. Priorities in the plan include access to electricity supply, as well as access to fuels and technologies for cooking and heating purposes. The plan also emphasises the need to increase access to natural gas in rural areas of the country.
Ministry of Energy and Mines website, 28/05/13

ASIA PACIFIC NEWS

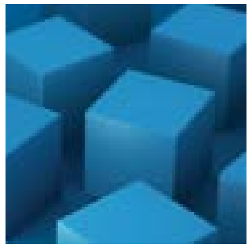
Australia

AEMC Initiates Gas Market Scoping Study

The Australian Energy Markets Commission (AEMC) launched a gas market scoping study, which will provide the Commission with an overview of developments in the gas market, and identify areas of potential improvement in the market and regulatory arrangements for the downstream gas sector that may benefit from future work on market development. The study will consider how well the existing downstream market and regulatory arrangements are operating and whether they are expected to continue meeting efficiently the long-term interests of consumers. The AEMC will use the results of this study as a basis for engagement with the Standing Council on Energy and Resources, industry stakeholders and consumers on potential future gas market development. Submissions can be made up until 14 June 2013.
AEMC website, 09/05/13

AEMC Review Into Retail Electricity Price Trends

The Australian Energy Market Commission (AEMC) published its terms of reference for its 2013 Retail Electricity Price Trends report. The report will examine the individual components of residential electricity prices for each state and territory in Australia, and estimate possible future trends for each of these cost components out to 2015/16, as well as the drivers of those trends. The AEMC has undertaken similar price trend reporting in 2010, 2011 and 2012. In contrast to previous years, the AEMC will consider trends in market offer prices as well as standing offer prices, as well as the impact of different consumption volumes on residential electricity prices. The report will be published by the end of 2013.
AEMC website, 23/05/13



Advice On Best Practice Retail Price Methodology

The AEMC has published terms of reference for developing a best practice methodology for the regulation of retail electricity prices for small customers. At present, the pricing methodology used by jurisdictional regulators to determine retail electricity prices for small customers is not consistent across jurisdictions. The purpose of the inquiry is to investigate the development of a more national approach to the setting of retail prices. In providing this advice, the AEMC will consider the methodologies for estimating each cost component within the regulated retail electricity price, and will also give consideration to the appropriate form and duration of retail price determinations. The AEMC's final advice must be prepared by 30 September 2013.
AEMC website, 23/05/13

New Zealand

Consultation Paper On Pricing In A Pivotal Supplier Situation

The Wholesale Advisory Group (WAG) seeks feedback on its paper entitled "Pricing in Pivotal Supplier Situations". The paper was produced for the Electricity Authority's investigation into the efficiency of wholesale electricity pricing during situations when one or more suppliers is "pivotal". The Electricity Authority seeks to provide consumers with more confidence about the efficiency of prices during pivotal supplier situations, and also to give investors more confidence to charge prices they need to get a return on their last resort plant. The WAG paper explores the efficiency issues that could arise from pivotal supplier situations, the extent to which they arise under current arrangements, and possible options for addressing pivotal supplier situations. Submissions are due 9 July 2013.
Electricity Authority, 28/05/13

India

India May Miss Wind Power Targets For Lack Of Incentives

The Indian government's target of one-fifth of the total generation portfolio (55 GW of installed capacity) coming from renewable sources by 2017 could be missed if the government does not offer stronger policy incentives for growth in the wind sector, according to analysts and senior industry officials.
The government's failure to provide a consistent set of policies to incentivise renewable energy investment, after withdrawing the tariff-linked subsidies and cutting the tax-incentive programme last March, has been put forth as the main

driver behind the lack of investment. The sector added 1.7 GW of wind capacity in 2012/13 and is expected to make similar additions in the fiscal year 2013/14, missing the target by around a third. If the trend continues, analysts expect that the overall renewables target will be missed by at least 5 GW.
Dow Jones Top News & Commentary, 23/05/13;
The Wall Street Journal Online, 23/05/13

MERC Hikes Power Tariffs For All Distribution Utilities

The Maharashtra Electricity Regulatory Commission (MERC) increased the transmission tariff for all distribution companies from 29 paise (US$0.0049) to 43 paise (US$0.0073) per kWh, a tariff hike of 14 paise (US$0.0024) per kWh, effective retrospectively from April 2013. The tariff hike will affect around six million users in Mumbai. The full tariff increase will be passed on to the end-users in the Mumbai metropolitan region.
The Times of India – Pune & Mumbai Ed., 26/05/13

Indonesia

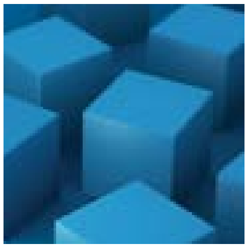
New Upstream Regulator Announces It Will Renegotiate Price Of LNG Sold To China

Indonesia's new upstream regulator, SKKMigas, intends to renegotiate the price at which the Chinese firm CNOOC buys LNG from the Tangguh export plant. CNOOC holds a 13.9% stake in the terminal itself and currently has an agreement in place to import 2.6 million tonnes/year of LNG from the terminal, at a price of $3.35 per MMBTU, well below the regional market level. By contrast, gas sold to Japan and Korea is priced at roughly $16 per MMBTU, whilst domestic gas is priced at $10 per MMBTU. The price increase is being proposed by the regulator after it denied a request by the Tangguh parties to recover the costs of expanding the terminal form the Indonesian state.
IHS Global Insight, 09/05/13; Reuters, 10/05/13

Japan

Tsuruga Nuclear Plant Unlikely To Reopen After Fault Line Confirmed

Japan's Nuclear Regulation Authority (NRA) confirmed that it considers the fault line running beneath Japan Atomic Power's Tsuruga No.2 power plant to be active, thus ending hopes that the plant might be allowed to restart operations. This is the first case where the NRA has declared a fault to be active, and an important test of its resolve in the face of increasing industry and political hostility to the enforced shut down of nuclear capacity.
Kyodo News, 14/05/13; Nikkei, 15/05/13



Thailand

Auction For Generating Capacity Draws Weaker Than Expected Response

The Energy Regulatory Commission of Thailand (ERC) said that nine proposals had been submitted by five IPPs in the latest power generation capacity auction, down from a reported 100 expressions of interest. The auction covers the period from 2021 onward, and aims to procure 5,400 MW of gas-fired capacity. Thailand's largest IPP, Ratchaburi Electricity Generating Holding Co., said the latest auction was not of interest because of the strict rules on where future plant could be located. The five entrants included state-owned Electricity Generating Plc and four other IPPs. The ERC will determine the winners of the auction over the next three months.

Bangkok Post, 01/05/13; The Nation, 08/05/13

Vietnam

State Control Tightens Over Vietnam Electricity Group

A new decree issued by the Ministry of Industry and Trade placed further controls on Vietnam Electricity Group (EVN), the state-owned electricity group. Under the decree, the Ministry will be responsible for appointing EVN's CEO, who can be dismissed if EVN fails to turn a profit for two consecutive years. In return for this expanded control, EVN will be granted leeway to adjust its tariffs, within the limits established by regulation.

Ministry of Trade and Industry, 23/05/13

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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