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Global Energy Regulation

Contents

EUROPE

UK

DECC Publishes Final Grid Connection Proposals

The Department of Energy and Climate Change (DECC) has published final proposals to change transmission connection rules for generators in Great Britain. The proposed system, called "Connect and Manage", will allow generators to connect to the network as soon as their "shallow" connection works are complete, but before any deeper reinforcements are complete. National Grid, the transmission system operator, will then spread over all users the costs of managing the increased constraints on the network.

DECC website, 03/03/10

Funding For Companies To Start Building Smart Cities

The Department of Energy and Climate Change (DECC) has given eight companies grants amounting to £7.6 million in total for trials of smart grid technology. The projects receiving support cover a range of technologies that support smart grid development, including electrical storage, distribution load management, demand response controls, and a network platform for a future smart grid site in Glasgow.

DECC Website, 23/03/10

Ofgem Published Final Proposals On Code Governance Review

Ofgem has published its final proposals from the Code Governance Review, which examined arrangements for implementing changes to industry codes. The review aimed to make existing code governance arrangements more transparent and accessible, increase the scope for smaller players and consumer groups to participate, speed up and simplify code reform processes, and reduce the regulator's role in code modifications that have little or no

impact on consumers. Ofgem concluded that a number of deficiencies in the existing framework have delayed reforms. Ofgem proposes to give network users and other materially affected parties the right to raise proposals to modify network companies' charging methodologies and to clarify the requirement to conduct environmental impact assessments of code modification proposals.
Ofgem website, 31/03/10

Austria

Regulator Publishes Annual Report

The Austrian regulator, E-Control, has published its annual report for 2009. In this report, E-Control provides an overview of its activities in 2009 and gives an account of current developments on gas and power markets. E-Control said that wholesale prices decreased since mid-2008 and that final customers should benefit more noticeably from this development. E-Control also said that the EU's third energy market liberalisation package offered the opportunity of achieving "real improvements for domestic power- and gas customers".
E-Control, 01/03/10

Competition Watchdog To Examine Electricity Bills For 'Consumer Friendliness'

Last year, the Verband der Elektrizitätsunternehmen Österreichs (the association of Austrian electricity companies) presented a new model electricity bill. The Austrian competition watchdog, the Bundeswettbewerbsbehörde (BWB), has now announced that it would review this bill for its "consumer friendliness" (Kundenfreundlichkeit) in collaboration with the Association for Consumer Information. The BWB said that clear and transparent electricity bills were the basis for fair and free competition. The initiative is part of the BWB's "competition revival package".
Bundeswettbewerbsbehörde website, 26/03/10

Belgium

Constitutional Court Upholds Nuclear Tax

Belgium's constitutional court has rejected an appeal by energy utility Electrabel, which is owned by GDF Suez, against a tax of €250 million (US$335 million) imposed on operators of nuclear power plants in 2008. The companies—Synatom, EDF Belgium, and S.P.E.—had also appealed on the same matter. Recently, GDF Suez and other nuclear operators agreed to pay €214-245 million annually over the next five years after Belgium decided to extend the life of the three oldest nuclear power plants by 10 years.

Cour Constitutionnelle website, 30/03/10; Reuters, 30/03/10; DowJones Newswire, 31/03/10

Bulgaria

Energy Regulator Tightens Regime For Green Power

The State Energy and Water Regulatory Commission (SEWRC) announced new stricter procedures for obtaining a licence to produce green power from renewable sources. SEWRC will require financial and operating arrangements to be in place and full environmental impact assessments to be submitted with licence applications.

Reuters, 05/03/10; ADP News South East Europe, 05/03/10

Bulgarian Government Overrules Regulator On Gas Tariffs

The State Energy and Water Regulatory Commission (SEWRC) endorsed a 10.88% rise in gas prices from 1 April this year. The hike was designed to compensate the national gas monopoly, Bulgargaz, for spiralling import costs caused by the depreciation of the Bulgarian lev against the US dollar. Two days after the regulator's announcement, the Bulgarian government decided to reduce the increase by five percentage points to 5.88%.

The intervention forms part of the government's measures to support the economy but leaves the increase in gas prices even further short of the 26.4% rise, which Bulgargaz argues is necessary to finance imports.

IHS Global Insight Daily Analysis, 30/03/10; South East Europe Newswire, 31/03/10; Bulgarian News Agency, 31/03/10

European Union

Commission Accepts EDF Commitment To Close Antitrust Case

The European Commission has settled its antitrust case against EDF. The French energy incumbent was accused of abusing its dominant position by signing exclusive long-term contracts with large customers, thus preventing new potential suppliers from entering the market. By agreeing that a majority of customers will be able to opt out of their contracts for free, EDF has avoided fines of up to 10% of its yearly revenues. EDF also pledged to allow its customers to resell electricity. These commitments will bind EDF for 10 years unless its market share falls below 40% for two consecutive years.

Associated Press Newswires, 17/03/10; Dow Jones International News, 18/03/10

Commission Gives Green Light To Austrian State Aid To Verbund

The European Commission has authorized the Austrian government to grant aid of €16 million to a company owned by the country's biggest utility, Verbund, to support a project for the combined generation of electricity and heat. In the view of the Commission, the aid represents a necessary incentive for the development of the project, whose positive environmental effects outweigh potential distortions in competition.

European Commission website, 24/03/10

France

Regulator Recommends Decree On Connection Charging

The CRE, the French energy regulator, has issued a favourable opinion on the draft decree on the method of calculating connection charges. The French Minister of State and the Energy Minister had asked the CRE for its opinion. Article 1 of the draft decree extended the application of simplified cost formulae to connections at low voltage levels. The CRE argued that extending the use of simplified cost formulae was beneficial to consumers by increasing the transparency of the billing system and by leading to a more equitable distribution of charges between consumers requesting connection services in the same distribution network area. The CRE's decision was actually taken on 23 July 2009, but has only now been published on the website of the CRE.

Commission de Régulation de l'Énergie website, 04/03/10

Regulatory Developments At Dunkerque LNG Terminal

The French and Belgian energy regulators have both issued opinions on possible exemptions for new LNG infrastructure at Dunkerque, France. Dunkerque LNG, a subsidiary of energy utility EDF, is currently considering whether to build an LNG terminal there. On 8 March 2010, the Commission de Régulation de l'Énergie (CRE) published the advice it gave to the Minister for Energy on whether to grant an exemption to third party access for that LNG terminal. (The advice was actually issued on 23 July 2009, after Dunkerque LNG submitted a request to the Minister for Energy to exempt the planned terminal for a period of 20 years.) The CRE gave a favourable opinion, subject to a number of conditions being fulfilled. On 4 March, Belgian energy regulator CREG published a study on the possible connection between the Dunkerque LNG terminal and the Belgian gas transmission network. According to CREG, EDF would like to connect the terminal to the Zeebrugge hub and CREG's opinion is required to guide consultations with interested parties. CREG is concerned about ensuring fair competition between the two terminals given that they are subject to different regulatory regimes. CREG issued a number of guidelines and basic principles that the connection should meet. On 8 March 2010, EDF announced that the oil and gas company Total was joining the project.

CREG, 04/03/10; Commission de Régulation de l'Énergie website, 08/03/10; EDF Dunkerque website, 08/03/10; Platts EU Energy, 26/03/10

Regulator Reports On Request For Offers To Build Solar Plants

The Commission de Régulation de l'Énergie (CRE, the French energy regulator) reported progress on the request for offers to build a total of 300 MW of solar capacity, issued by the Minister for Energy in 2009. Successful bidders will benefit from special purchase conditions over a period of 20 years, including a fixed price for the electricity they produce. The contracts will be awarded on the basis of the submitted price, the environmental impact of the project, its feasibility, and its contribution to research and development in the solar sector. The deadline for submitting offers was 25 January 2010. The CRE said that 119 offers were submitted for a total of 867 MW of capacity.

Commission de Régulation de l'Énergie website, 08/03/10

Regulator Approves Dunkerque LNG's Open Season Procedure

In 2009, Dunkerque LNG requested exemption from third party access for its proposed LNG terminal project for a period of 20 years. The decree of 18 February 2010 grants the exemption, but requires Dunkerque LNG to hold an open season that complies with a European Commission decision of 20 January 2010. The decree requires the French energy regulator, the CRE, to approve the open season procedures. The CRE has reviewed these procedures and found that they comply with the requirements of the European Commission and the decree of 18 February 2010.

Commission de Régulation de l'Énergie website, 11/03/10

Regulator Approves Marketing Arrangements of LNG Terminal

The Société du Terminal Méthanier de Fos Cavaou (STMFC) is the operator of the LNG terminal at Fos Cavaou, which was expected to start commercial operation at the beginning of April 2010. Following a court case, the operating license of the terminal was annulled and the operation of the terminal limited by decree to 20% of its nominal capacity and an average of two ships per month. These limits will apply until a new license is issued or the decree is revised. In January 2010, STMFC submitted a request for a revised tariff to implement a mechanism that would make up for the costs that the company cannot cover due to the restrictions in capacity. The CRE has decided to reject this request for a revised tariff. The CRE defended this decision inter alia on the basis that the regulation did not allow a revision of tariffs to cover a possible shortfall in revenues as part of the commercial activities; only a revision in costs would justify a revision in tariffs. Against this background, STMFC has set out a proposal for marketing the capacity at the terminal. Under article 7 of law 2003-8, operators of gas facilities have to submit to the energy regulator, CRE, the conditions under which the use of their facilities will be marketed. The regulator said that the conditions proposed by STMFC correspond to those of an "open subscription period" ("vente par guichet") and are non-discriminatory. The regulator concluded that the marketing arrangements comply with the principles of the relevant article.

Commission de Régulation de l'Énergie website, 11/03/10, 18/03/10

Regulator Approves Increase In Regulated Gas Tariffs

The Commission de Régulation de l'Énergie (CRE) has approved an increase in GDF Suez's regulated tariffs from 1 April 2010. GDF Suez submitted a tariff proposal to the CRE on 11 March 2010. The CRE said that, compared to the tariffs in place since 1 April 2009, the proposal reflected the increase in GDF Suez's supply costs. According to the CRE, the average increase in tariffs was 9.7%, which could be decomposed into an average increase of 3.8% to cover the costs of supply and an average increase of 5.9% in the non-supply costs fixed in a decree of 21 December 2009.

Commission de Régulation de l'Énergie website, 25/03/10

Germany

Regulator Orders Grid Control Cooperation For German Networks

The German networks regulator, the Bundesnetzagentur (BNetzA), has ordered the introduction of nationwide cooperation in electricity grid control by 31 May 2010 at the latest. This decision obliges the four Transmission System Operators (TSOs) to work together more closely in balancing the German grid. The BNetzA said it expected the measure to lead to annual cost savings of "hundreds of millions". The BNetzA explained that the current, separate balancing of the four control areas resulted at times in contra-directional use of balancing power, whereby one control area used negative balancing power and another control area needed positive balancing power at the same time. The BNetzA said that cooperation in grid control would prevent contra-directional, non-harmonised use of balancing energy. The imbalances of the individual control areas would be netted so that only the residual balance had to be evened out by means of balancing energy. The BNetzA said it decided on the nationwide introduction of grid control cooperation, because it could be implemented quickly. However, this step "could prove to be the precursor of a further integration of the networks".

Bundesnetzagentur website, 16/03/10

Regulator Presents Annual Report

The German networks regulator, the Bundesnetzagentur (BNetzA), has presented its annual report for 2009. The BNetzA said that it saw the rapid expansion and conversion of networks in Germany as a chance for "creative investment" in many sectors and that it was building on a number of measures, including (1) the restructuring of energy use and energy consumption through smart meters and the rapid introduction of electricity tariffs that reflect the supply and demand balance, even for household customers; (2) the rapid expansion of electricity and gas transmission networks that meet the new

requirements of European competition as well as changes in the structure of electricity generation (off-shore wind farms); (3) the promotion of cooperation among electricity transmission operators to reduce costs, in particular the costs of regulation and balancing power, and to make the networks more secure and efficient; and (4) the pooling of gas market areas and new capacity management rules to create more liquidity and competition.
Bundesnetzagentur website, 23/03/10

Italy

Text On Electricity Generation

The regulator has published the text that includes current regulations on electricity generation. The text also includes the regulator's provisions on generation from renewable sources and on high-efficiency co-generation. The document is intended to provide a guide for operators willing to enter the generation market.
AEEG website, 16/03/10

Aeeg Sets Next Quarter's Reference Prices For Electricity And Gas

Aeeg, the Italian energy regulator, set the reference prices for electricity and gas supply to customers who are in the protected market (i.e., residential customers and small companies who have not chosen a supplier in the free market). In the next quarter, the electricity reference price will decrease by 3.1% while the gas reference price will increase by 3.6%. The average total electricity and gas bill (on an annual basis) for the representative residential customer will therefore be 4% lower than the average bill as of 1 April 2009.
AEEG website, 30/03/10

Netherlands

GTS Wants To Rearrange Gas Transport Tariffs In 2011

Energiekamer, the Dutch energy regulator, has received a request from GTS, the Dutch gas transmission system operator, to "rearrange" gas transmission tariffs. Energiekamer announced it would consult on GTS's proposal later this year, given the "complexity of the proposed rearrangement, and the short time in which Energiekamer usually reviews GTS' tariff proposals." Energiekamer expects GTS's draft proposal in April 2010 and intends to make the draft available for consultation around 1 May 2010.
Energiekamer website, 01/03/10

NMa Issues Binding Directive To Dow Benelux

NMa, the Dutch competition authority, has issued a binding directive to Dow Benelux to pay the system services tariff to Tennet, the Dutch electricity transmission system operator (TSO). NMa's decision follows a dispute between Dow Benelux and Tennet, in which Dow Benelux refused to pay the system services charges on the grounds that it is not directly connected to Tennet's high voltage grid. Tennet, however, claimed that Dow Benelux is liable for system services charges on the grounds that Dow Benelux benefits from the system services provided by Tennet as an end-user of electricity. NMa has decided in favour of Tennet, since the TSO provides system services to maintain the balance on the grid and to prevent interruptions in the transport of electricity. The system services cover all grids, including Tennet's high-voltage grids, regional grids, and privately-owned grids, such as the grid through which Dow Benelux is indirectly connected to Tennet's grid.
Dow Benelux must now provide Tennet with all information necessary to start the billing procedure.
Energiekamer website, 09/03/10

NMa Publishes Proposed Changes To The Dutch Gas Act

On 18 February 2010, the Board of NMa, the Dutch competition authority, received two separate proposals to amend article 12b of the Dutch Gas Act. The first proposal involves a change of the conditions mentioned under article 12b, in relation to hourly and monthly metering data. The second proposal relates to feed-in conditions and amendment of quality specifications at exit points. NMa has published all relevant documentation in relation to both proposals on the Energiekamer website under "current topics" ("Actueel"), dated 11 March 2010.
Energiekamer website, 11/03/10

NMa Publishes Draft Method Decisions For Electricity Networks

On 12 March 2010, NMa published the draft method decisions for regulation of the electricity distribution networks, as well as Tennet's transmission network including system services, for the next regulatory period (2011-2013). NMa sees the method decisions as the basis for the framework of network regulation, aiming to ensure that tariffs are based on efficient costs while "facilitating" a reasonable return for investors. NMa says that the draft proposals build on the existing regulatory framework that is in place until the end of 2010, although a few amendments have been made. NMa claims to have tightened the regulation on quality for electricity distributors, while it has also introduced a number of “explicit incentives” for Tennet’s system services. In addition, NMa has expanded the scope for objective regional differences for distribution networks to include the factor “connection density”, and it has raised the real pre-tax WACC for distribution networks from 5.5% to 6.1%, and for Tennet from 5.4% to 5.9%. The draft method decisions are available for review for six weeks from 12 March 2010.

Energiekamer website, 12/03/10

Romania

Regulator Announces Price Changes

The Romanian Energy Regulator, ANRE, issued a series of announcements about energy prices. Although gas prices will not increase in April, the price for natural gas will be increased to take account of inflation in 2009 in the coming months. Electricity prices will remain constant until January 2011.

HIS Global Insight Daily Analysis, 30/03/10; South East Europe Newswire, 31/03/10; Bulgarian News Agency, 31/03/10

Russia

President Demands Tight Control Over Utility Tariffs

In response to a request from President Medvedev, Deputy Prime Minister Dmitry Kozak has investigated instances of unjustified tariff increases in the regions of Russia and reported on the findings. Mr. Kozak stated that the government is committed to a maximum tariff increase of 25% in 2010. As a result of the audit, the tariffs will be lowered in 1,046 out of 15,000 municipalities because the increase was more than 25%. The President demanded close monitoring and control of the tariffs and the punishment of officials responsible for unjustified increases. In the meantime there were demonstrations in several Russian cities against the spikes in utility tariffs, including water, sewerage, heating, and electricity.

ITARR-TASS, RIA Novosti, 27/03/10; Gazeta.ru, 28/03/10

Spain

National Court Determines That Renewables Generators Also Have To Refund Income Derived From Emission Rights Received For Free

The Spanish National Court has repealed the article that exempted renewable generators and co-generators from refunding the income derived from the increase in the wholesale market price due to emission rights that the government allocated for free in 2006. The National Court considered that the article was contrary to the principle of non-discrimination between agents in the electricity sector, since hydroelectric and nuclear plants—which do not emit greenhouse gases but are still required to refund such additional revenues—were not subject to any such exemption.
Cinco Días, 22/03/10; El Economista, 22/03/10

The Government Will Amend Legislation To Increase The Use Of Domestic Coal In Electricity

The Ministry of Industry has sent to the energy regulator, CNE, a new draft Royal Decree that modifies legislation approved in February 2010 on the use of domestic coal for electricity generation. The modifications follow analysis by the European Commission (EC) of the Royal Decree. News reports indicate that the EC is not, in principle, against measures that foster the use of domestic coal, since European regulation allows member states to support domestic sources for up to 15% of total electricity generation. However, the EC was reported to have objected to the compensation for foregone profit foreseen by the Royal Decree for constrained-off plants, which the Commission deemed incompatible with European law. The regulator is to issue a non-binding opinion on the modifications to the Royal Decree.
Cinco Días, 26/03/10; El País, 26/03/10

Switzerland

Regulator Disallows Transmission Costs Of CHF 130 Million

In July 2009, the Swiss regulator ElCom lowered electricity transmission tariffs for the year 2010 as a precaution. In a preliminary analysis, ElCom found that the costs declared by the grid owners (Alpiq, BKW, Axpo, EWZ, and Rätia Energie, as well as smaller companies) were too high. Now ElCom says the final results of its analysis show that the reduction was justified. ElCom has cut the declared costs of network usage and system services by 13% or CHF 130 million (US$120 million). As the reduction was made before the publication of the 2010 tariffs, the current tariffs will remain unchanged. However, ElCom says that the analysis shows that the tariffs could have been reduced even further and that this difference will have to be taken into account in calculating the tariffs in later years.
ElCom website, 08/03/10

UVEK Reduces WACC For Electricity Networks

UVEK, the Federal Department of Environment, Transport, Energy and Communications, decided that the return on capital of electricity transmission grids would be calculated in the next few years according to the current methodology. UVEK said it wanted to evaluate the methodology only as part of the revision of the electricity supply law, which should become effective in 2014. For the coming year 2011, UVEK decided to set the risk premium at 1.73% and thereby to reduce (estimated) costs of network usage by CHF 58 million (US$55 million). Based on preliminary calculations by the Swiss Energy Office (BFE), the WACC in 2011 will be 4.26% as compared to 4.55% currently.
This value is only preliminary because the final WACC will take into account the latest figures for 10-year government debts. According to the electricity supply decree, UVEK adjusts the risk premium every year after consultation with the regulator ElCom in line with changes in the market risk premium.
Eidgenössisches Departement für Umwelt, Verkehr, Energie und Kommunikation website, 12/03/10

Recommendations For Unified Siting Criteria Of Wind Plants

Three federal offices, the Federal Energy Office, the Federal Office for Spatial Development, and the Federal Office for the Environment, have published "recommendations for planning of wind turbines". In Switzerland, regional planning processes and the approvals for wind plants are made at the cantonal and municipal level. These proposals are intended to support the cantons and municipalities in their task. Specifically, the recommendations are intended to (1) facilitate a unified application of planning tools and siting criteria, (2) contribute to a supra-regional planning of suitable sites, and (3) serve as a decision aid for trade-offs between conservation and production.
Bundesamt für Energie website, 25/03/10

Energy Offices Launches Tender For Energy Efficiency Measures

The Swiss Energy Office (BFE) has launched the first competitive tenders for energy-saving measures. The BFE said that this new federal instrument for promoting efficiency in the electricity sector would support projects and programs that contribute in a cost-effective manner to "economical" power consumption by the industrial and service sectors, as well as by households. The budget for 2010 is CHF9 million (US$8.5 million).
Bundesamt für Energie website, 29/03/10

Sweden

Sweden Plans Nuclear Expansion

Swedish legislators are currently considering legislation, which will pave the way for new nuclear power stations. Sweden has 10 existing nuclear reactors, all of which were built between 1972 and 1985, meaning that they will need to be replaced in the coming decade. The move towards nuclear power reverses a 30-year commitment to phase out generation from nuclear energy.

www.neimagazine.com, *09/03/10; Wall Street Journal, 25/03/10*

Turkey

Turkey To Privatise Four Electricity Distribution Networks

The Turkish government announced the upcoming privatisation of the Bogazici, Trakya, Gediz, and Dicle power distribution networks. The deadline for the pre-qualification applications is 4 May and the deadline for the bids is 22 July. The network companies will be privatized by “block sale”.

Journal of Turkish Weekly website, 19/03/10; Today’s Zaman website, 19/03/10

EPDK Leaves Power Prices Unchanged

The Turkish energy regulator, EPDK, decided in its quarterly review of retail electricity prices not to change electricity prices for the coming quarter in an effort to moderate inflation.

Reuters News via Dow Jones Factiva, 24/03/10

NORTH AMERICAN NEWS

US

Senators Fight For Local Control Over LNG Terminal Sitings

Six Senate Democrats, all facing potential new liquefied natural gas (LNG) facilities in their states, have introduced a bill that would give all states the power to control the siting of new LNG facilities in their jurisdictions. The bill would repeal part of the 2005 Energy Policy Act and strip the Federal Energy Regulatory Commission (FERC) of its existing national authority to licence and approve new terminal sites. The National Gas Council, a consortium of major gas associations, has opposed this bill, arguing that any action to diminish FERC’s authority would lead to conflicting state regulations and would have a detrimental effect on the economy. However the bill’s sponsors say that legislation is needed to uphold local safety and environmental interests and to minimize federal interventions.

The Energy Daily, 05/03/10; Energy Washington Week, 10/03/10

California Approves Tradable Renewable Energy Credits To Meet State Target

The California Public Utilities Commission (CPUC) approved new rules that will allow utilities and retailers to use tradable renewable energy credits (TRECs) to help them meet the California Renewables Portfolio Standard (RPS). The current RPS requires utilities, retailers, and aggregators to meet 20 percent of their retail sales with power from renewable resources by the end of the year. There are two restrictions on the use of TRECs. First, the price per TREC (each representing 1 kWh of energy) will be capped at $50. Secondly, the total TRECs used may not exceed 25% of the RPS. Under this system, utilities will be able to buy TRECs separately from the associated energy. Up until now, utilities were required to procure renewable generation through bundled contracts for energy and renewable energy credits.

California PUC website, news@cpuc.ca.gov, 11/03/10

Senator Coalition Recommendations To Speed Up Renewables Generation

A group of 29 state governors have formed a bipartisan coalition and asked Congress to put aside climate change legislation temporarily and instead to create a national renewable electricity standard. The leaders of the coalition recommend the standard requires all US utilities to obtain a minimum of 10% of their energy from renewable sources, such as wind and solar power, by 2012 and 25% by 2025. They believe the RES will receive strong public support as it will create thousands of jobs, and reduce greenhouse gas emissions and US dependence on foreign oil. Further recommendations include developing an interstate electric transmission system, increasing onshore and offshore wind research, and creating a streamlined federal permit process.

The News Journal, 17/03/10; The Providence Journal, 17/03/10

FERC Determines That Utilities Must Continue Purchasing Excess Output From University

FERC found that New York State Electric & Gas Corp. and Rochester Gas and Electric Corp., members of the New York ISO (NYISO), must continue to purchase excess output from Cornell University's 40-MW cogeneration facility. Cornell University claimed their output is highly volatile and unpredictable due to their facility's dependence on weather conditions and service of the campus steam load. Under these conditions, FERC found Cornell would be penalized if forced to participate in NYISO's wholesale electric market. This is the first time FERC has decided a qualifying facility does not have non-discriminatory access to markets and has decided not to relieve the NY utilities under PURPA (Public Utility Regulatory Policies Act).

FERC website, 18/03/10

FERC Addresses NERC Procedures

The Federal Energy Regulatory Commission (FERC) has directed the North American Electric Reliability Corp. (NERC) to make significant changes to the procedure for approving new reliability standards. FERC made several proposals including changing the bulk power system definition to include all power lines with a rating of at least 100 kilovolts. This will expand the coverage of the reliability standards and NERC's jurisdiction. Other proposals include two remands involving calculating contingency reserves and mending grid system time errors. FERC has also set deadlines of 30 June 2010 and 18 September 2010 for NERC to address two directives issued over three years ago.

Targeted News Service, 18/03/10; Power Market Today, 19/03/10

Colorado Bill Increases Renewable Standard To 30% By 2020

Colorado Governor Bill Ritter signed a law on 2 March 2010 requiring electric distribution utilities to use 30% renewable energy sources by 2020. The bill's sponsors believe the law will boost the Colorado economy by "attracting hundreds of companies and creating thousands of new jobs". The bill requires solar panel installers to be certified. It also provides energy credit incentives for home-based energy production. The renewables requirement will be 12% for 2011-14, 20% for 2015-19, and finally 30% by 2020 and thereafter. The law sets a retail rate impact limit of 2% of the total customer bill per year.

Power Market Today, 24/03/10; SNL, 26/03/10

Renewable Energy Developers And Unions Agree On Bill Amendment

Renewable energy developers, electric utility companies, and environmental labor unions have formed a coalition in opposition of the Corker amendment to the American Clean Energy Leadership Act. The amendment requires energy developers to prove transmission costs "are reasonably proportionate to measurable economic reliability benefits". The coalition leaders believe this is "anti-renewable" language and does not allow the Federal Energy Regulatory Commission (FERC) to consider benefits such as environmental impact and energy security. Meanwhile, the groups are debating another piece of legislation requiring renewable energy developers, who receive stimulus money, to use only "American-built" parts. Renewable energy developers say this provision is unfair because it only targets the renewables industry and that it will completely stop development. Union officials disagree.

Greenwire, 25/03/10; SNL, 25/03/10

New York PSC Denies Entergy Corp.'s Proposed Spin Off

The New York Public Service Commission denied the proposal by New Orleans-based Entergy Corp. to spin off three nuclear plants in New York and to create a new company called Enexus Energy Corp. The commission found the proposal to be out of line with the public interest, questioning the long-term financial stability and impact on rates. Enexus would start out with US$3,000 million in debt. Entergy had amended the proposal on 2 March 2010, attempting to meet the New York PSC's requirements, and is disappointed with the outcome. It has the option to file a new petition or seek a rehearing.

SNL, 25/03/10; The Post-Standard, 26/03/10

Three Federal Agencies Commit To Hydroelectric Power Development

Three federal agencies, the US Department of Energy, the US Department of the Interior, and the US Army Corps of Engineers, have declared in a memorandum of understanding (MOU) that together they will explore opportunities to increase hydroelectric power development through low-impact and environmentally sustainable approaches. The DOI and US Army Corps of Engineers own half of the hydroelectric power generation capacity in the country. The MOU requires the agencies to identify federal facilities ideal for sustainable hydropower and to upgrade facilities and technologies at existing hydropower locations. Importantly, the MOU will increase communication between the three agencies as it outlines coordination of research and development and integrates federal policies.

Renewable Energy Focus, 26/03/10; Brighter Energy.org, 26/03/10

CENTRAL & SOUTH AMERICAN NEWS

Brazil

Transmission Company Fined US$30 Million For Service Disruptions

The Brazilian regulator for electricity, ANEEL, has fined transmission company Furnas Centrais Elétricas for a massive disruption in service that occurred in November 2009. The fine amounts to approximately US$30 million and is the largest sanction ever imposed by the regulator. According to the regulator, the lack of maintenance and use of obsolete equipment on the transmission network led to about 24,000 MW of generation capacity being disconnected from the national network for about five hours.

Reuters, 26/03/10; Agência O Globo, 27/03/10

Peru

Government To Launch Second Round Of Tender For Renewables

The Peruvian regulator for energy and mining, OSINERGMIN, has announced that it will hold a second round of a tender for renewables on 25 June. The original tender was for a total of 500 MW, but in the first round only 411 MW were awarded to small hydro, wind, solar, and biomass projects. This second round is just for the remaining 89 MW and only focuses on biomass and solar projects. As in the first round, the projects selected will be entitled to receive a fixed price (in US$ per MWh) for a period of 20 years.

Business News Americas, 12/03/10; El Comercio, 13/03/10

ASIA PACIFIC NEWS

Australia

AER Commences Preliminary Consultation On Their Future Retail Functions

The AER has released an Issues Paper on the AER Retail Pricing Information Guidelines for preliminary consultation. The consultation reflects the AER's new role under the proposed National Energy Retail Law and National Energy Retail Rules. This legislation is currently in the second exposure draft. The Issues Paper seeks feedback on, amongst other things, the scope of a proposed Guideline to guide customers comparing standing offer and market offer tariffs offered by retailers; and options for developing a price disclosure model. Submissions on the Paper are due by 30 April 2010.

AER website, 03/10

ACCC Proposes To Deny Authorisation To NSW Electricity Co-Insurance Arrangement

The Australian Competition and Consumer Commission (ACCC) has released a draft decision which proposes to deny authorisation to the government-owned electricity generators in New South Wales (NSW)—and future acquirers of generation and trading companies—to join and use a joint risk management arrangement. The ACCC considers that co-insurance arrangements will provide only short-term marginal public benefits and will result in inefficiently alerting generation and trading companies ("Gentraders") as to each others' contracting behaviour. Under the Energy Reform Strategy, NSW proposes to disaggregate its three electricity portfolios into five Gentrader bundles. The ACCC does not consider that this decision should affect the NSW government's ability to proceed with the Gentrader arrangements (and as such the Energy Reform Strategy). Submissions are being sought on the decision.

ACCC press release, 26/03/10

AER Release Final Determination On ActewAGL's Gas Distribution Pipeline

The Australian Energy Regulator (AER) has released the final determination on ActewAGL's gas distribution pipeline covering the period 1 July 2010 to 30 June 2015. The determination approves average increases in residential customer tariffs of 7% (in nominal terms) as of 1 July 2010 and 2.9% (in real terms) over the rest of the regulatory period. The AER also approved increases in contract customer tariffs of 7.8% (in nominal terms) as of 1 July 2010, and increases in line with CPI over the rest of the regulatory period.

AER website, 26/03/10

New Zealand

Minister Agrees To Smart Meter Recommendations

The Energy and Resources Minister has agreed to recommendations set out in the Electricity Commission's report on the roll-out and requirements for smart meters in New Zealand. The report recommends regulating some technical standards through electricity industry rules, but not extensive regulation of smart meters as the benefits of regulation do not currently outweigh the costs. The report also found that the current roll-out is happening within an acceptable timeframe; that there is a high level of compliance within the current voluntary guidelines; and that there are many differences between the New Zealand electricity market and overseas markets which mean that overseas justifications for regulating smart meters do not apply.

Minister of Energy and Resources press release, 09/03/10

China

Renewable Energy Law To Take Effect From 1 April

The Chinese Renewable Energy Law takes effect from 1 April 2010 when the final specifications will become available. The new law will require grid companies to purchase all power produced by renewable energy generators, which will be enforced by the state power regulatory agency. The move will assist the country in meeting its target of sourcing 15% of total energy consumption from renewables by 2020.

Economist Intelligence Unit, 01/03/10; Asia Pulse, 25/03/10

Regulator Opens Door For New Nuclear Plants

The National Energy Administration is reworking nuclear power regulations to allow new companies to develop nuclear power. Currently only three companies may develop nuclear power plants but the Chinese government plans to expand the role of nuclear power. Targets set in 2007 require 40 GW of nuclear capacity to be online by 2020, with the number of civil nuclear reactors increasing from the 11 currently in operation to around 100.

China Business Newswire, 05/03/10;
Xinhua's China Economic Information Service, 06/03/10

Korea

South Korean Government Plans New Renewable Energy Regulations

Lawmakers have passed a bill which makes it mandatory for local power companies to produce electricity from renewable sources. The law will apply to power producers with capacity greater than 500 MW. The affected companies, including the state-run Korea Electric Power Corporation, Korea District Heating Corporation, and their affiliates, will have to increase their renewable power production from 2% of total output in 2012 to 10% by 2022. Under the arrangements, the existing feed-in tariff will be dropped in 2011.

Dow Jones Asian Equities Report, 18/03/10; The Electronic Times (Korea), 19/03/10

India

Supreme Court Gives Regulator Powers To Cap Profits

In a landmark judgement, the Indian Supreme Court has ruled that the Central Electricity Regulatory Commission (CERC) has the power to cap profits on interstate trade. The decision overturns an earlier ruling that struck down regulated tariffs CERC imposed on India's largest generators, including Reliance Power and Tata Power Trading Company. Although the judgement allows power traders to challenge CERC decisions in the high court, they will no longer be allowed to take CERC decisions to tribunal to slow the process of implementation.

Times of India, 17/03/10; The Pioneer, 17/03/10

Government To Set Up Arms-length Regulator For Nuclear Power

The Indian government has announced plans to amend the Atomic Energy Act (AEA) to increase the autonomy of the nuclear power regulator, the Atomic Energy Regulatory Board (AERB). Under the current terms of the Act, the Secretary for the Department of Atomic Energy chairs the AERB as well as running the 18 nuclear power stations currently operating in India through the Nuclear Power Corporation of India Limited (NPCIL). The measures are part of government moves to increase ties between NPCIL and other industry players in order to encourage expansion in the nuclear power sector.

The Press Trust of India Limited, 24/03/2010; Accord Fintech, 25/03/10; Contify.com, *26/03/10*

Indonesia

Regulator Threatens Intervention In LNG Contract

The Indonesian upstream oil and gas regulator, BP Migas, has threatened to intervene after executives at Energy Equity Epic Sengkang (EEES) signed an LNG sales agreement with Tokyo Gas Company. BPMigas claims jurisdiction over the deal and that EEES did not consult with the appropriate authorities, and has suggested that officials at the company may be dismissed. Energy World Corp, the parent company to EEES has a history of disagreements with the regulator, having been accused of not obtaining the necessary approvals for developing the Sengkang gas block.

IHS Global Insight Daily Analysis, 26/03/10; Jakarta Post, 26/03/10

Philippines

Energy Regulatory Commission Approves Meralco Rate Increase

The Energy Regulatory Commission (ERC) has approved an increase in the tariffs of the Manila Electric Company (Meralco) of 0.91 pesos per kWh (US$0.02/kWh). The increase in the tariff is 0.47 P/kWh lower than the increase for which Meralco had asked, and less than half of the maximum allowed under ERC rules. The ERC did not allow Meralco the full increase due to questions over its sourcing of electricity. Although market rules require Meralco to obtain only 10% of its electricity from the wholesale electricity spot market, Meralco chose to source over 17% of its power by this method.

The Philippine Star, 11/03/10; BusinessWorld, 11/03/10

About Our Practice

NERA is at the forefront of the continuing transformation of energy industries worldwide. Our experts have developed approaches for introducing competition in segments such as power generation, where competition is workable, and for improving the regulation of sectors where it is not. We work with companies and governmental bodies worldwide to design competitive power markets and to develop tariffs and rules of access for regulated transmission and distribution systems for electricity and gas and transport of oil and oil products. With industry restructuring, we also help companies develop strategies for exploring new opportunities and minimising new risks, including issues related to climate change and other environmental initiatives.

NERA helps our clients to develop new regulatory strategies and, when needed, support our clients with analysis and testimony before regulatory commissions, antitrust and competition policy agencies, and domestic and international courts. Our economists help clients to decide which lines of business to pursue; to divest assets no longer consistent with their strategy; to identify and evaluate opportunities for mergers, acquisitions and investment; and to develop bidding, trading, contracting, and marketing strategies and organisations. Our work also includes designing and conducting energy auctions and providing strategy and valuation advice on mergers and acquisitions, the financing of energy companies, and the financial restructuring of distressed companies.

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

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