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Global Energy Regulation

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EUROPE

UK

Ofgem Launches Online Campaign To Encourage Customer Switching

Ofgem has launched the online version of "Energy Best Deal" its joint campaign with the Citizens' Advice Bureau to encourage customer switching in the retail energy market. The new website provides information about the savings that customers can make by switching energy tariffs, including the preferential tariffs available to vulnerable consumers.
Ofgem website, 06/04/11

DECC Launches Discount Scheme For Vulnerable Consumers

The Department of Energy and Climate Change (DECC) launched its "Warm Homes Discount" and "Warm Front" schemes, designed to protect vulnerable consumers. The "Warm Homes Discount" is worth up to £1,100 million over four years and provides up to two million low-income pensioners with at least £120 off their annual electricity bills. The "Warm Homes Discount" replaces the previous voluntary agreement with energy suppliers, which ended in March 2011. DECC's relaunched "Warm Front" scheme offers financial assistance with central heating and energy efficiency measures. The scheme provides £210 million of support over two years to 90,000 households.
DECC Website, 07/04/11, 14/04/11

Ofgem Publishes Shortlist For Offshore Transmission Links

Ofgem announced the shortlist for the second round of tenders for offshore transmission links, following completion of the first round in March 2011. Ofgem shortlisted four consortia, which will operate connections between offshore wind farms and the UK transmission network. Balfour Beatty, Blue Transmission, National Grid, and Transmission Capital Partners lead the four shortlisted consortia and stand to acquire almost 1.5 GW of transmission capacity in a process due to complete in Autumn 2011.
Ofgem website, 28/04/11

30 Days Notice For GB Suppliers

Ofgem's new rule that suppliers must provide customers with 30 days' notice of price rises took effect from 28 April 2011. Previously, suppliers had up to three months to notify customers after price rises took place. Ofgem announced the new rule in March this year as part of wider proposals, including obligations for vertically integrated suppliers to release generation onto the wholesale market and to offer a new tariff structure. The move accompanies Ofgem's ongoing consultation on competitiveness and transparency in the retail energy market.
Ofgem website, 28/04/11

Belgium

Regulator Stops Publication Of Electricity Indices And Welcomes "Safety Net" Against High Prices

The Belgium regulator, the Commission de Régulation de l'Electricité et du Gaz (CREG), announced that it would stop the publication of the electricity indices "Nc" and "Ne". These indices were established before the liberalisation of the market, and are still used by most suppliers to set the energy price of variable-price contracts of domestic and some industrial customers. However, CREG found that the index Nc no longer reflected the cost of producing electricity in Belgium. CREG said that with market liberalisation suppliers were free to set their prices based on indices of their own choice. With regard to rising prices, the CREG said on 8 April that in 2010 it had proposed a "safety net" to the federal government and that it was pleased that the government had accepted this proposal. This safety net requires energy suppliers to inform the regulator of any increase in their prices beforehand. The reasonableness of prices would be assessed by the regulator, who could then intervene and impose a maximum price to protect vulnerable consumers against prices that are unreasonable. On 15 April 2011 the Belgian council of ministers adopted a new law which transposes the "third European package" into Belgian law. The law allows CREG to set transmission and distribution tariffs independently of government. CREG will now be responsible to the Belgian parliament, to which it will have to submit its tariff methodologies and annual reports.
Commission de Régulation de l'Electricité et du Gaz website, 08/04/11;
Agence Belga, 15/04/11

Belgium Debates Nuclear Rent

A debate is raging in Belgium on the nuclear rent. Belgian nuclear plants have been depreciated and the nuclear rent arises from the difference between the cost of generating electricity in one of Belgium's seven nuclear plants and the sale price of electricity. The 2011 budget includes €250 million in nuclear taxes, but the government would like to adjust this figure upwards. In May 2010, the Belgian energy regulator, the CREG, estimated the nuclear rent to be between €1.75 billion and €1.95 billion. Electrabel, on the other hand estimated the nuclear rent at only €750 million. The government then asked Belgium's national bank to estimate the rent, which came out at between €809 million and €951 million. Following the bank's estimate, the energy minister said that the nuclear tax might be doubled to €500 million. The debate continues in parliament.

Agence Belga, 26/04/11; Les Echos, 26/04/11; Lesoir.be, 27/04/11, 16/04/11

Bulgaria

Bulgarian Government Introduces New Renewable Electricity Law

The Bulgarian government introduced a new renewable energy law which reduces support for wind and solar projects. The law increases the cost for renewable plants connecting to the network and reduces the length of the network's long term power purchase obligation from 25 years to 20 years for solar power and 15 years to 12 years for wind power. In addition, the regulator will only set the feed-in tariff for renewable power generators after construction of future plants is complete, rather than providing investors with revenue certainty in advance of development.

ADP Renewable Energy Track, 21/04/11; Reuters, 21/04/11

European Union

European Commission Publishes Communication On Smart Grids

The European Commission (EC) published a communication outlining plans to encourage the development of smart grids in member states. In this document, the EC instructs member states to produce a smart grid implementation plan and timetable by September 2012. Also, the EC makes a provision for amending European legislation to encourage investment in enhancing energy efficiency and quality of service. This legislation would link the revenue of grid operators to investment in efficiency measures, rather than to energy transmitted. In addition, the communication states that the EC will propose a revision to the Energy Service Directive by June 2011 which imposes minimum requirements for billing information provided to customers, as well as ensuring data protection for customers and operators. The EC will also develop common EU-level technical standards and propose new large-scale smart grid demonstration programmes.

European Commission Press Release, 12/04/11; Agence Europe, 13/04/11

France

Prime Minister Takes A Number Of Measures To Limit Energy Price Increases

At the request of the French president, the French Prime Minister François Fillon took a number of measures to limit the impact of energy prices on French consumers. The Prime Minister proposed to increase regulated electricity tariffs on 1 July 2011 by 1.7%, which is less than inflation, but reflects the change in the distribution and transmission costs. Moreover, the Prime Minister proposed to apply the planned increase of €3/MWh in the "contribution to the electricity public service" (CSPE) in two phases, on 1 July 2011 and on 1 July 2012, instead of the full increase taking place on 1 January 2012. In the gas sector, the Prime Minister decided that the increase in gas prices proposed for 1 July would not take place. The Prime Minister also asked the ministers for economy and energy to develop a new gas pricing formula as recommended by the regulator. He also asked them to review the public service contract between GDF Suez and the state to make it more favourable to final consumers when market prices are persistently lower than the price of long-term contracts. Finally, the Prime Minister proposed to strengthen energy efficiency measures and to increase the "Habiter mieux" program, which supports vulnerable households, to €1,350 million.

Prime Minister Press Service, 05/04/11

Regulator Proposes Revision Of Gas Prices

The French regulator, the Commission de Régulation de l'Énergie (CRE), proposed a new method for setting the gas price that calls on the "safeguard clause" in the public service contract between GDF Suez and the French state. The public service contract requires GDF Suez to ensure the security of gas supply and covers the period 2010-2013. Based on the contract, the calculation of regulated retail tariffs would only take account of GDF Suez's cost of procuring gas under long-term contracts. According to the CRE, this rule was implemented at a time when the main concern was security of supply, but today large amounts of gas are available on European markets due to the development of shale gas in the United States. Moreover, during the past two years, gas prices on the world market had fallen and disconnected from the oil price to which long-term contract prices are indexed. Due to these changes, the CRE proposed a new method of setting the gas price taking into account sources of gas other than long-term contracts. The CRE proposed, for example, to introduce a share of up to 30% that is indexed to market prices when market prices are below the long-term contract prices. The difference between the supply costs and a revised tariff formula would be shared between consumers and GDF Suez to maintain an incentive for GDF Suez to procure gas at the least cost.

Commission de Régulation de l'Énergie website, 05/04/11

Regulator Approves Gas Capacity Allocation Procedures

Following technical studies, the French Gas TSO, GRTgaz, decided that it could market additional capacities at the entry point of Dunkerque and at the exit point of Oltingue. GRTgaz then submitted two proposed procedures for allocating the additional capacities at these two points to the French regulator, the Commission de Régulation de l'Énergie (CRE). The CRE has approved these procedures.

Commission de Régulation de l'Énergie website, 07/04/11

Regulator Decides Connection Procedures For Small Renewable Plants

Under article 37 of the Act of 10 February 2000, the French regulator, the Commission de Régulation de l'Énergie (CRE), clarified the conditions for connecting renewable plants with a capacity of up to 3kVA to the public electricity distribution networks. The CRE wanted to set out principles, consistent with article 88 of the Act of 12 July 2010, that should underlie the procedures for handling connection requests. The CRE made its decision in November 2010, but has only now published it on its website.

Commission de Régulation de l'Énergie website, 08/04/11

Regulated Access To Nuclear Power Takes Shape

The Act on the reorganisation of the electricity market (Act number 2010-1488 of 7 December 2010, also known as “Nome”) provides temporarily for regulated access (“ARENH”) to nuclear power generated by EDF at French nuclear power plants commissioned before publication of the Act. Access will be provided to suppliers that supply final customers in metropolitan areas, as well as to network operators (to cover losses). The economics minister asked the regulator, the CRE, to issue an opinion on a decree that lays down the rules for ARENH. The CRE issued that opinion on 3 March, and on 14 April proposed a decree defining the terms and conditions of ARENH, including a model framework agreement between EDF and suppliers. At the same time, the CRE proposed a maximum volume of electricity that EDF will have to sell under ARENH, viz. 100 TWh per year, the highest possible level allowed under the law and about one quarter of EDF’s nuclear production. Finally, according to press reports, the government said that EDF will have to sell its nuclear power at €40/MWh from 1 July 2011 and €42/MWh from 1 January 2012. Other suppliers had sought a price around €35/MWh.

Commission de Régulation de l’Énergie website, 14/04/11, 03/03/11;
European Daily Electricity Markets, 19/04/11; Reuters, 19/04/11; La Tribune, 20/04/11

Gas Market Coupling Experiment Approved

The French gas market currently has three balancing zones: GRTgaz North, GRTgaz South, and TIGF. Since 2008, the regulator has sought to simplify access to gas transmission in France. Following discussions within the gas consultation group, GRTgaz proposed to experiment with market coupling between the North and South zones over the period July 2011 to March 2012. The objectives of this experiment include optimising the use of North-South interconnection capacity for market conditions and aiding price convergence between the North and South exchange points (PEG) whenever possible (in case of congestion, bringing out the market value of the interconnection capacity). For this purpose, GRTgaz will allocate 10GWh/day of firm North-South interconnection capacity to the market coupling mechanism. The French regulator approved GRTgaz’s proposal and said that GRTgaz would be allowed to recover the costs associated with the experiment in the tariff revision of 1 April 2012.

Commission de Régulation de l’Énergie website, 19/04/11

Regulator Approves Modified Investment Program Of GRTgaz

On 16 December 2010, the French regulator, the CRE, approved an investment programme of GRTgaz that did not include the ERIDAN project, reinforcing the network in the South zone. GRTgaz has now proposed that it should pursue the project after all. CRE approved the modification to GRTgaz's investment programme on condition that subsidies from the European Union for this project are confirmed. The CRE also said that the project would earn a premium of 3% over the rate of return over a period of 10 years.

Commission de Régulation de l'Énergie website, 19/04/11

Regulator Adjusts GrDF's Tariffs

The French energy regulator has set new gas distribution network tariffs for GrDF based on a "CPI-X" price adjustment formula. The regulator's decision included an assessment of the "regularisation of the incomes and expenses account" (CRCP), used to correct previously identified differences between projected and actual revenue and expenditures. GrDF's tariffs will decrease by 1.85% on 1 July 2011.

Commission de Régulation de l'Énergie website, 28/04/11

Germany

Energy Utility Appeals Government's Decision To Shut Down Nuclear Plants

In March 2011, following the nuclear disaster in Japan, the German government decided to impose a three-month "moratorium" on its recent decision to extend the lifetimes of nuclear power plants, and to carry out rigorous safety reviews of all nuclear plants. During this period, plants commissioned before 1980 would be shut down. On 1 April, RWE Power lodged an appeal with the relevant administrative court of appeal in Kassel (VGH) against the early decommissioning of its Biblis nuclear power station. RWE said that, according to its interpretation of law, the German government had no legal basis cited for taking this measure. RWE also said that German nuclear power plants complied with all relevant safety requirements and that there were no legal grounds for decommissioning them. Despite the appeal, RWE also pointed out that it was supporting the German government's decision to conduct a safety review of all its nuclear power plants.

FT.com, 03/04/11; RWE, 01/04/11; Bundesregierung website, 15/03/11

Ethics Commission Starts Work

The German ethics commission known as “Secure Energy Supply” has started work. Following the events in Japan, the commission is to reassess the risks of nuclear energy and thus to security of supply of energy. The results of the commission are expected by the end of May 2011. The federal government will take a decision in early June on the continuing operation of nuclear power plants in Germany.

Bundesregierung website, 04/04/11

Higher Regional Court Confirms Opening Of Electricity Networks Of Rail Stations

The Higher Regional Court (OLG) of Düsseldorf confirmed the decision by the German networks regulator, the Bundesnetzagentur (BNetzA), to allow third-party access to the electricity network of the railway. The BNetzA said that its decision allowed customers connected to these networks to choose their electricity supplier. DB Energie GmbH, a daughter company of German rail operator Deutsche Bahn AG, operates 50Hz networks at about 5,000 locations in Germany. These networks are used principally to supply company-owned installations, but they also supply third parties such as shops in rail stations. Despite a number of requests by the BNetzA to allow access to its network, DB Energie had refused, claiming that its network qualified as a so-called “site or object network” under section 110 of the German Energy Act (EnWG), i.e. a specific network used for a company’s own supply. The Higher Regional Court found in favour of the BNetzA and said that even in the case of “object networks”, the operator had to allow third-party access. The court disagreed with the BNetzA only on the question of timing: DB Energie will now have until 31 December 2011 to implement the automated process for changing supplier, instead of 1 February 2011.

Bundesnetzagentur website, 07/04/11

Government Decides Draft Carbon Storage Law

As a first step in the development of Carbon dioxide Capture and Storage (CCS) technology, the German government said, it was necessary to test whether there were rock formations that are suitable for long-term storage of the gas. To allow such a trial, the government has prepared a carbon (dioxide) storage law that will regulate, among other things: (i) the testing of bedrock as a site for permanent storage; (ii) the establishment and operation of CO_2 storage sites; (iii) the closure and aftercare of CO_2 storage sites; and (iv) their transfer to the public sector after a 30-year period. The draft law envisages a full evaluation of the technology in 2017.

Bundesregierung website, 13/04/11; Bundesministerium für Wirtschaft und Technologie website, 13/04/11

Regulator Revises Procurement Rules Of Balancing Power

The German networks regulator, the Bundesnetzagentur (BNetzA), has specified new terms and disclosure obligations for tenders to procure primary and secondary reserve power. The new requirements shorten the tender period from one month to one week and reduce the minimum tender quantity from 5MW to 1MW for primary reserves and from 10MW to 5MW for secondary reserves. Furthermore, providers will now be able to back up their offer of balancing power with the power plants of third parties. Finally, providers of reserve power will have better opportunities for pooling their power plants. The BNetzA said that the new terms would make it easier to access markets for system balancing energy, particularly for smaller and new providers, and for new sources of flexibility and balancing energy. The new tender terms and disclosure obligations are to be implemented by 27 June 2011.

Bundesnetzagentur website, 13/04/11

Regulator Publishes RES Feed-In Management Guidelines

The German networks regulator, the Bundesnetzagentur (BNetzA), published its guideline on the management of renewable energy production. The guideline explains in depth the order in which electricity producers are to be curtailed when networks are overloaded. The BNetzA said that the guideline was intended to encourage the injection of as much renewable energy as possible without endangering the stability of the networks. RES or CHP plant operators that are curtailed will be compensated by network operators and the guideline's explanatory notes set out how to calculate such compensation payments and how they should be recovered in the network tariffs.

Bundesnetzagentur website, 19/04/11

Power Plant Operators To Contribute To Power System Stability

The German networks regulator, the BNetzA, launched a process to oblige all operators of generation plants connected to the high-voltage grid to take certain measures to ensure power system stability at the request of a Transmission System Operator (TSO). The BNetzA said it wanted to ensure that the networks could continue to cope with the more stringent requirements to which they were now subject. The moratorium on nuclear power plants agreed in March as well as disconnections for inspections implied that production capacity had dropped by about 9,700 MW. According to the TSOs, the altered network conditions would require more frequent redispatch to prevent congestion and to offset a lack of reactive power. The BNetzA said that the operators of generation plants bore a special responsibility for ensuring power system stability, as they used the network to sell their electricity. On this basis the BNetzA justified its decision to oblige all operators of power plants connected to the high-voltage grid to contribute to stability.

Bundesnetzagentur website, 20/04/11

Netherlands

Court Annuls NMa Decision Against Westland

The Dutch Competition Authority (NMa) has decided not to appeal against a ruling of the Court of Rotterdam which upheld an appeal by the Westland network and which annulled the associated penalties. In late 2009, the NMa imposed fines on Westland totaling EUR 388,000. NMa found that Westland did not have all the legal procedures in place to manage risks to the quality of its electricity and gas network. However, according to the court, Westland could not have known that the lack of such procedures would be punished. The court said that the NMA would need to issue a binding instruction to clarify interpretation of the relevant Ministerial Regulation.

Energiekamer website, 07/04/11

NMa Sets New Methodology for Tennet's Regulatory Formula

The NMa announced a new method decision for the calculation of allowed revenues for Tennet, the country's electric transmission network operator. The decision concerns the calculation of the x-factor and volume parameters that enter the price control formula. The changes affect the period over which Tennet recovers additional costs associated with its assumption of control over some high voltage networks and the treatment of indirect opex on the high voltage network. The new method decision follows the annulment of an earlier decision by the CBb (appeals tribunal) on 29 June 2010.

NMA Website, 08/04/2011

Romania

EC Calls On Romania To Reform Retail Energy Market

The European Commission called on the Romanian government to deregulate gas and electricity prices and initiated infringement procedures against the country. EU rules required all countries to remove regulated tariffs by July 2007, except tariffs protecting vulnerable consumers. Romania retains regulated gas prices for all consumers and regulated electricity prices for all households and for small and medium sized enterprises that have not already switched. If the Romanian government does not comply with the request within two months, the Commission may refer the case to the European Courts.

Mediafax News Service, 06/04/11; Platts European Gas Daily, 07/04/11

Russia

Government Contemplates Energy Tariff Caps

The threat of recession could persuade the government to review economic policies that only last year were considered to be set in stone. One of the more vulnerable policies is the reform of the energy sector, including liberalisation of prices and RAB-based regulation of network monopolies, both of which are now criticised by the politicians. The ruling political party United Russia organised a round table at which the head of the State Duma Energy Committee, Yuri Lipatov, stated that the population can no longer afford the continuous increases in energy tariffs. He admitted that the market model is not working and the state has to resort more often to “manual” methods of intervention to limit the growth of prices. Mr Lipatov also criticized implementation of RAB-based regulation in the regions. Participants raised concerns about the effect of high energy prices on Russian businesses and the incentive to invest in generation capacity rather than pay RAB-based network charges. In the meantime the Prime Minister Vladimir Putin ordered the Ministry of Economic Development to examine the possibility of limiting tariff increases to inflation in 2012. Mr Denis Volkov, a senior member of the Federal Tariff Service, stated that the Ministry of Economic Development had drafted a number of revised tariff policies, some of which proposed freezing the tariffs in 2012. Minister of Energy Sergey Shmatko assured foreign investors that all the measures limiting energy prices should be seen as acts of social responsibility rather than actions against the market.

Nezavisimaya Gazeta, Interfax, 08/04/11; RUSBRE, Nezavisimaya Gazeta, 26/04/11

NORTH AMERICAN NEWS

US

CPUC Approves California Utilities Renewables Procurement Plans

On 14 April the California Public Utilities Commission approved "renewables portfolio standard" (RPS) procurement plans for San Diego Gas & Electric Co., Southern California Edison Co., and Pacific Gas & Electric Co, as required to meet California's 33%-by-2020 RPS law. The Commission stated that it would remain mindful of the price impact on commercial and industrial customers. The process for solicitations is expected to begin within the next month or less with requests for offers from renewable energy developers. The Commission also lifted a prohibition on bilateral contracts between investor-owned utilities and renewable energy projects of 20 MW or less that are eligible to participate in the 1,000 MW renewable auction mechanism program.

SNL Energy, 14/04/11; Megawatt Daily, 18/04/11

Missouri To Dramatically Decrease Renewables Mandate

Missouri lawmakers are considering a bill to cut dramatically the state's renewable mandate. Missouri's current renewable standard for investor-owned utilities starts at 2% this year and rises to 15% by 2021. The current bill mandates utilities to use renewables that are either sourced in or delivered to Missouri. Utilities are arguing that the requirements will drive up costs. The original 15% standard was estimated to produce about 2,500 MW of non-solar and 150 MW of solar resources, while the new bill requires only 750 MW of non-solar renewable generation and approximately 60 MW of solar capacity.

STLtoday.com, 17/04/11; Electric Power Daily, 19/04/11

California's Feed-In-Tariff Program Under Scrutiny by Solar Developer

Solutions for Utilities Inc. filed a petition with the Federal Energy Regulatory Commission (FERC) against the California Public Utilities Commission (CPUC) claiming the regulator failed to stop California's three major investor-owned utilities from misleading renewable energy developers about interconnection requirements, the price to be paid to renewable generators and contract terms. The solar developer stated that California's feed-in-tariff program is dysfunctional and hindering the interconnection of small solar facilities. The solar developer has asked FERC to enforce its Public Utilities Regulatory Policies Act and to force the CPUC to pay for damages.

Federal Register, 18/04/11; SNL Energy, 25/04/11

FERC Authorizes Ruby Pipeline To Use Peak/Off-Peak Rate

Ruby Pipeline LLC has been authorized by the Federal Energy Regulatory Commission (FERC) to revise its transportation rates to include a peak/off-peak pricing option for short-term firm and interruptible services. FERC found that Ruby's request was consistent with a recent Order (Number 637), which established the principal of charging peak/off-peak rates to encourage the efficient use of pipeline capacity. Shippers paying short-term peak/off-peak rates will pay no more over a year than shippers paying the long-term rate over the same period. FERC has asked Ruby to prepare a cost and revenue study once the rates have been in operation for 12 months, to enable evaluation of the scheme and possible prospective adjustments to the long-term rate.

FERC website, 18/04/11; Foster Natural Gas Report, 22/04/11

FERC Proposes Rule To Increase Transparency Of Bilateral Deals

The Federal Energy Regulatory Commission (FERC) has proposed a rule change in order to increase transparency of bilateral deals in US power markets. The proposed rule will affect 61 public power entities including munis, co-ops and federal power agencies. Large public power utilities and balancing authorities with annual wholesale power sales of at least 4 million MWh will now have to file comprehensive quarterly reports detailing rates and terms for all of the company's power and transmission-related transactions. The agency approved the proposed rule at its monthly meeting despite protests by public power utilities and their trade groups.

Transmission & Distribution World, 22/04/11; The Energy Daily, 27/04/11

Pennsylvania PUC to Investigate State's Competitive Electricity Retail Market

The Pennsylvania PUC officially launched an investigation into the State's competitive electricity retail market. Pennsylvania Commissioners stated their goal is to make recommendations to ensure the competitive retail electricity market is functioning properly and that customers are realizing the benefits of competition.

SNL Energy, 28/04/11; www.puc.state.pa.us, 28/04/11

Washington Phases Out State's Last Coal-Fired Plant

Washington Governor Chris Gregoire signed a bill to phase out the state's only coal-fired plant, which is owned by TransAlta Corp. In March, the Governor and plant owner reached an agreement to apply greenhouse gas emissions performance standards to the plant's two boilers, which will require one boiler to be shut down in 2020 and the other in 2025. TransAlta plans to build a natural gas-fired generation plant as a replacement and is still allowed to sell coal power under long-term contracts.

SNL Energy, 29/04/11; The Olympian 30/04/11

Ozark Files Formal Settlement Of US FERC Pipeline Rate Investigation

Ozark Gas Transmission has filed its formal settlement of the investigation of its pipeline rates by the Federal Energy Regulatory Commission (FERC). FERC launched a rate investigation last year, arguing that the return on equity was more than twice the industry average. The settlement will not change Ozark's rates, but the company will credit its customers with 30 percent of any revenues in excess of US$35.5 million a year. The parties to the deal also agreed to a one-year rate moratorium and Ozark agreed to file a rate case within four years.

www.ferc.gov, *29/04/11; Platts Commodity News, 02/05/11*

CENTRAL & SOUTH AMERICAN NEWS

Peru

Osinergmin Launches Second Renewable Energy Sources Tender

The Peruvian regulator for investment in energy and mining, Osinergmin, launched the second tender for renewable energy sources (RES). The total energy that will be tendered amounts to 1,980 GWh, out of which 828 GWh shall come from biomass sources, 429 GWh from wind sources, 43 GWh from solar energy sources, and 681 GWh from hydroelectric sources with less than 20 MW of installed capacity. The rules for the tender will be available from 29 April until 8 June, while the deadline for submitting bids is 13 June. The tendered contracts will be awarded on 2 July 2011.

Osinergmin website, 28/04/11; Business News America, 28/04/11

ASIA PACIFIC NEWS

Australia

Consultation On Potential Generator Market Power

The Australian Energy Market Commission (AEMC) has launched a consultation on a National Electricity Rule change request submitted by Major Energy Users Inc. (MEU). MEU's request arises from concerns regarding the ability of large generators to exercise market power and to raise wholesale spot prices in periods of high electricity demand. The proposal from MEU is for the Australian Energy Regulator to declare generators with market power as 'dominant generators', and cap the dispatch offer that a dominant generator is able to make during periods of high demand at A$ 300/MWh (approx. US$ 327.12/MWh). All other generators would remain free to offer any price up to the current cap of A$ 12,500/MWh (approx. US$ 13,631.20/MWh). Submissions close on 26 May 2011.

The Australian Energy Market Commission website, 14/04/11

Draft AER Performance Reporting Procedures And Guidelines Published

The Australian Energy Regulator (AER) released draft Performance Reporting Procedures and Guidelines (Guidelines) for consultation. The AER is required by the National Energy Retail Law (due to take effect on 1 July 2012) to publish retail market performance reports providing information on the energy retail market and the activities and performance of regulated energy retailers and distributors. The Guidelines support the AER's reporting function by specifying the manner and form in which the regulated entities must submit relevant data and information to the AER. The final Guidelines will be binding on regulated entities, and non-compliance may attract civil penalties or infringement notices. Submissions on the draft Guidelines are invited by 3 June 2011.

The Australian Energy Regulator website, 18/04/11

Publication Of The Final Report For Review Of The RERT

The Australian Energy Market Commission (AEMC) released its Final Report covering the review of the current Reliability and Emergency Reserve Trader (RERT) arrangements. The RERT is a mechanism in the Australian National Electricity Rules (NER) that allows the system operator to procure capacity reserves when a shortfall of reserve is expected, up to nine months in advance. The NER sets an end date of 30 June 2012 for the current RERT, with a requirement that the AEMC has to review the need for the RERT by 30 June 2011. The Final Report concluded that the RERT is not required to ensure the reliability of the electricity supply and recommended that the RERT expire on 30 June 2013. The Final Report stated that removing the RERT will encourage more efficient use of, and investment in, capacity and will lower the inefficient costs for consumers. In addition, the Final Report recommended that the requirement for an AEMC review of the RERT be removed from the NER.

The Australian Energy Market Commission website, 21/04/11

New Zealand

Amendments Proposed To Manage Locational Price Risk On Grid

The Electricity Authority has published a consultation paper on proposed amendments to the Electricity Industry Participation Code (Code) to implement Financial Transmission Rights (FTRs) between the North and South Islands. The proposed FTRs will provide cover for locational price risk between nodes on the electricity network at Otahuhu (north) and Benmore (south). Under the proposal, a party will be able to purchase FTRs by bidding in monthly auctions. Holders of FTRs will have the right to receive the price difference between these nodes for each MW of FTR held by them over a one-month period. The consultation period closes on 12 May 2011.

The Electricity Authority website, 28/04/11

China

China To Tighten Control Of Small Scale Wind Farm Construction

According to a report in the China Securities Journal, all wind farm projects with planned installed capacity below 50 MW will in the future require an additional approval from the Chinese National Energy Agency. The current policy allows small wind farm projects to be approved by provincial or municipal governments, but observers state that China is becoming over-saturated with small-scale wind farms, thereby leading to a waste of energy. The new policy is due to be launched within three months. According to the China Wind Energy Association, China had nearly 45GW of wind capacity installed at the end of 2010.

BBC Monitoring Asia Pacific, 10/4/11; Xinhua News Agency, 10/4/11; Industry Updates, 11/4/11; Asia Pulse, 11/4/11; Interfax: China Energy Newswire, 21/04/11

China To Resume Nuclear Plans By Summer 2011

According to a senior official at the State Nuclear Power Technology Corp, China's plans to build more nuclear capacity could be resumed by August. Approvals were halted in March following the nuclear crisis in Japan and initiation of a safety review. Approvals are expected to resume once the safety review has been completed. An earlier statement suggested the halt of approvals could last until the start of 2012.

British Business Monitor, 13/04/11; MarketWatch, 22/04/11; chinadaily.com.cn, 22/04/11

NDRC Silent About Grid feed-In Power Price Hikes

The official Xinhua News Agency reported that network feed-in tariffs were raised in 16 provinces by an average of 0.012 yuan/kWh (US$1.84/MWh), although several sources state they were unable to confirm the change at NDRC. The price rise comes after NDRC earlier warned of likely shortages of electricity.

Dow Jones International News, 16/04/11; Reuters, 18/04/11; szdaily.com, 19/04/11; energychinaforum, 21/4/11

New Measures Introduced To Respond To Power Shortages

The Chinese National Development and Reform Commission announced measures to manage power supplies as several provinces experience their worst electricity shortages since 2004. The measures allow authorities to limit power supply to certain businesses consuming large amounts of power, in order to ensure stability of supply. China Electricity Council said China's power use may rise 12% while generation capacity may rise 9%.

Bloomberg.com, 29/04/11; Wantchinatimes.com, 01/05/11

India

MERC Does Not Extend RInfra Power Distribution License;

In a move to introduce competition for electricity distribution, Maharashtra Electricity Regulatory Commission (MERC) ruled out a 25-year extension of the power distribution license held by Reliance Infrastructure (RInfra), for which RInfra had applied. MERC said that RInfra should instead apply for a new license in competition with other distribution companies. There has been some debate about the level of RInfra's power prices and political pressure to remove RInfra's license.

The Times of India, 08/04/11; DNA - Daily News & Analysis, 08/04/11; Domain-B, 08/04/11

India Moves Further Toward New Independent Nuclear Safety Watchdog.

V. Narayanasamy, junior parliamentary affairs minister, said in a statement that the Indian government would present a bill to parliament in order to set up "an independent and autonomous Nuclear Authority of India". The board would subsume the existing Atomic Energy Regulatory Board. The announcement comes after the Indian prime minister, Manmoham Singh, said in March that India would "strengthen the Atomic Energy Regulatory Board into a more autonomous and independent board." Additional safety requirements for nuclear facilities are also included in the proposed bill. Plans for the 9900 MW Jaitapur nuclear park remained on track despite violent protests.

NERA GER, March 2011, Bureaucracy Today, 18/04/11; Dow Jones International News, 26/04/11; The Economic Times, 27/04/11

Move To Increase Political Influence On Regulator In Mumbai

Deputy Chief Minister Ajit Pawar announced plans to introduce a Bill such that the state would have a greater say in decisions of the Maharashtra Electricity Regulatory Commission (MERC). He acknowledged that the state government had certain rights, but said he would seek the opinion of the law and judiciary department as to how the state government can have a say in the final decisions currently taken by MERC.

The Press Trust of India Limited, 20/04/11; The Times of India, 21/04/11

Oil Regulator Does Not Approve New Reliance Spending Plan

In a surprise move, the Directorate General of Hydrocarbons (DGH), the Indian oil regulator, did not approve Reliance Industries' revised spending plan for exploring the KG-D6 gas fields   DGH has to approve exploration and production and been holding approval of Reliance's 2010-2011 budget back for several months. Reliance has not been able to stick to the development plan for gas fields D1 and D3 in the KG-D6 block, leading to a shortfall of targeted gas production.

Asia Pulse, 20/04/11; IndianExpress.com, 19/04/11

Philippines

Philippine Open Access Power Market To Commence

As a result of divestments by the government owned Napocor in 2009 and 2010, the prerequisites for open access to electricity markets, as set out in the ten year old Electricity Power Industry Reform Act, are now met.
The Philippine Department of Energy said this would make it possible to implement open access before the end of 2011. In the first year of operation, the system will allow about 700 companies, each consuming more than 1MW of power during peak hours, effectively to buy power straight from the owners of power plants. The plan is that small and medium-sized enterprises will be able to participate after the first year of operation.

Economist Intelligence Unit, 12/04/11; Manila Bulletin, 20/04/11

Indonesia

Indonesian President in Move to Save Energy

The Indonesian President, S.B. Yudhoyono, urged for regional leaders to initiate actions to save energy and noted that "if necessary, the regional administrations can issue regulations or use whatever instrument to ensure saving". In the same statement he indicated that energy subsidies may be getting out of hand, noting that "the subsidy amount is huge, and if it continues to increase and out of control, it will affect our macro economic [situation]". The Indonesian Finance Minister, Agus Martowardojo, said he wants subsidised premium gasoline to be scrapped because it is a burden on the state budget.

Waspada.co.id, 28/04/11; Antaranews.com, 28/04/11; Asia Pulse, 29/04/11

South Korea

South Korea Increases Natural Gas Prices

The South Korean energy ministry announced that South Korea would raise domestic natural gas prices by 4.8% on 1 May and said it would raise them by an additional 1% "at a later date". The ministry said this increase was lower than the 7.8% increase that the costs of LNG imports would suggest. The prices were last raised in January 2011.

Platts Commodity News, 02/05/11; news.mk.co.kr, 02/05/11

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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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