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Global Energy Regulation

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General and European Editor

~ Graham Shuttleworth

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~ Kristina Sepetys, **U.S.**

~ Greg Houston & Ann Whitfield, **Australia and New Zealand**

~ Oscar Arnedillo, **Spain and Portugal**

~ Francesco Lo Passo, **Italy**

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EUROPEAN NEWS

Great Britain: Regulator Consults On System Operator Incentives

Energy regulator Ofgem is consulting on System Operator (SO) incentives for the National Grid Company (NGC). NGC's existing SO incentive scheme applies to its role as SO in England & Wales and expires on 31 March 2005. Provided British-wide Electricity Trading and Transmission Arrangements (BETTA) are introduced on 1 April 2005, NGC's SO role and incentive scheme will extend to include Scotland from this date. Ofgem is not proposing to make substantive amendments to the form of the current SO incentive scheme, but is considering the option of a two-year SO scheme (rather than the current one year scheme) and proposed contingency arrangements in the event that the introduction of BETTA is delayed.

Ofgem website, 29/9/04



Great Britain: Regulator Publishes Update In Electricity Distribution Price Control Review

Energy regulator Ofgem published an update to the electricity distribution price control review. Under Ofgem's updated proposals, the average distribution charge across distribution companies in 2005/6 will be the same in real terms as in 2004/5, although there will be increases for some companies and reductions for others. As part of the update, Ofgem increased allowances for both operating expenditure and capital expenditure from its previous proposals and proposed an X-factor equal to zero (i.e. RPI-0). Ofgem intends to publish final proposals in November, when it will also finalise the cost of capital. The new price control will take effect from 1 April 2005.

Ofgem press release, 27/9/04

Great Britain: European Commission Approves British Energy Aid

The European Commission (EC) approved the UK government's proposed restructuring aid for British Energy (BE) subject to conditions that include: (1) the ring-fencing of BE's nuclear generation capacity from its fossil fuel, supply and trading businesses; (2) no expansion of BE's nuclear or fossil-fuelled generation capacity in the European Economic Area for six years; (3) no expansion of BE's hydro-electric generation capacity in the UK for six years; and (4) a restriction on the company selling to its industrial and commercial customers at prices below the prevailing wholesale market price for six years (other than in market circumstances deemed by an independent expert to be exceptional).

DTI press release, 22/9/04

Great Britain: DTI Proposes Changes To Bolster Renewable Energy

The Department of Trade and Industry (DTI) is consulting on proposals intended to strengthen the development of generation using renewable energy sources. DTI has proposed: (1) extending the level of the Renewable Obligation beyond 2010/11 to 2015/16; (2) allowing tradability between Northern Ireland Renewables Obligation Certificates (NIROCs) and ROCs for Great Britain; (3) introducing measures that will further secure the buy-out fund in the event of a shortfall in receipts; (4) considering the introduction of a single recycling mechanism for the separate buy-out funds; and (5) introducing more flexibility for small generators.

DTI press release, 8/9/04

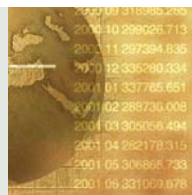
Great Britain: DTI Proposes Red Tape Cut For LNG Import Terminals

The Department of Trade and Industry (DTI) is consulting on proposals to exempt Liquefied Natural Gas (LNG) import facilities from the requirement to obtain a gas transporter licence, if they convey gas from their facility to a licensed gas transporter. The proposed measure is intended to reduce the regulatory and administrative burden on LNG import facilities as Great Britain becomes more dependent on imported gas.

DTI press release, 3/9/04

Great Britain: NGT To Sell Four Gas Distribution Networks

National Grid Transco (NGT), owner of the England and Wales electricity transmission system and UK gas transmission and distribution networks, announced the proposed sale of four of its eight regional gas Distribution Networks (DNs) for £5,800 million (US\$10,500 million) in cash plus approximately £130 million (US\$235 million) of assumed liabilities. The sale is dependent on modifications to NGT's existing gas transporter licence and the creation of new licences in order to accommodate the divested network structure. The energy regulator Ofgem has published its initial thoughts on the



licence condition changes that will be required to facilitate the sale and will start formal consultations on the licence modification in November 2004. Ofgem, the Secretary of State of Trade and Industry and the Health and Safety Executive, must approve the sale before it can be completed.

Ofgem web site 2/9/04; NGT press release, 31/8/04

Great Britain: BETTA “Goes-Active”

The Department of Trade and Industry (DTI) confirmed the appointment of National Grid Company (NGC) as the Great Britain (GB) System Operator (SO) under the British Electricity Trading and Transmission Arrangements (BETTA). NGC had already been acting as GB SO designate since December 2002. Under BETTA, the England and Wales trading arrangements will be extended to Scotland to create a single GB wholesale electricity market. DTI and Ofgem intend the new arrangements to “go-live” in April 2005. From now until April 2005 marks the “go-active” period in which the new arrangements will be phased in.

DTI press release, 1/9/04

Austria: Formation Of A ‘National Energy Solution’ To Protect National Markets?

Despite some delays, the formation of a ‘national energy solution’ is currently under way in Austria. This Austrian electricity solution, the ‘Österreichische Stromlösung (ÖSL)’ will involve the mainly state-owned Austrian Verbund Gesellschaft and the EnergieAllianz (a group of companies consisting of EVN, Wien Energie, Energie AG Oberösterreich, Linz AG, and Bewag). The European Commission has already granted its permission for this large alliance to be formed, claiming that the group would be a relatively small and unimportant player in the European market. However, the effect on the national market might be devastating since the alliance effectively ensures a national monopoly especially over network access.

Frankfurter Allgemeine, 24/9/04

Belgium: Creation Of Belgian Power Exchange

The Belgian transmission system operator Elia, the Dutch power exchange APX and the French power exchange Powernext concluded a cooperation agreement to set up a Belgian power exchange called Belpex. APX and Powernext both plan to take a 10 % shareholding in Belpex. The Dutch transmission system operator, TenneT, and the French transmission system operator, RTE, each said they might also buy 10%. Elia would remain the majority shareholder with a 60% stake. Market players on Belpex will be able to buy and sell electricity for next-day delivery.

Elia press release, 30/9/04

Belgium: Regulator To Reduce Tariffs

The Belgian regulator CREG has decide to lower 2005 transmission tariffs to reflect the EUR 40 million surplus made by Elia on operations in 2003. The change in tariffs has not been approved yet, as Elia has until end-September to submit its proposals to CREG. Users of local networks will also gain as CREG evaluated the total 2003 surplus from operations of distribution companies at EUR 80 million. However, the amount of surplus varies by area.

Platts Power in Europe, 27/9/04



Czech Republic: CEZ Plans Larger Scale Acquisitions

The Czech power producer CEZ seeks acquisitions in Poland, Romania, and Bulgaria, a company spokesman said, in order to amend its strategy in those countries. CEZ has set aside EUR 3,000 million for acquisitions and is scrutinizing Poland, where consolidation of the electricity generation and distribution markets is under way. CEZ's expansion began in July, when it won the tender to purchase 67% of three power distribution units in Bulgaria for EUR 281,5 million. CEZ seeks controlling stakes in both Polish power producers and distributors that the state is selling. Before the year's end, CEZ also plans to exercise its option to purchase the stakes held by German concern E.ON AG in two of the five electricity distributors it controls. That would boost its stake in Severomoravska Energetika SA from 59% to 89% and in Severoceska Energetika SA from 51% to 57%.

TheDeal.com, 27/9/04

Czech Republic: Price Rises To Affect Power Sector

CEZ, the country's dominant power producer, wants to increase the wholesale price of electricity by 11 % as of 2005. These suggested price raises seem to be in line with price rises in other European countries. Prices in the EU are rising twice as fast as Czech electricity prices and the wholesale price of electricity in Germany and Austria has been forecast to increase by 21 % next year, while prices in Poland will go up 15 % and in Slovakia by 10 %. In the Czech Republic, real prices of electricity (adjusted for inflation) are now half the level they were in 1992 and as a result, a further reduction in electricity prices is unimaginable. However, prices for 2005 proposed by CEZ are subject to approval by the Czech Energy Regulatory Office (ERU) at the end of this year and it remains to be seen what the overall effect of these price rises on economic development and growth will be.

Interfax Czech Republic & Slovakia Weekly Business Report, 24/9/04

EU: EU To Sponsor Closure Of Nuclear Reactors In Slovakia And Lithuania

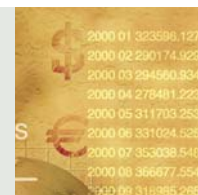
The European Commission has announced that it will spend EUR 1,052 million on the closure of four nuclear reactors in Slovakia and Lithuania. The money is to be set aside from the EU budget for 2007-2013. It is estimated that the decommissioning of the two oldest reactors in Jaslovské Bohunice, West Slovakia, is to cost EUR 237 million, and that Lithuania is to receive EUR 815 million. The decommissioning of nuclear facilities requires large sums (around 15 percent of investment costs on a reactor) and therefore the EU agreed to support Slovakia and Lithuania in order to meet its obligations for new EU members. The contribution still has to be approved by EU Commission.

CTK Daily News, 29/9/04

EU: EU Emission Trading System Shows Strong Activity: Rethink Nonetheless Required?

The market for allowances in the EU Emissions Trading Scheme (EU-ETS) has recently shown a high level of market activity and rangebound prices have again characterised the past few days. Finally, the price for 2005 vintage allowances had fallen to EUR 8.75 per tonne of carbon dioxide equivalent (tCO₂e) at the end of the preceding week. The total traded volume was almost 230,000 tonnes. Germany's government has announced a lawsuit against the European Commission regarding the dispute over its National Allocation Plan (NAP). The dispute centres on the German desire to retain the possibility of adjusting the allowances in its NAP ex-post based upon new information. However, the Commission has said not only that such a stance contravenes the emissions trading directive, but also that it has no apparent environmental benefits and risks undermining the EU-ETS by adding an element of uncertainty into the scheme.

European Spot Gas Markets, 24/9/04



France: ENDESA Purchases An Additional 35% of Snet From Charbonnages de France

ENDESA has increased its stake in French electricity generator SNET to 65%, giving it a controlling stake. The purchase has been approved by the EC competition authorities. The cost of the operation, including the EUR 450 million that ENDESA paid for its first 30% stake, amounts to EUR 571 million. In the near future, the remaining 35% of SNET, of which 16.25% belonging to Charbonnages de France and 18.75% to EdF, are to be acquired by GdF.

ENDESA press release, 13/9/04

Germany: German Energy Regulation Start Seen In Early 2005

Michaele Hustedt, the Green Party's energy spokeswoman, stated that the start of concrete regulatory measures to force down some German gas and power network usage fees should be possible by 1 April 2005. The process of introducing a regulatory body in German is currently behind schedule. Germany missed a European Union deadline for the start of energy regulation on 1 July 2004 due to parliamentary delays. The process is now being speeded up amid public uproar over high energy prices, among the highest in Europe. Currently, the designated authority for the job, telecommunications agency RegTP, eagerly awaits the finalisation of its legal brief to start taking action.

Reuters News, 28/9/04

Germany: German States Criticise Government's Plan For Regulation Authority

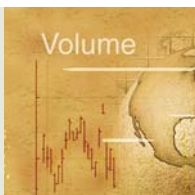
Germany's states have recently criticised the Federal Government's plans for the implementation of regulation. The discussion erupted during the reading of the proposed revised German energy law in the Federal Council of Germany, the Bundesrat, the assembly of representatives of each of Germany's 16 states. The German Federal Minister of Economics and Labour, Mr Wolfgang Clement, defended his approach, but members of the opposition, mainly CDU, CSU and FDP, claimed that the law in its current proposed version would fail its main aim, namely to achieve competition. The German Government has proposed that all 1700 electricity and gas undertakings in Germany will be subject to federal regulation. During the discussion in the council, criticism arose as to what role the states would play in the regulatory process. A further issue was whether regulation should take place ex-ante or ex-post. Currently, the proposal is for regulation only to be applied ex-post. At present, Mr Clement stated, he would favour ex-post regulation purely for reasons of practicality.

dpp Nachrichtenagentur, 24/9/04

Germany: Six Years Into Liberalisation: No Effective Competition In Practice

Six years after the de-jure introduction of competition in the German electricity market, there is no effective competition since the number of supply companies has effectively decreased. Ms Almut Stollberg of the Association of New Electricity Suppliers (BNE) states that out of 100 electricity suppliers, less than ten have actually survived the first six years of liberalisation. Furthermore, only 4% to 5% of German households have switched electricity supplier. Households therefore practically exhibit no switching behaviour at all. In contrast to a retreat by new electricity suppliers, the big four, RWE, E.ON, Vattenfall and EnBW, have managed to tighten their hold on markets. The four electricity companies own more than 80% of the production capacity and the majority of the distribution network.

Frankfurter Allgemeine, 24/9/04



Hungary: Government To Support Energy Sector

The Hungarian Government has announced that it would support the energy sector with EUR 305.6 million by 2010. The majority of these funds is likely to come from the European Union, government officials announced. The Government has announced that it would allot some of the amount to projects aimed at boosting production capacity. In addition, Hungary will support alternative energy production.

Hungarian News Digest, 27/9/04

Ireland: ESB Networks Distribution Performance Report 2003

ESB Networks has submitted its annual Performance Report for the year ending December 2003 to the Commission. The report details performance levels in relation to customer service, achievement of capital programme, supply quality, safety, compliance with licence requirements and improvements achieved in 2003.

CER, 23/9/04

Ireland: Increase In Electricity Charges

The CER announced its decision to allow ESB PES (Public Service Supplier) to increase its electricity prices by 9% from October. This increase is due to escalating fuel costs faced by ESB. The CER also proposes to allow a further 3.5% increase in ESB's tariffs from January 2005.

CER, 3/9/04

Ireland: Gas Transmission And Distribution Tariffs

The Commission publishes documents setting out the Bord Gáis Éireann's transmission and distribution revenues and tariffs for the period from 1 October 2004 to 30 September 2005.

CER, 3/9/04

Italy: Tests of Active Demand Bidding In The Power Exchange Extended To The Whole National Territory

Gestore del Mercato Elettrico – the manager of the Italian Power Exchange – has announced that tests for active demand bidding in the Power Exchange have been extended to the whole national territory starting from 1 October 2004. Such tests were introduced on 1 July 2004 but were limited to the Central - Northern zone. The Gestore has reported that more than sixty operators have asked to participate in the tests, including the Single Buyer and several wholesalers. This stage is preliminary to the actual demand bidding scheduled for the beginning of 2005.

Staffetta Quotidiana, 2/10/04; Gestore del Mercato Elettrico press release 1/10/04;

Italy: Electricity And Gas Rates For The Fourth Quarter 2004 Published By AEEG

The Italian Energy Authority (AEEG) has published new electricity and gas rates for the fourth quarter of 2004. The average electricity rate for the period October–December 2004 has been fixed at 10.25 eurocents/kWh, which is 0.7% higher than the third quarter. The overall electricity rate for 2004, however, is 0.4% less than in 2003. For gas, the new rate is up 0.8% with respect to the previous quarter, but it is still 3.4% lower than in 2003. The AEEG has also set tariffs for the distribution of natural gas for the second regulatory period 2004–2008; tariffs are down 6.3% with respect to the first regulatory period and the weighted average cost of capital (WACC) for gas distributors is now equal to 7.5% (it was 8.8% before).

AEEG press release, 30/9/04



Italy: First Details Of The ENEL3 Public Offering Released By Ministry Of Treasury

The Italian Ministry of Treasury has released the first details about the forthcoming public offering of ENEL shares, known as ENEL3. The public offering will start on 18 October 2004 and end on 22 October 2004. Mediobanca, Merrill Lynch, Goldman Sachs and Morgan Stanley have been selected as joint bookrunners of the offering, whereas Mediobanca and Merrill Lynch are also global coordinators of the financial operation. The road show will start on 4 October and it will go on for three weeks. With this offering – it is the third time that the Italian Government offers ENEL shares to the public – the stake held by the Treasury in the electric utility is expected to fall in the range 30-50%, compared to the current 61%.

Ministry of Treasury press release, 30/9/04

Italy: GRTN Views Management Of The Italian Electric System During Summer 2004 As Positive And Satisfactory

According to GRTN (the Italian Transmission System Operator), the management of the Italian electric system during last summer was highly satisfactory. The actions undertaken by GRTN – which included deferral of maintenance operations and planned outages, new plants becoming operational, and increased electricity production from hydro plants – have effectively increased the reserve margin in summer 2004 by 5,700 MW. In particular, during each day of the summer 2004 the reserve margin was between 5% and 10% of available capacity and it was never necessary to activate emergency procedures.

GRTN press release, 23/9/04

Netherlands: Application For NorNed-Cable Submitted To DTe

Dutch energy regulator DTe published TenneT's application for construction of an electricity cable between the Netherlands and Norway. TenneT is the high voltage transmission system operator in the Netherlands. TenneT has requested permission to finance the cable from the proceeds of the import capacity auction. The cable will be 580 km long and have a capacity of around 600 MW. The project is a joint venture with Statnett of Norway, which has applied for approval from the Norwegian regulator. Statnett will own the northern half of the cable, and TenneT the southern half. Each company will be responsible for operation, maintenance and management of its own part of the cable.

DTe, www.dte.nl, 27/9/04; Platts Power in Europe, 13/9/04

Netherlands: Essent And Nuon Lodge Gas Complaint

Dutch energy companies Essent and Nuon have issued a complaint with the European Commission against the decision of the Dutch Government to make GtS (Gastransport Services, the gas transmission system operator) statutorily responsible for supplying gas when temperatures fall below minus 9 degrees Celsius. The decision contravenes European laws on free market competition, according to the companies. Both companies have invested heavily in underground gas storage facilities for the purpose of supplying gas at times of peak demand.

Platts International Gas Report, 24/9/04



Netherlands: DTe Issues Final X-Factors For Gas Network Companies

DTe has issued its final X-Factor decisions for gas network operators, for the periods 2005 to 2007. The X-Factors have been calculated on the basis of the X-Factor methodology adopted in August 2004. They vary between network companies, eg NV Continuon Netbeheer 2.8%, Essent Netwerk Friesland BV 6.5%, and Eneco Netbeheer BV 2.9%.

DTe press release, www.dte.nl, 17/9/04

Netherlands: DTe Sets Out Vision Of Integration In European Electricity Market

DTe has issued a brief paper setting out its vision of market integration in the European electricity market. DTe encourages integration with foreign markets, and says integration with the German market is the “most interesting” for Dutch consumers. Integration with Belgium and France is “potentially interesting too”, although these markets are still in development and market power “plays a larger role”. DTe states that the risk of market power leading to welfare loss in the Netherlands must be limited, and that an effective system for monitoring the regional market must be put in place.

DTe, www.dte.nl, 14/9/04

Netherlands: DTe Issues Draft „Q-Factor“ Methodology For Electricity Network Companies

DTe has issued a draft decision on the methodology for setting the quality terms (or “q-factors”) for the period 2004 to 2006. The q-factor features in the tariff-setting formula in Article 41 of the Electricity Act, under which DTe sets the tariffs for electricity network operators. The purpose of the q-factor is to incentivise network operators to optimise the quality of their transport services. DTe has also issued a draft decision on the level of the q-factor, which sets the q-factor for each network company equal to zero. The q-factor for 2004 will be applied retrospectively, starting from 1 January 2004.

DTe, www.dte.nl, 3/9/04

Netherlands: DTe Publishes Administrative Rules For Dispute Resolution

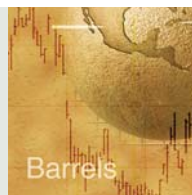
DTe has published administrative rules on the process it will follow for dispute resolution purposes. Under the Intervention and Implementation Act of 15 July 2004, dispute resolution rules have been modified and DTe has gained new powers to adjudicate disputes between customers and network companies.

DTe, www.dte.nl, 2/9/04

Netherlands: DTe Issues Final Methodology For Gas X-Factors

DTe has issued the final methodology for the determination of X-factors for gas network operators for the period 2005 to 2007, under Article 81 of the Gas Act. The methodology will only apply to customers using less than 170,000 m³ per connection for now, but will be adjusted to apply to customers with higher usage in due course, when amendments to the Gas and Electricity Acts have been implemented. A separate X-factor will be determined for each network operator. The X-factor is intended to promote efficient operations by network operators. DTe issued a draft methodology for setting the X-Factors for gas network operators at the end of July 2004.

DTe, www.dte.nl, 31/8/04



Portugal/Spain: The Iberian Market To Begin In June 2005

The Spanish and Portuguese governments have set 30 June 2005 as the date for the creation of the Iberian electricity market (Mibel). The decision, shortly after the creation date was postponed indefinitely, was facilitated by the European Commission's approval of the Portuguese government scheme that will allow the ending of the PPAs. Mibel will consist of two unified markets, in which the spot market will be operated by the market operator in Spain, and the forward market by the Portuguese market operator.

www.abc.es, 30/9/04

Portugal: Commission Authorises Public Compensation For Stranded Cost

The European Commission has decided not to raise objections to the State compensation scheme that replaces the long term PPAs signed between three generating companies (EDP, Tejo Energia and Turbogás) and the transmission company (REN). The scheme would come into action if power plants constructed before February 1997 received lower revenues in the competitive market than the revenues due under the PPAs. The Commission recognises that the abolition of the contracts could give rise to stranded costs and accepts the Portuguese government proposal to recover these costs. The public compensation payments for stranded costs have been limited to EUR 9,200 million (US\$ 11,000 million).

Jornal de Notícias, 23/9/04; Agencia Financiera, 23/9/04; Diario Económico, 23/9/04; EC Press Release, 22/9/04

Portugal: EDP Purchase Of Portgás Is Subject To Conditions

The Portuguese Competition Policy Authorities approved EDP's acquisition of 12.92% of the gas distribution company Portgás, subject to certain conditions. The conditional approval has been finally adopted after seven months of investigation. The restrictions include the legal separation of both companies, and the presentation of periodic information. This information requirement refers to gas deliveries to customers, investment in gas network expansion and final prices charged to industrial customers.

Diario de Noticias, 21/9/04

Portugal: Full-Service Tariffs Increase For Industrial Customers

To account for increases in international fuel costs, full-service electricity tariffs for customers connected to medium and high voltage will be increased in October. This rise corresponds to fuel price increases witnessed in the second quarter of the year. ERSE has decided that the tariff increase for continental customers will be as follows: 4.8% for EHV customers, 4.6% for HV customers and 3.12% for MV customers. Tariffs for non-continental customers will increase by 0.17% for customers in HV and by 3.1% for MV customers in Madeira, and 2.47% for MV customers in the Azores.

Jornal de Negócios, 16/9/04

Portugal: Brussels Approves Repsol's Acquisition Of Shell's Retail Assets In Portugal

The European Commission (EC) raised no objection to Repsol's acquisition of Shell's petrol retailing activities in Portugal. After the EC analysed the impact of the newly formed firm in those retail and wholesale markets being operated by both firms, it concluded that the sale does not distort competition because there are other competitors in the market.

www.elmundo.es, 14/9/04



Portugal: First Results Of Petrol Price Liberalisation

The Competition Policy Authorities reported that results of the first eight months of petrol price liberalisation have shown competition operating satisfactorily. The main conclusion drafted in the report is that petrol margins at the retail end have fallen by 13.7% since the beginning of the liberalisation. In addition, the report includes suggestions to ensure further competition such as allowing the siting of new petrol stations in shopping areas.

Jornal de Negócios, 14/9/04; Agencia Financiera, 14/9/04

Portugal: The Competition Policy Authorities Approve Turbogás Sale

The Portuguese Competition Policy Authorities have approved International Power's acquisition of Turbogás. The operation consisted of the purchase of the remaining 75% allowing International Power to own the full CCGT plant shareholding. The authorities consider that this acquisition does not reinforce the dominant position of the company in the Portuguese electricity production market. This operation has made International Power the second largest generator in the country in terms of production capacity.

Jornal de Negócios, 10/9/04

Portugal: The Competition Policy Authorities To Investigate REN / Transgás Merger

The Portuguese Competition Policy Authorities decided to open an investigation into the merger between the electricity transmission company REN and its gas counterpart, Transgás. This merger is part of the government's restructuring plans for the energy sector. The antitrust authorities want to investigate whether the merger would result in the use of market power in the high-pressure gas market to distort competition in the electricity market.

Jornal de Negócios, 10/9/04

Russia: Government To Approve Creation Of OGGK3

Relevant government bodies agreed a draft directive instructing state representatives on the RAO UES Board with regard to the creation of Wholesale Generation Company 3 (OGK3). OGK3 will be a generating company incorporating the assets of the Kostromskaya, Gusinozerskaya, Pechorskaya, Kharanosrskaya, Cheretskaya and Uzhnouralskaya state regional power plants. At first, OGK3 will be established as a 100% subsidiary of RAO UES with the charter capital of 16.6 billion roubles (about US\$ 550 million). As a second stage, it is planned that OGK3 will issue more equity and increase its share capital to 30 billion roubles (US\$ 1,000 million).

Interfax, 29/9/04

Russia: Bilateral Contracts

RAO EES proposes to change the concept of liberalisation of the regulated electricity market, said head of RAO UES Anatoly Chubais at an investor's conference. The essence of the proposed changes is to introduce bilateral three-year agreements between producers and consumers of electricity in the regulated market, so that liberalisation of the market does not create sharp changes in the electricity prices. The proposal is being discussed with the representatives of the Ministry of Economic Development and the Ministry of Fuel and Energy. If the proposal is accepted, it will require changes in the Government decree on regulating prices of electricity.

Interfax International, 28/9/04; Prime Tass 28/9/04; RIA Novosti 28/9/04



Russia: Chubais Supports A Single Hydro Generating Company

Head of RAO UES Anatoly Chubais pointed out that after liberalisation of the electricity markets, “hydro-generators will become price takers, which will necessitate creation of special conditions for this sector”. Mr Chubais supported the idea of merging all hydro generators that currently belong to RAO UES into one company, rather than four.

Praim Tass, 28/9/04

Spain: The Competition Authorities To Assess DISA's Dominant Position

The Spanish Competition Authorities will assess whether the Spanish petrol distribution company DISA has a dominant position in the petrol stations market in the Canary Islands. Following the acquisition of all the petrol stations previously owned by Shell in Spain, DISA will now control 51% of the petrol stations operating on the islands. If the Competition Authorities were to conclude that DISA enjoys a position of dominance, the acquisition could be subject to certain conditions, such as the compulsory divestment of some of the newly acquired stations.

Cinco Días, 25/9/04

Spain: The Government Presents Electricity Regulation Trends

In his appearance before the Spanish Parliament, the State Secretary for Energy presented the government's proposals in relation to the electricity sector. Among the measures to be introduced, the Secretary mentioned the transposition of the EU Directive 2003/54, including the functional and legal unbundling of the operator and network owner, the increase in interconnection capacity with France and Portugal, the progressive reduction in the use of nuclear energy, the reduction in coal subsidies and the possibility of opening a debate to introduce regional tariffs instead of the historical national uniform tariff.

Cinco Días, 23/9/04

Spain: The European Commission Authorises EDP To Take Control Over Hidrocantábrico

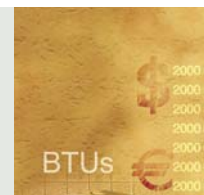
The European Commission authorised the purchase by Electricidade de Portugal (EDP) of the stakes in Spanish utility Hidrocantábrico currently held by Cajastur and EnBW. In this way, EDP will be able to gain exclusive control over the fourth largest Spanish utility. The European Commission considers that the operation does not restrict competition, since EDP and Hidrocantábrico compete in different national markets. Even in the case of the introduction of the Iberian market the joint market share of the two companies would not exceed 18% and would face competition from the other three larger Spanish generators.

Cinco Días, 10/9/04

Spain: The CNE Argues That Galp's Purchase Of BP Enértica Does Not Restrict Competition

At the request of the Spanish Competition Authorities, the Spanish Energy Regulator, Comisión Nacional de la Energía (CNE), has issued a report analysing the purchase of BP Enértica, the Spanish subsidiary of British Petroleum, by the Portuguese petrol company Galp Energia. The CNE concludes that the operation does not restrict competition conditions in the Spanish gas oil and fuel oil markets.

La Gaceta, 6/9/04



Spain: Final National Allocation Plan Approved

The Spanish Council of Ministers has approved the final version of the Spanish National Allocation Plan (NAP) for CO₂ emission rights. With respect to the initial draft published last July, the final NAP reduces the annual amount of rights assigned to old installations, while it increases the rights reserved for new plants. The government estimates that total costs for the industry from the introduction of the plan will amount to EUR 85 million (US\$ 102 million). As each installation had until the 30 September 2004 to request the number of free emission rights, the specific plant allocation will not be decided until the last quarter of 2004.

El País, 4/9/04; Canal Medioambiental, 3/9/04

Switzerland: Increasing Investment Into Wind Energy To Meet Future Demand

The Swiss Government has announced plans to invest in wind energy so that a total of 500 GWh of electricity can be produced from renewable sources by 2010. A report, lead-managed by the Swiss Federal Office of Energy (SFOE), has outlined key determinants of a new Swiss plan for wind energy ("Konzept Windenergie Schweiz"). The decision to build new wind energy capacity is one of the key determinants of the new plan.

Energie & Management, 1/10/04

Switzerland: Energy Transmission Network Is Constantly At Its Capacity Frontier: A Need For Regulation?

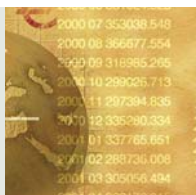
One year after the electricity blackout in Switzerland, caused by a tree falling onto the high voltage transmission cable on the Swiss-Italian border, Switzerland's electricity transmission system is constantly operating at its capacity frontier. Following a recent report published by the Swiss Federal Office of Energy (SFOE), investigations into the issue have revealed that lessons had been learned from the blackout and tree cutting has been enforced, but increasing throughput of electricity and unplanned flows push the transmission system to its limits. SFOE announced that in order to avoid potential future incidents from happening, technical standards have to be tightened that ensure security of supply. According to SFOE, this can only be achieved through an improved coordination of planned flows and better regulation both at a national and a European level.

Neue Züricher Zeitung, 24/9/04

Turkey: Tupras Unaffected By Sale Delay

Tupras says its operations are not affected by uncertainty over its future. Tupras is awaiting a final decision from the Turkish administrative high court as to whether the sale of the company to a consortium of Russian oil major Taftnet and a local company will be annulled. The deal was cancelled at the end of June after the Tupras labour union complained that there had been breaches in the privatisation process.

Platts Energy in East Europe, 17/9/04



NORTH AMERICAN NEWS

US: FERC Approves Reliant Deal To Negate Etiwanda Auction Requirement

The Federal Energy Regulatory Commission (FERC) approved Reliant Energy's proposal to waive a requirement that it hold an auction for capacity at two of its Southern California generating units. Instead, the company will be allowed to sign a contract with Southern California Edison to sell the capacity from Reliant's Etiwanda Unit Nos. 3 and 4 to the utility. The company also requested that the auction for capacity from other Reliant units be postponed until January 2005. The auction requirement was part of the stipulation reached by FERC and Reliant over alleged market manipulation by the company during the 2000-2001 energy crisis. Under the deal, Reliant agreed to pay US\$25 million in cash and to auction capacity from its two 320 MW Etiwanda units, the 130 MW Mandalay unit and the 54 MW Ellwood unit, for three years beginning in the fall of 2003. The auction income in excess of the minimum contract price established in the agreement with FERC—up to US\$25 million—was to be deposited into a US Treasury account for future refund to the state. Reliant offered the capacity last year at this time, but had no takers. The company then mothballed the facilities.

California Energy Markets, 30/9/04

US: Exelon Tells FERC It Passes Market Influence Tests

Exelon Corporation, one of the largest U.S. electric utilities, told the Federal Energy Regulatory Commission (FERC) that it believes it passes two FERC tests designed to screen for excess regional power market influence. Exelon said in a filing that its membership in the independent PJM Interconnection LLC transmission grid operator group, as well as its large nuclear reactor fleet, help ensure against undue market dominance. Output from nuclear units cannot be easily withheld to influence markets, and PJM carefully checks for signs of abuse. FERC's two market power screens, or tests, are one step the agency is using to determine whether utilities should retain their ability to sell power at market-based rates. If utilities are deemed to have too much market influence, they could be restricted to selling power at cost, which can be less profitable. Several other utilities have filed assessments with FERC on whether they believe they pass the two market screens.

Dow Jones & Company, Inc. 27/9/04

US: Report Gives Warning About Electricity Reserve Margins In California

If a significant number of aging power plants continue to retire between now and 2008, and nothing is done to replace those supplies, electricity reserve margins in California could become dangerously thin, putting California citizens and businesses at risk, according to a new report from the California Energy Commission. Recommendations for addressing the situation include upgrading and expanding transmission lines, exploring ways to encourage the residential use of solar power and moving forward with contracts for newer power plants while giving older power plants stand-by contracts so the state can, if necessary, call upon their resources on very hot days.

The Bakersfield Californian, 22/9/04



US: Study Says Nuke Power More Competitive

Nuclear power's future might be a little brighter following the release of a U.S. study showing it can compete economically with coal and natural gas. The University of Chicago study found once initial construction costs are paid off, nuclear power plants generate electricity slightly cheaper than coal and gas-fired plants. The Department of Energy said in a statement the report proves nuclear power could be a competitive energy source in coming years. The report, however, warns the costs of designing and building test plants for the new technology could be a significant hurdle. No nuclear plants have been built since the 1970s. However, nuclear power is still the second-largest source of electricity in the United States behind coal.

United Press International, 20/9/04

US: Electric Firms Stranded Costs' Potentially Are Over-recovered At Rates Now

Virginia utilities could collect more from consumers than needed to cover power-plant investments lost because of electric deregulation, a Virginia attorney general's report says. The report, prepared for a General Assembly commission monitoring deregulation, says that utility "stranded costs" could be over-recovered through capped electric rates if market prices for electricity remain as high as they have been for the past year and a half.

On the other hand, if the market for electricity should fall significantly, utilities might be faced with not recovering their losses from deregulation. Stranded costs have been the subject of much debate since the General Assembly passed the deregulation law in 1999. Some have argued that the mechanism to recoup stranded costs has hurt the development of a competitive electricity market.

Richmond Times – Dispatch, 17/9/04

US: Ninth Orders FERC To Hold Refund Proceedings For California

The Federal Energy Regulatory Commission (FERC) "abused its administrative discretion" by declining to order refunds for rampant violations of its reporting requirements during the California market meltdown, the 9th U.S. Circuit Court of Appeals ruled on 9 September. In a strongly-worded opinion, the court upheld FERC's authority to approve market-based rates, but ordered the agency to hold refund proceedings to address the violations. Less than two months ago, FERC chairman Pat Wood took the position that the agency had no authority to order retroactive refunds. That is also the position it took in the case ruled on last week. But the court said that was an "improper conclusion," and that "FERC's construed limitations on its own authority are not supported by a careful examination of the Federal Power Act (FPA)." In analyzing FERC's position, the court stated that "The FPA cannot be construed to immunize those who overcharge and manipulate markets in violation of the FPA."

Clearing Up, 16/9/04

US: Connecticut Utility Regulators To Discuss Creating A New Electricity Market

Moir K. Lyons, speaker of the state House of Representatives, has scheduled a meeting today with utility regulators, municipal officials and a business association to discuss plans for a new electricity market within part of Connecticut. The plan could lead to higher costs for customers in that part of the state by re-allocating so-called "congestion charges" levied during periods of peak power use. Currently, Connecticut is treated as a single zone for purposes of paying such charges. Attorney General Richard Blumenthal and state utility regulators have already announced their opposition to the plan.

The Hartford Courant, 16/9/04



US: DWR Proposes US\$4.8 Billion Revenue Requirement For 2005

The California Department of Water Resources (DWR) will need US\$4,811 million to continue procuring power for the state's three large investor-owned utilities, and to service its power-related bond debts next year. The projected revenue requirement includes US\$3,925 million for power supply-related costs and US\$886 million for bond-related costs. That total figure could change in the future, due to changes in California's energy market, the status of market participants, DWR's obligations and operations, or other events, the agency said.

California Energy Markets, 15/9/04

US: ISO New England, Transmission Companies, NEPOOL, And NEPOOL Participants File Joint Agreement With FERC

ISO New England Inc., the region's transmission companies, the New England Power Pool (NEPOOL), and certain NEPOOL participants jointly filed an agreement with the Federal Energy Regulatory Commission (FERC) that, upon approval, facilitates ISO New England's transition to a Regional Transmission Organization (RTO). The joint filing follows negotiations over key transitional issues left outstanding when FERC granted ISO New England conditional approval as an RTO in March. If FERC approves the settlement agreement, ISO New England could begin operating as an RTO after giving 30 days notice to FERC and the region's stakeholders. According to the settlement agreement, the role of NEPOOL, a voluntary association of entities that participate in the region's electricity industry, will be modified to provide the stakeholder process that ISO New England will rely on for advisory input. A sixth NEPOOL sector, for alternative energy companies, will also be created. In addition, the agreement resolves issues surrounding the disposition of NEPOOL's tangible assets.

Business Wire, 13/9/04

US: Who Owns Distributed-Generation Renewable-Energy Credits, CPUC Asks

To encourage the development of renewable power from distributed generation (DG), the California Public Utilities Commission told utilities they could count DG developed by their customers as part of the renewable power they must acquire to comply with renewable-power requirements under state law. However, in its instructions to utilities, the commission failed to specify who would own the rights to possible future renewable-energy credits to which customer-owned DG facilities might be entitled. This "unintended confusion could lead to disputes regarding who owns the rights to the Renewable Energy Credit (REC), including claims that the utilities have 'taken' RECs that belong to the DG owners," CPUC Administrative Law Judge Peter Allen said in a 1 September ruling. CPUC and California Energy Commission staffs are currently grappling with the question of who should own RECs for DG facilities that receive public subsidies through incentive programs run by the CPUC and CEC.

California Energy Markets, 8/8/04

US: Despite Deregulation, Some Utilities Won't Compete In Virginia Power Markets

While 3.1 million Virginians have the right to choose their own electric company, few have. That's because no company wants to compete with the major utilities that already operate in the Commonwealth. The State Corporation Commission said in its annual report on electric utility deregulation that nationwide price run-ups, questionable accounting practices and increased fuel prices have contributed to Virginia's lack of competition. Almost no competition exists in any of the 17 markets that allow retail electricity. The SCC report said most states have decided to drop their efforts to create competi-



tive utility environments over the years. Currently only about 1,900 out of 3.1 million people choose to pay competitors for their electricity. Electric companies in Virginia are required to join regional transmission organizations that manage huge electric grids that span several states. Virginia has always had relatively low electricity costs. No outside company can offer prices lower than what already exists in the state and remain profitable.

The News & Advance, 2/9/04

US: ISO New England Modifies Generator Capacity Payment Plan

New England's power grid operator has modified a proposed plan aimed at paying generators to recover their fixed costs, which should increase payments from current levels. Electric delivery companies in New England currently pay generators for having their units on line. ISO New England filed with federal regulators in March to provide higher payments to plants in areas with limited power supplies in an effort to encourage new development where it's needed most. In a follow-up filing made Tuesday, the grid operator raised to US\$7-\$8 per kilowatt-hour from US\$6.66 the estimated cost of building a new generator in New England to reflect inflation. The ISO also altered its method of calculating how much capacity each region needs. The change will allow southwest Connecticut and northeast Massachusetts, which are short power, to import 500 additional megawatts each from the rest of New England.

Dow Jones & Company, Inc 1/9/04

Canada: N.B. Power Utility Splits Into Five Separate Companies, Partially Deregulates

New Brunswick's Crown-owned power utility is splitting into five separate companies as the province takes its first steps towards partial deregulation of the energy sector. NB Power's restructuring was originally set to begin 18 months ago, but the Electricity Act has been delayed as legislature committees debated the changes. The utility has struggled over the past year, facing controversy over a botched fuel deal and soaring costs. The province spent US\$750 million refitting a generating station to burn the cheap Venezuelan fuel Orimulsion, only to have the deal with Venezuelan officials to supply Orimulsion fall through. Oil, natural gas and coal prices skyrocketed, further hurting the utility's bottom line, and in the wake of the Orimulsion disaster, several high-ranking NB Power executives left the company. Going forward, NB Power will be composed of five separate divisions: distribution, transmission, generation, nuclear, and a holding company. The province's largest industrial customers will be able to shop around for the best power rate available.

The Associated Press, 30/9/04

Canada: Ontario "Baseload" Energy Study Released Today: Coal, Nuclear More Economical Sources if Natural Gas Prices Remain High

An independent study of various sources of electricity generation has found that coal-fired plants remain the lowest-cost technology - if the plants escape being taxed with clean-air emissions penalties. The study also concludes that leading-edge nuclear technology could be cost-competitive with coal under some circumstances. The study by the Canadian Energy Research Institute found that gas-fired plants are "an unattractive option" for new baseload generation capacity in Ontario if gas prices remain high. Baseload typically refers to plants that produce power around the clock. The study comes as Ontario restructures its energy marketplace and plans a massive infrastructure program. About 80% of Ontario's electricity-generating infrastructure will have to be replaced by 2020 as aging power plants need replacing or renewal or are shut down.

CNW Telbec, 2/9/04



Mexico: Mexico And Canada Look For Agreements To Face The United States

Mexico and Canada are working towards integration and energy security in North America. The ambassador of Mexico, Andrés Rosenthal, and Christinne Frechette, director of the North American Forum on Integration, are evaluating agreements that strengthen the relationship between the two countries to face trade negotiations with the United States.

El Economista, 22/9/04

CENTRAL AND SOUTH AMERICAN NEWS

Argentina: Energy Savings Plan Suspended

The Argentinean energy savings plan – known as PURE by its Spanish initials – has been suspended until May 2005. Indeed, the energy department believes PURE is not necessary during the coming months, i.e. during spring and summer in the Southern Hemisphere, when energy consumption is lower. The PURE program was introduced in May 2004 as part of the government's efforts to solve its energy crisis. Designed to fine consumers who used more electricity or gas than in the same period last year and reward those who used less, the program was regarded as successful, since for every two consumers receiving a reward under the plan, only one was penalized.

Business News Americas, 15/9/04

Bolivia: The New Hydrocarbons Bill Submitted To The Congress Prompts Huge Criticisms From Fuel Industry And Private Investors

Bolivian President Carlos Mesa has submitted the new hydrocarbons bill to the Congress. The main points of the new energy bill include the return of the country's hydrocarbon resources to the state, an increase in royalties, and the creation of a new oil regulator. If the bill is approved, the state will recover ownership of all hydrocarbons at the wellhead. Exploration, production, transport and trading activities will be carried out either by state companies or private investors acting under fixed-term concessions. The upstream companies Andina and Chaco (now partly owned by Repsol YPF and BP, respectively) and the transport company Transredes (now owned by pension funds) are due for re-nationalization. Royalties and taxes (like the new Complementary Tax on Hydrocarbons, or ICH) will increase up to 50% of the production value. The new regulator – called Petrobolivia – would be responsible for signing new contracts on behalf of the state and renegotiating all the existing concession contracts signed by YPFB with foreign private companies. President Mesa wishes the bill to be approved by mid-October at latest. Private investors have already criticized the new bill, particularly the clause by which existing contracts must be renegotiated in line with the new proposed rules within 180 days of the bill being approved. They regard it as uncompensated expropriation of financial assets that will discourage private investment.

EFE News Service 14/9/04, 10/9/04, 8/9/2004; Business News Americas, 9/9/04, 7/9/04



Brazil: Ibama Likely To Licence Three Strategic Hydro Projects Soon

Ibama, the Brazilian environmental protection agency, is close to licencing three hydro projects at Estreito (with a capacity of 1,087MW), Pai Querê (292MW) and Itaocara (195MW). These projects were included in a list of 24 projects (with total installed capacity of 5,039 MW) considered as strategic by the Ministry of Energy and Mines, Dilma Rousseff, in order to cope with increasing electricity demand. Some of these projects are experiencing legal and licensing delays. Ibama is responsible for licensing 10 projects on rivers crossing more than one state, whereas the remaining 14 projects need to be awarded a licence by state environmental authorities. Of the 10 projects under Ibama's jurisdiction, 2 have been declared infeasible and the other 5 projects have been already been licensed. The federal government is also helping state authorities to speed up their licensing procedures.

Business News Americas, 21/9/04, 2/9/04

Brazil: ANEEL Publishes List Of Pre-qualified Companies For Transmission Tender

ANEEL, the Brazilian regulatory agency for the power sector, has pre-qualified 29 companies for the auction of 11 transmission concessions, to be held on 30 September. The pre-qualified companies have now to present financial guarantees in order to be admitted to the auction. Future licensees will construct and operate 12 lines with a total length of 2,862 km in eight states expected to become operational within 26 months of the contracts being signed.

Business News Americas, 31/8/04

Ecuador: Call For ITT Bids Scheduled For Early 2005

After several delays, the Ecuadorian Energy Minister is now planning to open the bidding process for the Ishpingo, Tambochocha, and Tiputini (ITT) oil fields in early 2005. The total investment necessary to develop the fields and start production, processing and transport is estimated at US\$ 2.5 – 3.5 bn. The Ecuador's Government is now considering which type of contract to adopt for the project. Petroecuador, the state-owned oil company, has proposed a new type of mixed-economy contract where the government holds 49% of the shares and a private consortium operates the project with the remaining 51%.

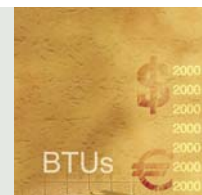
Business News Americas, 8/9/04, 6/9/04

ASIA-PACIFIC NEWS

Australia: NSW State Government Opposes Competition in Meter-Reading

The New South Wales state government has applied for an exemption from competition in electricity meter-reading for state-owned distributors Energy Australia and Country Energy. The Government's application to the Australian Competition and Consumer Commission cites "ineffective transfer and concerns regarding supply failure" to justify the continued exemption under the National Electricity Code.

Electricity Week (Demand edition), 29/9/04



Australia: State Regulator Releases Decision on Monitoring Competition

The Essential Services Commission of South Australia has released its Final Decision on Monitoring the Development of Energy Retail Competition in South Australia. The Decision sets out the detailed framework for the assessment of energy retail competition in South Australia. Seven key indicators will be monitored, such as the level of retailer activity, extent of customer awareness and switching, extent and nature of offerings made by retailers and barriers to entry faced by retailers.

www.saiir.sa.gov.au, 20/9/04

Australia: Regulator Produces Power Price Path Paper

The Essential Services Commission of South Australia has released a Discussion Paper as part of an Inquiry into the retail electricity standing contract price to apply in South Australia until 2008. The Discussion Paper is intended to provide a basis for consultation on the price proposal produced by AGL SA (the South Australian retailer) in August.

www.saiir.sa.gov.au, 14/9/04

China: China To Sell Power Plants To Raise \$2 Billion

China's State Grid Company is preparing to sell up to 11 power plants, in a sale expected to raise \$2,000 million. The sale is due to begin in the next few months and will be managed by Goldman Sachs and UBS, whose appointment may indicate some of the assets will be offered to overseas investors. The proceeds are expected to be used to upgrade the electricity infrastructure and to bolster the State Grid ahead of a possible overseas listing.

Financial Times, 18/8/04

India: India's Powergrid Offers Transmission Project

The Power Grid Corporation of India plans to expand the western Indian transmission system through forming a joint venture with private investors. The involvement of private investors follows the drafting of new rules by the power regulator designed to attract private investment into the transmission sector.

Platts Power in Asia, 16/9/04

Japan: Japan Finalises Power Exchange

The first wholesale electric power exchange in Japan is to start trading in April 2005. JEPX will list day-ahead spot contracts traded in 48 half hour settlement periods per day, and two types of forward contracts involving counterparty trades up to one year ahead.

Platts Power in Asia, 30/9/04

Japan: J-Power Goes On The Block

The Japanese government is set to privatise the Electric Power Development Corporation, also known as J Power. The IPO is set to raise between \$3,300 and \$3,600 million. It will include 87 per cent of equity held by the state privatisation fund and the remaining 17 per cent held by Japan's ten electric power companies. According to the Tokyo Stock Exchange a quarter of the total stock will be allotted to overseas investors.

Platts Power in Asia, 16/9/04



Japan: Tepco Cuts Power Rates

The Tokyo Electric Power Corporation (Tepco) will cut its retail power rates from 1 October. This will be the first significant tariff reduction made by Tepco since the 7.02 per cent average cut introduced in April 2002. The tariff cut is aimed at increasing Tepco's competitiveness ahead of further liberalisation; the next tranche of customers, those over 50kW, will become contestable in April 2005.

Platts Power in Asia, 16/9/04

Philippines: Philippines Revises Privatisation Schedule, Philippine Government To Sell Power Grid Within 2004

The Philippine Energy Secretary has accelerated the schedule for privatisation of the generation assets of National Power Corporation (Napocor). The revised timeline will advance the sale of some facilities that have attracted strong investor interest. Meanwhile the Xinhua news agency reported that the Philippine government is expecting to sell Napocor's electricity transmission grid to a private operator by the end of the year.

Platts Power in Asia, 16/9/04, Xinhua News Agency 31/8/04

Philippines: Napocor And Meralco Secure Rate Increases

The National Power Corporation (Napocor) has been given provisional authority to increase power rates by an average of 40 per cent. The Manila Electric Company (Meralco) has been granted authorisation for a corresponding tariff increase to offset the increase in the cost of buying electricity from Napocor and independent power producers.

Platts Power in Asia, 16/9/04

Thailand: PTT Says Higher LPG Prices Will Further Strain Oil Fund

The cost of the Thai state's oil fund subsidy is set to increase following an increase in the price of liquefied petroleum gas (LPG), commonly known as cooking gas, to US\$400 per tonne. LPG price increases can be attributed to rising global oil prices and higher demand for LPG in the petrochemical industry. As consumer prices are capped, any increase in the wholesale price will mean increased costs for the fund. The government has indefinitely postponed its decision on reducing the subsidy and floating prices.

Bangkok Post, 11/9/04



Thailand: EGAT To Subsidise Backup Generators

The Electricity Generating Authority of Thailand (EGAT) will introduce subsidies for buildings that use their own backup power generators during peak periods as part of the “Peak Cut” campaign. The campaign is aimed at decreasing the requirement on Egat to build new power plants. New plant costs mean Egat invests between US\$800,000 and US\$1,000,000 per megawatt. It is estimated that about 2,000 factories and other building own generators that are capable of producing a total of 2,600 megawatts of power.

Bangkok Post, 21/9/04

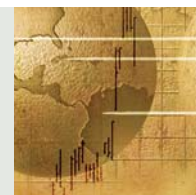
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NERA is at the forefront of the continuing transformation of the energy industries worldwide. We have pioneered in developing approaches for introducing competition in segments such as power generation (where competition is workable) and for improving 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 minimizing new risks, including issues related to climate change and other environmental initiatives.

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