

2 Official presentation of the Law by the Secretariat of Energy.
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investment in generation to be linked to a fixed contract, which we feel will lead to greater price stability and, in turn, greater supply stability in the country's electricity system".²

Germany

ENERGY

New Energy Economy Bill

In force July 1, 2005



Competition; Germany; Utilities

On April 15, 2005 the German Federal Parliament passed the Energy Economy Bill ("the Bill"). On April 13, 2005 the Federal Cabinet of Ministers issued decrees on the Access to Grids or Mains and on Fees for the Access to Grids or Mains, which relate to the Bill. The Bill establishes a Federal Authority for Networks ("the Authority") to regulate the postal, railways, telecommunications, electricity and gas markets.

The Bill provides for a separation of the grids or mains business from other branches of public utilities or enterprises. The separation will provide improved transparency of business activities in the sectors concerned and is aimed at the avoidance of cross-subsidies between different branches of an enterprise.

Another essential part of the Bill is the regulation of the grids or mains for the supply of energy. In the gas sector, the Bill provides the basis for the new model on entry/exit to networks, for which there is detailed regulation in the Decree on the Access to Grids or Mains for the Supply of Gas issued on April 13, 2005. The prices, fees and tariffs charged for the use of mains or grids are subject to a control against abuses of market power.

The Authority is charged with the task of establishing upper limits for the prices and tariffs of electricity. This system shall ensure that price competition between public utilities and enterprises engaged in the supply of energy will lead to their improved efficiency. It is also thought to favour the modernisation of the industry. However, the creation of this system requires close contact between the Authority and the industry, and a dialogue between the parties involved, including scientific research.

The rights of industrial, commercial and private users, including associations of users, are improved by new remedies relating to complaints procedures and litigation.

Subject to the approval of the Federal Council, the legislation shall enter into force on July 1, 2005.

Arnold Vahrenwald