

**Notable Energy Developments**  
**Chile**  
**March 2002**

**I. ELECTRIC SECTOR**

Upon the base of the experience acquired in the operation of the regulations of the electric market in Chile, as well as upon its evolution, the Government has elaborated a government Bill that modifies the existing regulation in the electric sector. Said project will be analyzed for the National Congress during the next months. In particular, the following modifications are proposed:

**TRANSMISSION:**

- It is identified as a separated unit, perfectly individualized, a business separated from the other components, that are generation and distribution.
- The project individualizes inside the Transmission business unit the following tree different levels: Troncal (main) System, Sub-transmission and Additional.
- It defines the Transmission of electric energy as an activity of public utility, collecting the related constitutional and judicial jurisprudence.
- It regulates the payment system for the use of the installations and an Expansion and Development Study system for the cables/lines is designed thinking on the long-term investments it implicates.

**MEDIUM SYSTEMS (1.500 to 2.000 kW)**

The Bill proposes the conditions of operation and pricing for the systems from 1.5000 to 2.000 kW (Aysén and Magallanes). It is based on incremental costs and not marginal costs, because of its characteristics of integration and its dimensions, the present assess system is counterproductive for the enlargement and adaptation of the medium systems.

**COMPLEMENTARY SERVICES**

In order to clearly establish that in the electricity market the issues are energy, enough power capacity on a primary market and complementary services that assure the security of the system, it legally establishes the issues concerning reliability of the electric systems.

**BAND IN THE NODE PRICE OF THE POWER.**

It is a technical modification on the methodology to calculate the node price to prevent distortions that the present calculus could allow.

**TRANSFER OF LEASES**

Consisting on a modification of the art. N°46, according to which it is required for the transfers of leases to present a technical report to the CNE, that includes the analysis of the market and specifically the pricing effects of each lease.

## GEOTHERMAL LEASES FACULTY (TRANSITORY)

- Mechanism designed to prevent the possibility of a relative lack of investment, to secure the system, it would operate in exceptional cases. It is important to notice that it is a transitory measure, so once dictated it has a specific duration.
- In parallel, it proposes an electric regulation, whose key points are: the precision of the stand by power, the clarification of the calculation of the node price and the form of calculating the compensations in case of rationing.
- To reinforce the transparency in the operation of the market, a technical Norm about “Public System of Information” for the Dispatch Centers was implemented. So the Sistema Interconectado Central (Central Interconnected System) and the Sistema Interconectado del Norte Grande (Large North Interconnected System) have web pages each ([www.cdec-sic.cl](http://www.cdec-sic.cl) , [www.cdec-sing.cl](http://www.cdec-sing.cl) )

## II. HYDROCARBONS SECTOR

- In terms of regulations, the Comisión Nacional de Energía, CNE, (National Energy Commission), is elaborating the network gas services quality regulation and the Security Regulation for the operations in the gas transportation network the control and dispatch centers.
- The Congress approved a modification to the gas tax and complementary regulations for the utilization of the gas as fuel in vehicles.
- The Ministers Council of the National Commission for Environment, CONAMA approved unanimously the management, complying with specific norms, of petcoke in Chile. The central at Tocopilla and Guacolda can burn mixtures of petcoke-coal in their processes.

During the preparation of the electric Bill and regulations of network gas service quality the relevant public and private actors were invited to participate, so they would be informed.

## III. RURAL ELECTRIFICATION

Regarding Rural Electrification, the National Program expects to cover near the 90% of the demand by the year 2006. During the year 2001 it reached the 79,8%. This achievement not only improves the life quality of rural poor sectors by carrying the energy, but it also means to give them access to other State programs, in Health and Education. In parallel, during the year 2001 was initiated, as part of the Rural Electrification Program, the project “Removal of Barriers for the Rural Electrification with Renewable Energies in Chile”, with a contribution of the Global Environment Fund, GEF. The project will last 5 years and is for a total of US\$32.397.300. The renewable energies are solar in the north of the country and wind in the south.

#### **IV. INVESTMENTS:**

- The wind energy central Alto Baguales, of Edelayesen-SAESA, was inaugurated, with a capacity of 2 MW and, the distribution of diluted propane by network in the X<sup>a</sup> Region. This is a prior step to the distribution of natural gas that will be initiated in year 2003 after building the gas pipe toward the zone.
- The State ended its participation in the energy generation company Colbun. In 1996 the Corporación de Fomento de la Producción, CORFO, (Corporation of Promotion of the Production) of the State of Chile, sold a percentage of its participation and by doing so hand over the control of the company. In September of 2001 CORFO sold in the stock exchange market its remaining shares, corresponding to the 38% of the capital, delivering to the private sector the business.
- The project of a new hydroelectric "Hidroeléctrica Mapocho-Mapocho-Molina" was submitted to the Environment Impact Assessment System. It considers the construction of a generation plant of 26 MW and, the enlargement of the Central Nehuenco (natural gas, cycle combined).
- The Electric Company Colbún, controlled by Tractebel and the Matte Group announced the construction of a generation plant in the IV<sup>a</sup> Region. At present the plan is to install a natural gas turbine of 253.5MW.
- The Empresa Nacional de Petroleo, ENAP, (National Oil Company), through Sipetrol INC. obtained the concession to exploit a petroleum block in the province of Chubut, Argentina and a percentage of the property of the springs of shipment in the sector.

#### **V. ENVIRONMENT AND ENERGY EFFICIENCY**

- The CNE is carrying out two parallel studies of environmental impact of the location of energy generation plants, in coherence with the Chilean proposal of sustainable development. One is about the location of thermal generation centers, in two phases, the eventual turbines that is the first phase and the second is the thermal location of confined cycle plants. The second study is a pricing of the environmental impacts of hydroelectric plants in the distinct basins in which they are significant as electric production potentials.
- The Area of Environment and Energy Efficiency of the CNE carried out a study on the evolution of the energy efficiency in industrial sectors in Chile during the period 1900 to 1999. The industries analyzed were Copper, Iron, Cement, Sugar, Steeling Industry and Fisheries.
- The CNE carried out an educational campaign for the Intelligent Use of the Energy focussed on the children of the Metropolitan Region to generate consciousness in the future generations upon the need to use responsibly the Energy. This campaign will be repeated in other regions of the country, according to the quantity of consumers.