

African Forum for Utility Regulators

Forum Africain pour la réglementation des services publics



## **REGIONAL INTEGRATION OF AFRICAN ELECTRICITY MARKETS**

# Background



- ◆ Most of the African economies are too small to develop power generation on their own
- ◆ The most cost effective, environmentally friendly sources of energy are not situated in the same country where the demand for the power is
- ◆ Power Pools have been created to facilitate regional energy markets and to foster trade in electricity

# Legal and Regulatory issues



- ◆ Legal and regulatory regimes not harmonized
- ◆ Lack of regional regulatory regimes being enforced
- ◆ Regional agreements at highest political level without mechanisms for enforcement

# Issues and Considerations in Regional Electricity Trade



## Policy

- ◆ Lack of regionally harmonized policies can be a contributing factor to lack of regional trade
- ◆ Inward looking policies looking towards own generation
- ◆ Single buyer regimes/utilities unwilling or unable to purchase power from the seller

# Cross-Border Licensing Regimes



- ◆ Lack of cross-border licensing regimes with mechanisms for enforcing
- ◆ Imports and exports of electricity dealt with in terms of different legal regimes of the different countries
- ◆ Africa has a wide variety of languages and cultures that deal differently with legal concepts and issues

# Different Legal and Pricing Regimes



- ◆ Different countries having different legal regimes does not facilitate regional trade in energy
- ◆ Different regulatory practices can effectively result in restraint to trade
- ◆ Some utilities operate in a vertically integrated manner with internal cross-subsidies and with some not even knowing their own cost of supply

# Technical Issues



- ◆ Lack of regional interconnectors hampers trade in electricity
- ◆ Different technical standards in different countries and even different transmission codes
- ◆ One country not able to adequately maintain infrastructure makes wheeling problematic
- ◆ Lack of understanding by the wheeling countries of the intricacies e.g. responsibility for transmission losses

# Internal Trading Issues



- ◆ Some of the rules of the Power Pools can be restrictive to regional trade in themselves
- ◆ Private sector membership of Power Pools restricted to generation
- ◆ Restrictions to large clients to use Power pools as trading platforms



# Institutional Issues



- ◆ Lack of capacity support to regional institutions such as Power Pools, AFREC, AFUR, UPDEA etc to plan and implement programs
- ◆ Funding for the regional institutions not in line with their mandates given by members/member states

# Addressing Constraints



- ◆ **Policy constraints – two issues in particular:**
  - Rethink the use of single buyer regimes and the possible negative effect this may have on free trade in electricity; and
  - Beware the current inward-looking focus as a result of security of supply concerns
- ◆ **Legal:**
  - Lack of detail in enabling legislation
  - Different legal/regulatory/tariff regimes
- ◆ **Pool Constraints:**
  - Restrictive pool rules
  - Lack of power to influence governments

# AFUR role in Facilitating Trade



- ◆ AFUR should engage and work with the Power Pools and play a catalytic role in getting member states and its own members to harmonize policies and legal frameworks in order to facilitate regional energy trade
- ◆ Encourage members that they should not be inward looking, but carefully look at regional options
- ◆ Provide the necessary platforms that members can talk to each other/exchange ideas on regional trade
- ◆ Engage donors so that there are synergies in aid/assistance given, aimed at regional objectives
- ◆ Provide practical assistance to members in overcoming barriers, e.g. pro forma ESI policy, pro forma legislation, cross-border licences



Thank You  
[www.afurnet.org](http://www.afurnet.org)