



# MEDREG Good Regulatory Principles Peer Review Energy Cooperation in the Mediterranean

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*2<sup>nd</sup> CEER-MEDREG Roundtable*

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# **MEDREG Good Regulatory Principles**

## Peer Review

## Energy Cooperation in the Mediterranean

# Background

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- Decision on to identify and describe the principles of good regulation to assess the existing governance arrangements of MEDREG Regulators, and their expected future developments.
- Benchmarking Report on the competences of national energy regulators.
- Approval of the MEDREG Good Regulatory Principles by MEDREG GA.

# Methodological Approach

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- The aim is
  - to contribute to the development of a more independent and solid governance model
  - by assessing the current situation of each regulator
  - and helping to identify scope for improvement.
- Having a common understanding and developing a glossary defining and explaining the principles.

# Principles

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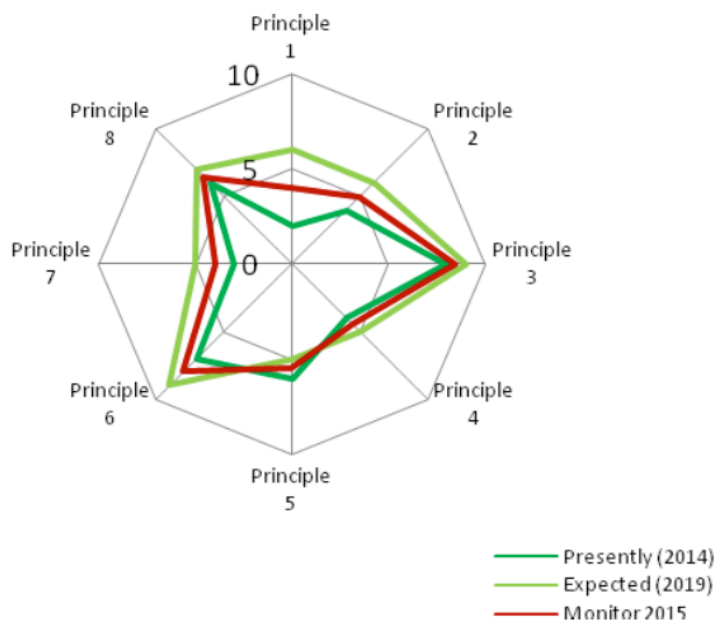
1. Independence
2. Competences
3. Effective internal organization
4. Enforcement
5. Transparency
6. Accountability

# Implementing Process

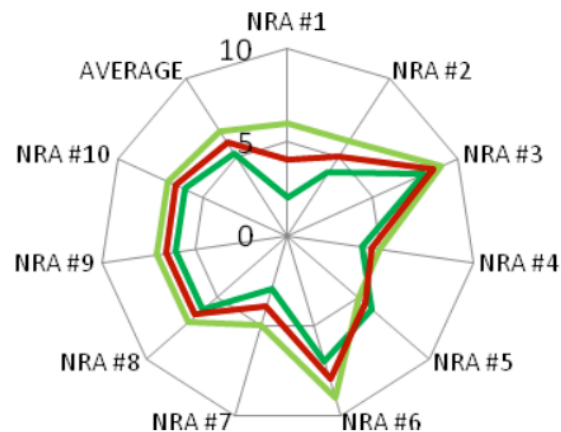
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- Agreeing on a detailed and clear definition for each principle.
- Considering and assessing some examples from Regulators.
- Weighting each principle according to its importance in the achievement of a solid and strong regulator.
- Allowing each Regulator to autonomously evaluate its present status, and to identify possible evolutions within a time horizon of five years.

# How to Assess



*Example of NRA's self-evaluation*



*Example of comparative analysis for a single principle*

# Independence

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- Independence from national and regional government and from the industry guarantees regulatory stability and neutrality and avoids situations in which the decisions of the regulator are constantly modified or taken under influence.
- Criteria:
  - Legal framework
  - Independence of the Board
  - Sufficient human & financial resources
  - Location of regulator



# Competence

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- Duties and powers should constitute a minimum set of competences defining the specific responsibilities of a regulator to promote competition and to empower consumers..
- Criteria:
  - Tariff setting
  - Networks rules and standards
  - Market monitoring
  - Location of regulator
  - Access to information
  - Consumer protection
  - Utility unbundling
  - Environmental sustainability

# OETA

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- **Effective organization** means to have clear decision making processes and an operative internal structure, with distinction of roles and responsibilities.
- **Enforcement** is to ensure compliance with rules by market participants and regulated entities, in order to obtain the public benefit that regulation provides.
- **Transparency** in the regulatory process helps others to understand the regulator's work and is beneficial for a proactive stakeholder engagement.
- **Accountability** means that the regulator takes on the responsibility and is able to demonstrate outcomes and results from its regulatory action.

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# MEDREG Good Regulatory Principles

## **Peer Review**

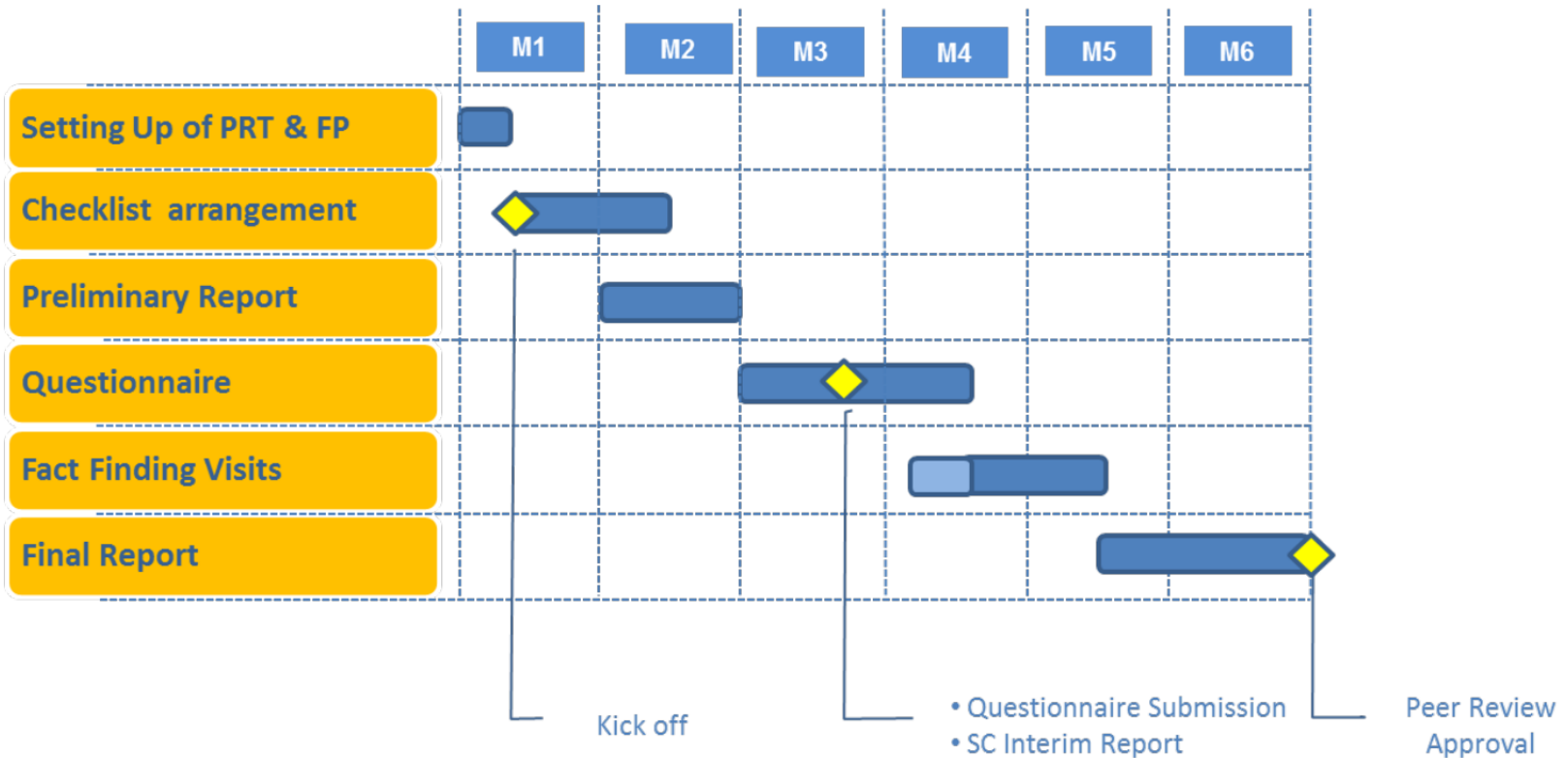
### Energy Cooperation in the Mediterranean

# Scope

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- The **ultimate aim** is providing a set of recommendations vis-à-vis the level of implementation of principles stated in the **Good Regulatory Principles** in the Mediterranean Countries document.
- The “**Country Regulatory Outlook**” will be the final outcome which could be used as to support Regulators in front of their stakeholders, for instance to establish or to improve **independence** (Government, Ministries, Industry) or to increase their **accountability**.

# Process



# Checklist

- Use of a checklist: A very useful tool to assess the compliance to Principles.
- Adaptable to particular national context:
  - To highlight particular issues that the Regulator interests
  - To receive recommendation and advisory on competences and powers
  - Additional regulatory targets:
    - Providing security of supply
    - Increasing competition
    - Investment promotion
    - Consumer protection
    - Environmental issues

Principles
<b>Independence</b>
▪ Legal Framework
▪ Board Independence
▪ Sufficient human and financial resources
▪ Location
<b>Competences</b>
▪ Tariff Settings
▪ Network Rules and standards
▪ Market Monitoring
▪ Consumer Protection
▪ Utility unbundling
▪ Environmental sustainability
<b>Effective Internal Organization</b>
▪ Organizational Chart with clear roles and responsibility
▪ Transparent and non-discriminatory recruitment procedures
▪ Non-discriminatory and Merit based Human resources management
▪ Appropriate logistic and IT provisions
▪ Adoption of Ethic Code of conduct
<b>Enforcement</b>
▪ Investigation, inspection
▪ Sanctioning and revoking licensing and permitting
▪ White/Black List, "name and shame" approach
▪ Appropriate funds and competences for legal disputes
<b>Transparency</b>
▪ Clear and transparent decision making process
▪ Data and statistics on the regulated markets
▪ Public consultation and Workshop on main issues
▪ Stakeholder engagement
<b>Accountability</b>
▪ Publication and diffusion of the accomplishments of the mission, main results
▪ Publication of Internal structure and its competence, performance indicators, annual reports, budget and expenses.

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# MEDREG Good Regulatory Principles

## Peer Review

## **Energy Cooperation in the Mediterranean**

# Regulatory Institutions

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- CEER
  - Roundtables
  - Benefitting from each other
- ECRB
  - 2 roundtables organized; 3rd expected fall of 2016
  - Possibility of joint training sessions & exchange of information
- ERERA
  - Cooperation protocol
- ICER



# International Organizations

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- Energy Charter
  - Possible participation to the June 2016 meeting of the EnCharter's WG on investments
- OECD
  - Network of Economic Regulators
    - Chaired by ex MEDREG VP and Vice-chaired by CRE
  - Independence & Accountability
  - Lessons & Experiences from Applying Behavioral Insights
  - The Role of Regulators in Governing Infrastructure Investment
  - Transitional Networks of Water Sector Regulators and future activities

# Regional Organizations

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- PAM
  - Cooperation Protocol (29 June 2015) on:
    - the development of common actions to support the opening and integration of the Mediterranean energy markets,
    - the creation of an attractive investment framework for energy generation and infrastructure in the region
    - the empowerment of energy consumers through the development of targeted policies.
- UfM
  - UfM Euro-Mediterranean platforms on electricity, gas and renewable energy and energy efficiency
    - OME
    - MEDENER/RCREEE/RES4MED
- MED-TSO
  - Bilateral Cooperation
  - Trilateral Cooperation among EU (DG ENER)-MEDREG-MEDTSO on UfM REM Platform

# Financial Advisory Panel

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- Report on «Interconnection Infrastructures in the Mediterranean: A Challenging Environment for Investments»
- The idea to establish a «Mediterranean Financial Sounding Board for Energy Regulation (Med-FBE)» voluntary & autonomous & independent
- Aim
  - to increase interactions with financial institutions active in the region
  - to act as a tool to enhance the visibility of MEDREG's activities
  - to support MEDREG in identifying the best tools to implement the recommendations in the «Interconnection Infrastructures» report.
- Financial Stakeholders: EBRD, EIB, Société Générale, WB, etc.



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# Thank you for your attention!

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