Interview with MEDREG President, Michel Thiollière, and ECRB President, Branislav Prelevic

1. What is the main interest of promoting a progressive integration of energy markets at regional/international level?

Michel Thiollière: The integration of energy markets at regional level is of great support in dealing with security of supply as it helps pool resources and fosters investments in cross-border energy infrastructures. These are more and more relevant to guarantee that the energy demand of each country is met, by reducing bottlenecks and shortages. In the context of increasing energy consumption in the Southern shore of the Mediterranean, uncoordinated national solutions are likely to cause undesirable consequences, such as prices increase and disruptions of energy supply. Clearly, this integration should take into account the need for competitiveness and social sustainability, through a common approach.

Branislav Prelevic: Market integration is a central element of the Energy Community process. This starts from regional integration but finally also targets integration with the European energy markets. In the light of this, coherence with European legislation and regulatory developments is a central pillar of our activities. Market integration is not a stand-alone goal for us but the backbone for successful liberalization of the energy sector. The relatively small size of most of the Energy Community countries naturally calls for a cross-national approach to increase liquidity and attract investments. Also, security of supply both in electricity and gas requires cooperation and solidarity on regional level. Only when cooperating across borders with the aim to integrate national energy markets, we can ensure that customers can be provided the utmost possible benefits.

2. What are the main obstacles to energy cooperation at regional level?

Michel Thiollière: Typically, regulators have to face several obstacles that hinder the development and integration of energy markets. The main ones in the Mediterranean area are a fragmented legal and regulatory framework, an unclear institutional architecture at national level, the lack of transparency and competition in the energy markets, with a limited involvement of the private sector. More politically sensitive, the huge subsidies granted to all energy sources alter the perception of the real cost of energy for consumers. They are unsustainable for the States’ budget.

Branislav Prelevic: I personally cannot see any justifiable obstacle to regional cooperation in the Energy Community. Quite on the contrary, the Energy Community process essentially targets cooperation with the Region and even beyond. Both on Ministerial and regulatory level regional cooperation bodies are established that facilitate streamlining of national activities. Also, the fact that we operate on the same legal basis supports coordinated development. Of course, praxis is not always as good as theory but we have the means to deliver. Existing interconnections are of course driving the need for cooperation. In particular in the gas sector the Energy Community countries should be better interconnected. I believe presenting best possible regional coordination and cooperation is essential for attracting investors.
3. How regulators can ensure that the integration of energy market benefit final consumers?

**Michel Thiollière**: The role of consumers in energy markets is changing everywhere. In the future they are supposed to be more proactive as key actors in the market. To enable them to do so, the appropriate regulatory framework needs to be in place guaranteeing access to information and protecting their rights. In this respect, regulators encourage the implementation of a consumer-friendly energy market, including to vulnerable consumers, by developing guidelines for suppliers and network operators, codes of conduct and consumer charters. Market integration facilitates the harmonization of standards through best practices dissemination. Energy regulators also seek to avoid that tariffs do not cover undue investments and to incentive operators to improve quality of service. Finally coupling the energy markets leads to important costs savings and therefore allows providing consumers with more competitive tariffs at the national level.

**Branislav Prelevic**: Protection of customers is one of the most central responsibilities of regulators. In our regulatory work we should never forget that liberalization is not a standalone goal but serves the purpose of increasing consumer benefits. The key challenge for regulators is to properly reflect the needs of customers in the open market. This starts from ensuring adequate complain handling and dispute settlement procedures but also calls regulators to very actively encourage customers to make use of their rights and be aware of their responsibilities in the liberalized markets. The ECRB has dedicated specific activities this year to the promotion of consumer engagement.

4. What is the added value of regional regulatory organizations in promoting investment in energy infrastructure in the coming years?

**Michel Thiollière**: Organizations such as MEDREG and ECRB have an important role to play to foster the necessary investments for the transition to a more sustainable, inclusive and transparent energy model that can encompass all countries of the Balkans and the Mediterranean. The analysis of bottlenecks and constraints hindering investments and the mapping of regulated infrastructures of regional interest that both MEDREG and ECRB carry out is a concrete example of the work regulatory organizations perform. Indeed, the implementation of strong, stable, harmonized and coherent action promoted by independent regulatory authorities are essential to favor the attractiveness of our regions, as all energy stakeholders - whether they are producers, transmission operators, investors or financers - want at the same time transparency in the exchanges, reliability and long-term visibility to invest.

**Branislav Prelevic**: I am convinced that a coordinated and streamlined regulatory framework is the key for attracting investments. Investors typically have a larger geographic investment scope than national territories, in particular in the context of the relatively small Energy Community countries. Cross-border projects naturally call for coherent regulatory rules. Regional regulatory organizations, such as ECRB and MEDREG, can play an important role in ensuring the required harmonization across borders.