Regulatory Independence
MEDREG’s Perspectives & Studies

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Content

• MEDREG Good Regulatory Principles: Origin and application
• Peer-review on EgyptERA: Recommendations and results
• Mediterranean Regulatory Outlook: Preliminary findings
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• Mediterranean Regulatory Outlook: Preliminary findings
Scope

• 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
  – Independence
  – Competences
  – Effective internal organization
  – Enforcement
  – Transparency
  – Accountability
Implementation & Assessment

Example of NRA’s self-evaluation

Example of comparative analysis for a single principle
Independence

- 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

• 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
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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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**.
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
Compliance Assessment of EgyptERA

1. Methodology - MEDREG Regulatory Principles
2. Policy and Legal Context for Electricity Regulation in Egypt
3. Overview of the Electricity Sector and Consumer Protection
4. Assessment of EgyptERA
5. Recommendations
6. Appendix
Policy & Legal Context

- Electricity shortages that impacted both on households and industries
- Targets and plans for tapping the country’s renewable energy potential
  - Feed-in tariffs policy mechanism to support and accelerate investments in renewable energy technologies
- Improving legal framework
  - Enhancing EgyptERA’s roles and responsibilities
Electricity Sector and Consumer Protection

- Dominant Utility - The Egyptian Electricity Holding Company
- Single Buyer (Egyptian Electricity Transmission Company - EETC) Model
  - Central role to EETC in preparing critical rules
- EgyptERA’s role in tariff setting process and consumer related issues
Assessment

Independence

• Safeguarding the independence within a changing legal framework is crucial
• Need for definition of a clear policy to prevent potential conflicts of interest
• Solid financial independence should be kept up
Assessment

Competence & Enforcement

• Room for achieving a regulator having full autonomy on core regulatory issues.
  – Clear set of rules about staff’s roles and responsibilities; stakeholders’ formal involvement
  – Clear and enhanced role and responsibilities on tariff process
• Enforcement capacity be strengthened
  – Twinning with RAE & AEEGSI
Assessment

Internal Organization

• Well-structured organization
• Code of Ethics to prevent inappropriate behavior that staff member may even involuntarily adopt
Assessment

Transparency

• Consulting stakeholders on draft decisions before taking the final decision
• Supporting the involvement of consumers in the decision-making process
• Active use of website for disseminating information on regulatory decisions
Assessment

Accountability

- Implementation of a formal public consultation procedure
- Establishment of a more regular and formal communication with consumers, their associations and the press
- Establishment of a more rigorous process for the regulatory monitoring of the electricity sector
- Establishment of a procedure for EgyptERA’s audit in front of the corresponding Committee of the Parliament
Recommendations

• The new legal framework: an important step forward towards a more robust independence of the regulator
• A more heterogeneous composition of the Board of Directors
• All activities need to be implemented with full autonomy
• Active use of website: Easy access to information on legal/technical standards and consultation and licencing procedures
• Additional measures for increasing transparency
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Scope & Background

- The **ultimate aim** is providing an outlook pertaining to the regulatory framework governing not MEDREG members individually but a **broader MEDREG area**.

- It will input to the **UfM REM Platform process** as much as good regulatory framework leads optimal conditions for infrastructure investments, which is for the benefit of all stakeholders.


- A simplified and rearranged **questionnaire** developed in accordance with the **Good Regulatory Principles**.
Members & Responses

- CERA - Cyprus
- CRE - France
- EMRA - Turkey
- SERC – Bosnia & Herzegovina
- PUA - Israel
- REWS - Malta
- CNMC - Spain
- AEEGSI – Italy
- ERSE – Portugal
- ERE - Albania
Legal Statutes

• Regulatory issues are addressed in primary law in almost all countries, which also constitutes the basis for establishment of NRAs

• With some exceptions NRAs are responsible for electricity and gas market regulation.

• More than half of the NRAs cooperate with other competent authorities, i.e. Competition Authority, during the regulatory process.
Independence

- Except one all NRAs are distinct and functionally independent from any public or private entity.
- Regulatory decisions are binding.
- Appointment procedures of regulators and reporting responsibilities differ across the region; but in all countries terms of office are limited although renewal is possible.
- Regulators can only be removed from office under very strict conditions.
- Majority of the NRAs enjoy self financing, while expenses are subject to state reviews.
Preliminary Findings

Competence

- NRAs have access to information and monitor quality of supply.
- NRAs competence on fixing or approving methodologies and tariffs vary; all involves in setting connection fees; except two all can employ performance based methodologies.
- There is licensing regime in majority of countries, where NRAs have certain responsibilities.
- Responsibilities of NRAs in dispute setting, complaint handling and monitoring of unbundling differ, but majority has to say.
- NRAs have power in regulating all aspects of CBT, quality of service and CM.
- Some do not have responsibility in consumer protection and vulnerable consumer issues.
Preliminary Findings

Internal Organization

- Almost all NRAs can decide its own organization and human resource policy.
- With some exceptions, selection and appointing criteria of staff are defined and employed by the NRAs.
- Terms & conditions and salaries are more less similar to civil servants, in general.
- Staff numbers vary from 17 to 494; while annual budgets from 1.5 mln € to 100 mln €.
- A Code of Ethics exist in majority of the NRAs.
Preliminary Findings

Enforcement

• Almost all NRAs have sanctioning power.
• Some reports about network performance, while some can revise the tariffs and reduce rate of returns.
• Decision making procedures exist.
Preliminary Findings

Transparency & Accountability

- With one exception all NRAs publish information about the duties, internal organization etc., and decisions; where majority consults on draft decisions.
- All publishes annual reports.
- Majority of the NRAs appears annually before a parliamentary committee or other government body to report on activities.
- Rules for protection of confidential information exist.
Thank you for your attention!

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