

MEDREG'S SUPPORT TO ENERGY REGULATORY REFORMS IN THE SOUTHERN MEDITERRANEAN: WHAT HAVE WE ACHIEVED?

CONCLUSION DOCUMENT

A common vision for the integration of Mediterranean energy markets.

The future of energy cooperation in the Mediterranean was highlighted during the conference “**MEDREG’s support to energy regulatory reforms in the Southern Mediterranean**”, which took place on **19 September 2019 in Brussels**. During this one-day event, MEDREG shared some of the successes achieved in the last two years, through the voice and testimonies of six member regulators. The day was attended by a diverse group of experts in the energy sector, journalists, members of the private sector, utilities and European institutions, all sharing a common interest in advancing a joint energy future of the Euro-Mediterranean region.

Ms. Gülelşan Demirbaş, MEDREG President, welcomed the regulators’ representatives from Algeria, Egypt, Israel, Jordan, Morocco, and Palestine. During her introductory speech Ms. Gülelşan Demirbaş recalled that **in 2018 MEDREG launched an initiative to facilitate ongoing and forthcoming energy reforms in the Southern and Eastern countries of the Mediterranean region**. In this perspective, **MEDREG further established itself as a technical collaborative platform through the elaboration of tailor-made actions for each national context and providing tools to face common challenges affecting the Mediterranean region**.

The day was marked by the intervention of representatives of the European Commission, such as **Ms. Ingrid Schwaiger, Deputy Head of Unit, Regional Programs Neighbourhood South (DG NEAR)** who confirmed that European interests for economic development and technical convergence indeed coincide with those of the Mediterranean neighbours. **Economic development in Southern countries requires a solid legal and regulatory framework, especially in the energy sector**. Ms. Ingrid Schwaiger stated that **the action of MEDREG is essential for future relations with the Mediterranean neighbours**. Ms. Schwaiger stressed that if, as the new Commission’s political line states, **we want to achieve climate neutrality by 2050, Europe must cooperate with its closest neighbours**.

According to her colleague **Leonidas Kioussis, International Relations Officer at DG Energy of the European Commission**, **Mediterranean countries must be able to share a common regulatory language, technical knowledge, and good practices, as the basis for any and all economic cooperation**. Mr. Kioussis recalled that removing subsidies in the sector is the main condition for reforming energy markets. **Europe wants to support the governments of the Mediterranean neighbours who would like to develop a thriving energy market, so that new sustainable projects represent a driving force for growth, well-being and job creation**. Ms. Ingrid Schwaiger and Mr. Kioussis said that MEDREG’s work was productive and constructive in building the technical expertise and cooperation network for the future European neighbourhood energy policy around the Mediterranean.

MEDREG has been developing a framework to support regulatory reforms adapted to the needs of members such as information exchange, study visits and training for regulators. For example, MEDREG assisted the Algerian energy regulator **Regulatory Commission of Electricity and Gas (CREG)** in developing a methodology for estimating the prices of electricity generated from renewable energy sources (RES).



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Ms. Karima Mededjel, CREG's Director of Communication and External Relations, presented how MEDREG supported Algeria in determining renewable energy prices through the introduction of a public tendering mechanism. The assistance offered by MEDREG mainly concerned the strengthening of knowledge related to the launch of offers in the context of the new Algerian development strategy for renewable energies. In this aim, to support CREG in this process, MEDREG organized a technical workshop over two days on "Factors influencing prices in renewable energy auctions - Lessons for Algeria" in October 2018 in Algiers. This tailor-made activity looked at how to include stakeholders' view in the design of auctions, define appropriate requirements to participate in the auction and select a winner to implement the project. The workshop presented the perspectives of different stakeholders on RES auctions mechanisms, including the industry, international financial institutions, policymakers as well as research projects, in order to give CREG a complete overview of the different positions to be taken into account when developing a tender procedure based on auction mechanisms. Ms. Mededjel confirmed that MEDREG encouraged the sharing of knowledge and allowed CREG to acquire greater awareness in an unknown field. The MEDREG workshop equipped the regulatory staff of CREG dealing with tariffs and RES with the technical knowledge and economic expertise required to assess the offers made through auctions. This initiative enabled CREG to issue its first call for tender on 18 November 2018 and by the launch of a first auction for the production of 150 MW of photovoltaic (PV) solar energy.

Ms. Sahimaa AbdelAzim, Senior Economist at the Egyptian Electric Utility and Consumer Protection Regulatory Agency (EgyptERA), then explained that in Egypt they have ambitious goals to be achieved by 2030. EgyptERA wants to achieve better penetration and diffusion of renewables, promote the development of the electricity grid, increase connections and energy efficiency measures, and promote greater transparency and market opening. Ms. AbdelAzim said that "in Egypt we were aware that to carry out our plans it was previously necessary to reform the energy sector through a reformulation of the tasks of EgyptERA that is in harmony with the regulatory principles sponsored by MEDREG". For this reason, since 2015, MEDREG developed a peer review process whereby interested voluntary regulators could ask MEDREG be peer reviewed. The members of the peer review team represented the different countries and Working Groups of MEDREG that in turn put together a team of energy regulatory experts from its members with the mission to analyse five regulatory aspects of the Egyptian regulator: independence from national government and from industry; competence; accountability; internal organization; transparency. In 2018, at the end of two years of implementing MEDREG recommendations, EgyptERA's regulatory prerogatives were more effective. The recommendations aimed at improving EgyptERA's independence and competences, strengthening its enforcement capability and internal organization, increasing accountability and transparency. EgyptERA has adopted an internal code of ethics and has defined and developed the operational procedures for dispute settlement, enabling and empowering the regulator to effectively carry dispute resolution. The Egyptian case is an example for future work in other countries aimed at increasing the transparency of national energy markets, strengthening the role of regulators.

Ms. Sireen Anton Qourah, Director of Media and Public Relations of the Palestinian Electricity Regulatory Council (PERC), presented how MEDREG helped its Palestinian member to acquire greater and deeper technical and regulatory awareness regarding the adoption of new electrical policies. MEDREG's Renewable Energy Sources Working Group (RES WG) supported PERC in evaluating the possibility to establish a net metering system based on a net billing scheme. The RES WG also improved an analysis of the Palestinian legal and technical situation in relation to net metering (NEM) application, while considering the economic impact that net metering could have on the Palestinian grid. Ms. Anton Qourah assured that through the practical application of the NEM study provided by MEDREG, Palestine could reduce energy utility costs for all consumers. It would therefore become possible for PERC to regulate the consumption of electricity based on the price it gradually assumes, helping to support the integration of renewables, by their nature discontinuous, in the electricity grid. The Director wanted to conclude his presentation by specifying that "the adoption of NEM is implying profound processes of awareness in our sector, thanks to MEDREG's support we are protecting and educating citizens that are starting to become active players in the electricity market".



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Mr. Abdellatif Bardach President of the National Electricity Regulatory Authority (ANRE), confirmed that [Morocco has set ambitious targets for the development of renewables](#) on the agenda. Morocco is committed to writing a new chapter in the energy history of the African continent, which begins with a [new model of development based on renewable sources and guarantees access to energy to all its inhabitants](#). Since 2015, the country has embarked on a path to shape an integrated system of policies, regulations and investment methods that favour the development of photovoltaic and wind power above all. [A mature market, a free and competitive market that however needs a strong and independent regulator](#). That is why, in 2016, Morocco has been pursuing the liberalization of its energy sector and, in order to regulate the new structure of the electricity sector, established the ANRE.

Morocco already produces almost 3 GW of renewable power today and wants to bring its production capacity from clean sources to 42% by 2020 and 52% in 2030. The country, interconnected with Europe through an electric cable with Spain, sees the integration of its market into the European one as an important opportunity. [Such ambitious policies in the field of renewables presuppose great challenges for the regulator, first and foremost for network security, transparency and non-discriminatory access to the electricity market, and outline a grid code that is as open and impartial as possible](#). The Moroccan energy sector offers great investment opportunities for future subjects. In Morocco, the competitiveness of renewables is a real fact today; what is needed is a clear regulatory framework that can attract investments and create innovative and sustainable solutions at the local level. [Precisely for these reasons, in February this year, ANRE joined MEDREG as a new member](#). MEDREG provides technical support to ANRE officials, through regular meetings, seminars, and training courses and it is currently organizing a study visit for the regulator to expose it to some of the EU best practices adopted by its peers. MEDREG advises ANRE on improvements to its legislation on renewable energies and energy efficiency as well as on its regulatory system and long-term energy scenarios. President Bardach thanked MEDREG for his work, hoping he could benefit from this fruitful collaboration in the future.

Ms. Budour Alhyari, Legal Advisor at the Energy and Minerals Regulatory Commission (EMRC), and **Eng. Mohammad Maayah Communication and International Cooperation Director**, spoke about the Jordanian experience and how MEDREG helped the national regulator to correctly give, monitor and withdraw licenses. In this sense, EMRC requested to receive a MEDREG peer review on the topic of issuing and managing licensing procedures applied for generation, transmission and distribution, including licenses for self-consumption of renewable energy sources. Ms. Alhyari explained "as a final result, the peer review report analyzed EMRC according to the six good regulatory principles of MEDREG, as already did for our Egyptian colleagues". Mr. Maayah continued saying that "[following MEDREG's recommendations we are now working on strengthening the exchange of information and practices between professionals in charge of licensing procedures](#), increasing professionals' rotation among the different technical departments, and pushing regulated entities to regularly transmit data and information using digital devices or internet transmission protocols for a transparent and updated status of the compliance to the regulation". Mr. Maayah pointed out that, [in an efficient system, licenses are the main tools for opening up the market, and therefore it is necessary to favour a system that is as clear as possible, capable of allowing different actors to participate](#). Finally, the EMREC manager stated that "indeed the MEDREG working group has offered us particularly useful recommendations, we are impatient to investigate these issues during a workshop next November in Amman."

The Israeli colleagues presented the last country case: **Ms. Nurit Felter-Eitan, Secretary and Spokeswoman of the Public Utilities Authority - Electricity (PUA)**, explained how the [Israeli electric context is experiencing a profound evolution](#). The main trends are due to an increase in electricity consumption linked to demographic factors, economic growth, and a transport electrification process. Following the words of the PUA Manager, [Israel "needs to increase its electrical capacity in the coming years and this presupposes a great challenge, a paradigm shift as until today coal was the main resource, now we have moved to natural gas, and by 2030 17% of electricity production must come from RES"](#). To date only 6% of production comes from renewable sources, this requires large investments in solar, both at a domestic and large-scale level. But the most important aspect is that [last year the country undertook a reform of the electricity market. This process wants to follow the European unbundling model](#), disrupting the



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monopolistic architecture of the electricity system, from production to distribution. [This is why in May 2019 MEDREG helped provide a two-day training course to PUA in Jerusalem in order to enhance their understanding of the electricity market framework in Europe which can provide guidance on how to address the market reform currently taking place in Israel.](#) More specifically, Israeli participants learned about how wholesale electricity markets evolve over time and how to coordinate them with regulated segments and they discussed how to apply useful models from other countries in the Israeli context.

Mr. Hasan Ozkoc, MEDREG Deputy Secretary General, recalled how the reforms of the Turkish electricity industry had been long and troubled. Mr. Ozkoc then said that "in 2001 during our reform we had not had the opportunity to rely on a collaborative platform like MEDREG, things were a lot more complicated". Mr. Ozkoc recalled that [the strength of MEDREG lies in its technical character, its ability to coagulate common interests thanks to the sharing of experiences beyond the various political differences.](#)

Mr. Constantine Blyuz Chief Economist Natural Gas Authority (NGA) explained [how Israel is entering into the stage of natural gas penetration in the residential sector.](#) To adapt to the regulatory reforms that this new development entails and to align with the standards offered by some MEDREG members, MEDREG facilitated the organization of a technical study visit to two regulators (EU & Non-EU). The subsequent visits to Spain and Turkey showed examples of domestic household gas consumer connection procedures, including legal aspects and cost structuring for the Israeli gas regulator. Our Israeli colleague explained that ["the greatest help we received from MEDREG was the fact that it favoured the constant process of sharing strategies, a flow of thoughts, it was necessary for us to adopt a new perspective, a new point of view and in this the workshop organized by MEDREG was fundamental."](#)

The MEDREG President concluded the event by highlighting how the conference offered a unique opportunity for dialogue to many of the main protagonists of the Mediterranean energy development, and that MEDREG favoured the implementation of a profitable climate of cooperation in the region.

She indicated that the next three years and at the request of the members, [MEDREG will further pursue its personalised support towards Southern countries, focusing on the development of the design of electricity markets, the unbundling of vertical integrated companies, the role of off-grid consumers and the coming age of electricity storage.](#)

In the second semester of 2019, [MEDREG will conclude support activities on regulatory independence in Lebanon, electricity licensing and storage in Jordan, waste-to-energy methods in Egypt and public service obligations for electricity and gas in Algeria.](#)



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