

Focus on the Webinar "Enabling electricity exchanges and trading in the Mediterranean"

On 9 February, Med-TSO and MEDREG held a joint webinar titled "*Enabling electricity exchanges and trading in the Mediterranean*" whose purpose was to lay the ground of a common technical and regulatory framework needed to make electricity exchanges and trading possible between the two Mediterranean shores.

This joint event is an illustration of the **long-lasting fruitful cooperation between Med-TSO and MEDREG**. The two Associations are working together to set up a harmonised technical framework in the Mediterranean to enable the efficient and secure use of the interconnected grids and to assess the national priorities in Mediterranean countries and their potential for being a part of the integrated sub-regional and regional electricity markets.

Angelo Ferrante, Secretary General of Med-TSO and **Hasan Ozkoc**, Director of MEDREG Secretariat, welcomed and introduced the keynote speakers.

Kicking off the discussions, **Florian Ermacora**, Head of Unit Neighbourhood Policies and International Relations, European Commission - DG ENER, highlighted the **role of grid codes** in enabling **interconnections** with the neighbouring region.

Infrastructure, together with a common regulatory framework, are the main conditions to achieve an integrated and efficient energy market. The experience of developing network code in the EU shows that this process is highly complex and technical, but also political, thus technicians should "go hand in hand" with politicians.

Then, **Hervé Laffaye**, Med-TSO Vice-President and ENTSO-e President, stressed the **role of Transmission System Operators (TSOs)** in establishing the **EU internal Energy Market**.

TSOs, in addition to the effective operation of the high voltage network and balancing electricity generation and demand, will increasingly focus on the design and implementation of network codes. Given this enhanced responsibility, System Operators have to prove full independence to avoid conflict of interest. The Mediterranean region can learn from the integration process of the European Union, but a step-by-step approach should be taken. The success factor remains building-up and maintaining trust: between the system operators, as well as between System Operators, Regulatory Authorities and Stakeholders. And network codes are one of the key instruments to ensure this.

In a first panel moderated by **Simone Biondi** (Med-TSO's TEASIMED Project Manager), other organisations, such as ENTSO-E, the Gulf Cooperation Council Interconnection Authority and the Southern African Power Pool, shared their **experiences and lessons learnt** in their respective regions. The panellists highlighted and agreed that a common framework is necessary for attracting power generation and grid investments, and that **the engagement of the regional institutions is a *sine qua non* condition to kick-off this process**.

This view was also shared by the other two organisations that took part in the first panel, the Energy Community and MEDREG, the latter represented by the Moroccan National Regulatory Authority. The Energy Community highlighted that an effective market integration would not be possible without bridging the legal gap among the participants, and this ambitious objective needs a firm and clear engagement of national and regional institutions. On the other hand, MEDREG presented the case study of Morocco in building a concrete partnership for electricity exchanges with European countries.

Both organisations agreed that the roadmap towards the creation of an integrated market in the MENA region requires a strong commitment to reduce the gap among national legislations. In this respect, the European *Acquis Communautaire* represents a framework and benchmark of paramount importance in the region.

Moderated by **Benoit Esnault** (MEDREG's Electricity Working Group Vice Chair), the second panel gathered Mediterranean energy stakeholders: RES4Africa, the Moroccan renewable energy management body – Masen, Med-TSO, the World Bank and EBRD. It discussed and **identified the missing links and requirements for electricity trading** in and with the MENA region and **proposed necessary actions** to activate the right process.

Panellists mentioned the need to develop **infrastructure lines**, bring **technical compatibility**, **invest in grid infrastructure** and **build confidence**, which is the cornerstone of cross border trade. They noted that the trade is limited to bilateral arrangements and should gradually expand to multilateral ones.

MEDREG and Med-TSO should work for **harmonisation of regulation and technical rules**.

From the investors' perspective, the barriers to electricity trade in the MENA and Maghreb countries are the **limited trade on existing interconnection** capacities, such as between Morocco and Algeria which are currently used only in emergency situations. One of the main reasons is due to **subsidies**, which **distort the market** and **disincentive imported energy**. The current lack of liquidity seems also a relevant limitation.

Panellists made the following **recommendations** to increase electricity trade between the EU and the Southern Mediterranean countries:

- allow **non-discriminatory mechanism for the allocation of the interconnection capacity**;
- **increase convergence** between national laws and the **EU *acquis communautaire***;
- **remove the EU countries' barriers to corporate PPAs** between them and the trading country; and
- **build on confidence and trust**, which, on the other hand, can be achieved only through the experience gained in operating an interconnected network and managing energy / commercial transactions.

Looking at the **Egyptian example**, two main constraints to energy trade were identified: the **physical infrastructure** (currently limited to one interconnector with Jordan and a small one with Libya) and the interoperability of the **grids**. **Regulatory convergence** would be needed too as well as the introduction of a **guarantee of origin** mechanism for green energy to be exported to EU.

At the end of this workshop, **Med-TSO announced the launch of a survey titled “*Identify key areas for harmonization of a future Mediterranean grid code*”**. The survey will be addressed to national and international stakeholders, to collect their opinions on the priority measures to be implemented for the integration of Power Systems.