



GOOD REGULATORY PRINCIPLES IN THE MEDITERRANEAN COUNTRIES

GLOSSARY OF CORE GOVERNANCE PRINCIPLES

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Introduction

During the meeting held in Athens on 18 October 2013, the Institutional Working Group (INS WG) discussed and approved the update of its Benchmarking Report on the competences of national energy regulators. The document registered several changes in the scope and depth of regulators' powers. It also highlighted how the basic concepts of regulation are sometimes interpreted differently throughout the Mediterranean energy agencies.

For this reason, it was decided to identify and define the principles of good regulation, to assess the existing governance arrangements of the regulatory agencies in MEDREG partner countries, and to evaluate the future developments to be expected.

The methodology and the identified principles have been presented and approved by the General Assembly, held in Amman on 4 June 2014.

Methodological approach

The aim of this work is to contribute to the development of a more independent and solid governance model by assessing the current situation of each regulator and helping identify scope for improvement. Before agreeing on a common methodology to assess existing governance models, it is important to have a common understanding of the main governance principles. To this end, it was decided first to develop a glossary defining and explaining these principles which figure already in the abovementioned Benchmarking Report.

The glossary focuses on the following governance principles:

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

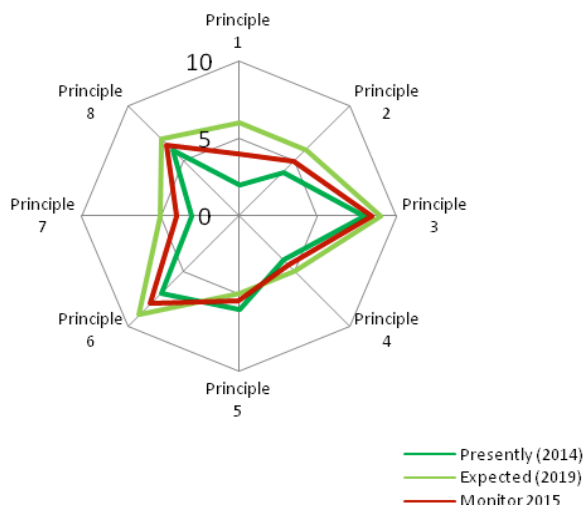
For each of them a detailed and clear definition is to be provided including different components. In order to complete principles descriptions, some examples from Regulators are provided.

As a second further step, we should weight each principle (and even sub principles) according to its importance in the achievement of a solid and strong regulator. Afterward, each Regulator should autonomously evaluate its present status, while taking into account the national specificities, and identify possible evolutions within a time horizon of five years. The Regulator

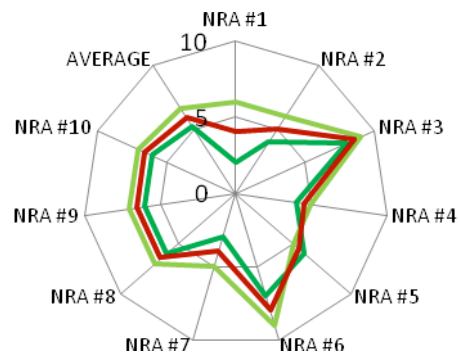
should also highlight a mark for each criterion considering a special reference evaluation rate. Each mark corresponds to a specific level of performance (0 up to 10, where 10 is the best grade of performance).

Final results may be represented in a spider web graph mode, both in terms of aggregated data and for each country.

For instance, the following graph may represent a NRA’s own evaluation on its current and expected parameters. Obviously the same representation may allow comparing presentor expected status for each member, both at the aggregate and country level.



Example of NRA's self-evaluation



Example of comparative analysis for a single principle

Definition of governance principles

1. 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.

One of the most important regulatory principles is the full independence of the regulator from political and industrial interests e.g. from national and regional governments, political organisations and any public and private body. A regulator must take autonomous decisions free from any interference from external entities. Independence refers to the regulators' applied autonomy in the management of its day-to-day regulatory actions. The term independence thus entails both the extent and the degree of the discretion entrusted to regulatory agencies. Independent actions allow regulators to act as reliable decision-makers, capable of guaranteeing regulatory stability.

Regulators create and enforce rules to protect the public interest. Independent regulatory agencies carry out their regulatory tasks autonomously without interference from elected politicians and any public or private entities

.Regulators' independence is in fact necessary for NRAs to ensure impartiality guaranteeing that decisions are taken in an impartial way.

We can indicate the following criteria that characterize an independent NRA:

Legal framework

Independence needs to be supported by clear legal provisions. Not only the duties and powers of the regulator but also the principle of independence and impartiality should be defined in a sound legal framework order to ensure legal security and stability. This will allow the NRA to operate effectively and strengthens the public recognition of its activity in a transparent way. Indeed, a well-defined legal framework allows the NRA to exert control through reliable legal powers, in a clear and coherent decision-making processes and, overall, ensure the integrity of the governance mission of the authority.

As regards, the status given to the regulator, having a legal personality, separated from the ministry or another governmental body means a higher level of independence.

The type and level of the legal document (decree, law, and decision) may protect the regulator from political interference as some legal texts can be less easily modified than others.

The formal legal and functional independence defined in the legal provisions should be completed by the other governing principles to ensure that the regulator becomes/stays de-facto independent when exercising its power.

Independence of the board

The executive structure of the regulator can be a single person (chairman) or *a board*. The executive should be independent and free from any conflict of interest. A board is supposed to ensure a greater level of independence as it is a collective decision-making body.

The composition of the board should be heterogeneous. When Board members have different backgrounds this may help reduce and limit the dominance of one of view.

It is crucial to specify the rules for setting-up a clear term for the board or the chairman, including nomination procedures and the length and renewal of mandates. The term of office need to be defined in advance. The term of office and the number of consecutive terms should be limited in time to ensure proper rotation.

While the nomination should come from the highest level of political authority, the power of the government/parliament to appoint the chairman/board should not result in any instruction being given concerning regulatory tasks. Removal from office should only be possible under specific conditions (e.g. conflict of interest) to limit exposure to political interference. The appointment should not be compatible with any other mandates or professional activities.

Having a system of incompatibility or ineligibility as regards the appointment of the board, prevent the regulator from the sector influence. The board members should respect a set of rules and restrictions, eventually gathered in a comprehensive “Code of Conduct”, to avoid conflict of interests and to guarantee their impartiality and independence such as the prohibition of ownerships in regulated companies and of membership in political parties.

Sufficient human and financial resources

NRAs need to have adequate human and financial resources to carry out their duties properly. Financial resources are part of the overall state .To avoid indirect pressure from budgeting ministries, the budget allocation to the regulator should be clear and separated from the overall budget. The regulator should have the power to decide on how the allocated budget is spent.

In some countries, the regulator is authorized to levy fees directly from the regulated industry what strengthens the financial independence from the State budget. In certain cases, the formula for computing these fees can even be set by law, thus greatly strengthening the independence of the regulator.

The financial independence of the regulator is closely linked with the independence of the decision making process. Financial independence could be appreciated at three levels:

- - A budget funded by proper revenues
- - Autonomy in the elaboration of the budget

- - Autonomy in the implementation of the budget

The financial resources of the regulator should be sufficiently high to enable him to recruit highly qualified/skilled staff. The number of staff varies from country to country. In order to define an average fitting ratio the minimum staff threshold could be proportional to the number of consumers, energy consumptions or the size of the national energy market.

Location of regulator

Each regulator should have its own premises separated from those of political or private entities active in the energy sector.

TABLE 1: INDEPENDENCE

<p><i>Algeria</i></p>	<p><i>CREG has been created by Law as an independent body with its own legal personality. CREG decisions could be directly appealed to the court (council of state). CREG has its own separated budget funded by proper revenues basically coming from the energy sector.</i></p>
<p><i>Albania</i></p>	<p><i>Albanian Energy Regulator (ERE) ERE is a legal, public entity, independent from the industry interests and government institutions.</i></p> <p><i>“ERE” functions according to Law No. 9072, of date 22.05.2003 “For Electricity Sector” as amended and Law No. 9946, of date 30.06.2008 “For Natural Gas Sector”.</i></p> <p><i>ERE is set up as an independent institution. An “Independent institution” is in the administration of the Parliament.</i></p>
<p><i>France</i></p>	<p><i>The declarations of interest of CRE’s Board members are published on the website of CRE. They state that none of them has any interest (be it direct or indirect) in an enterprise in the energy sector which could be prejudicial to their independence nor occupies an electoral mandate.</i></p>
<p><i>Italy</i></p>	<p><i>AEEGSI’s Board Members are appointed by the President of the Republic. The appointment procedure involves the binding opinion, by a majority of two thirds of the members of the Parliamentary Committees, on the names proposed by the Minister of Economic Development. This ensures the highest approval rating parliamentary quorum. The components remain in office seven years; during the mandate applies a system of incompatibility with other work also extended to four years following the end of the assignment.</i></p> <p><i>The financial resources does not come from the State budget but a contribution to revenues of operators set: this contribution was voluntarily reduced to 0.3 per thousand compared to 1 per thousand required by law</i></p>
<p><i>Montenegro</i></p>	<p><i>Energy Regulatory Agency is autonomous, non-profit organization, functionally independent from the state authorities and energy undertakings that carries out its public authorizations in the energy sector in accordance with the Energy Law.</i></p> <p><i>Statute governs the basics of internal organization and other issues relevant to the work of the Agency. Under the Act, the Government gives consent to the Statute, but the Statute regulates, among other things, the rights and duties of the Board, management, the basics of the internal organization and funding.</i></p> <p><i>According to the Law members of the Board of the Agency, Director, Deputy Director and other employees in the Agency, as well as members of their immediate family shall not be managers and shall not have material, financial or other interest in an undertaking in the energy sector</i></p> <p><i>Also, members of the Board of the Agency, Director, Deputy Director and other employees in the Agency may not become employed or receive remuneration on some other account from an undertaking in the energy sector during their term, i.e. employment and within one year from expiry of the term of office or from discharge.</i></p>

<p><i>Portugal</i></p>	<p><i>ERSE Statutes establish that ERSE’s Board members:</i></p> <p><i>Are nominated based on independence principle, among others like technical skills in the area of electricity and natural gas.</i></p> <p><i>Are nominated by Ministers Council, after consultation of the Parliament.</i></p> <p><i>Their mandates are limited to 6 years, with no renewal.</i></p> <p><i>Their decisions are expressly independent from the Government orientations.</i></p> <p><i>May only be dismissed under serious special situations defined by law.</i></p> <p><i>ERSE Statutes also establish that:</i></p> <p><i>ERSE is independent in its assets management, (including ERSE premises).</i></p> <p><i>ERSE decisions may be directly appealed to the Court.</i></p>
<p><i>Turkey</i></p>	<p><u><i>Legal Framework</i></u></p> <p><i>Law nr. 4628 on the Organization and Duties of EMRA, defines the Authority as “administratively and financially autonomous” in Art. 4.</i></p> <p><i>The market laws (in particular Electricity Market Law nr. 6446 & Natural Gas Market Law nr. 4646) stipulates that purposes of laws as ensuring development of a financially sound and transparent market operating in a competitive environment under provisions of civil law and the delivery of sufficient, good quality, low cost and environment-friendly energy to consumers and to ensure the independent regulation and supervision of the markets.”</i></p> <p><u><i>Independence of the Board</i></u></p> <p><i>EMRA Board consists of nine members, including one president and one second president. They are appointed by the Board of Ministers for a term of six years and they can be re-elected. All the decisions of the Authority, which can always be subject to litigation, are taken by the Board by absolute majority. The president and board members cannot be removed from office, except for the cases stated in the law.</i></p> <p><u><i>Sufficient Human and Financial Resources</i></u></p> <p><i>EMRA has its own revenues from the four sectors it’s regulating. (License fees, some portion of the administrative sanctions, contribution fees, etc.) The Authority and the revenues of the Authority are exempt from any tax, levy or duty. Covering the expenses of the Authority by its revenues is essential. The annual income surplus of the Authority is transferred to general budget.</i></p> <p><i>The property and assets of the Authority is considered state-owned property and cannot be confiscated or pledged.</i></p> <p><i>EMRA has 450 staff, which is sufficient for the well-functioning of EMRA.</i></p> <p><u><i>Location of Regulator:</i></u></p> <p><i>EMRA has its own premises located in Ankara.</i></p>
<p><i>Egypt</i></p>	<p><i>EgyptERA was established according to the presidential degree No. 339 of dated in year 2001 which indicate the independencies of ERA according to specified roles and functions.</i></p>

	<p><i>The financial resources of EgyptERA come from the regulated companies (License fees).</i></p> <p><i>The board of directors are set according to prime minister degree but they are not fully independent because they are representing all players in the electricity market, so each one will seek for his benefits</i></p> <p><i>EgyptERA do not own a private location, that is why we have rented 3 floors from a building own by the Electricity Holding Company</i></p>
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2. Competences:

Duties and powers should constitute a minimum set of competences defining the specific responsibilities of a regulator to promote competition and to empower consumers.

Regulatory competences generally refer to monitoring (including access to information), tariff setting, rule-making, dispute settlement and consumer protection. When comparing the core competencies of different regulatory authorities in the energy sector, it is useful to consider the following competencies:

Tariff setting

One of the important competencies of NRAs is the power to fix transparent and non-discriminatory tariffs for connection, access and use of national transmission and distribution networks. Network tariffs shall be cost reflective, provide incentives for efficient new investment and avoid cross-subsidies amongst network users. The regulator should be responsible for fixing those tariffs in order to guarantee the economical sustainability of network development and ensure that costs passed on through consumers are duly economically justified.

Networks rules and standards

Each NRA should have the competences of setting and approving network codes and rules, including capacity allocation at interconnection points, congestion management and quality of service. This ensures that the terms and conditions to use and access these infrastructures prescribe that they should be managed in a non-discriminatory, transparent, efficient and effective way.

Market monitoring

NRAs should have the necessary competences to monitor wholesale and retail markets, access to networks and other relevant infrastructure, competition as well as compliance of regulated entities with rules and standards, to avoid any abuse of dominant positions, in particular to the detriment of consumers, as well as predatory and anti-competitive behaviour.

NRAs should be allowed working in close cooperation with national antitrust or any other national or regional authorities in charge of the supervision of competition rules to adjust and tune the regulation framework. A proactive market surveillance on may increase customers, investors and market operators' confidence in the regulator's action and in the overall market functioning.

Access to information

In order to be able to know all features useful to analyse the evolution of energy markets and infrastructures, regulators need to have access to any information available by market or system operators (TSOs and DSOs) Since data may be confidential, both from commercial and security point of view, NRAs should assure appropriate measure to treat such data and to protect customers privacy.

Consumer protection

NRAs should monitor the implementation of measures taken to ensure a high level of consumer protection and to provide universal service to all household customers and, if considered appropriate, to small enterprises. This includes the right to be supplied with energy of a specified quality at reasonable, easily and clearly comparable prices. NRAs should allow customers to solve, easily and economically, their disputes with market/system operators. Particular protection should be applied to vulnerable customers, i.e. supporting poor households or sick customers with social tariffs or discounts, as well as to improve consumer empowerment.

Utility unbundling

NRAs should have the responsibility to monitor the effective separation (which may be at a corporate, accounting, ownership level) between competitive and regulated monopolistic activities, to ensure that there are no cross subsidies between generation, transmission, distribution and supply activities. Effective unbundling of activities can increase competition as monopolies are broken up and market entry can be easier for new market actors.

Environmental sustainability

Since the production of energy has an impact on the environment, an increased attention needs to be paid to renewable energy sources and energy efficiencies programs. Regulation may play a significant role to incentivise customers and market operators to take care of the environment.

All these regulatory powers should be consistent with the functions assigned to the regulatory authorities and enable them meet their long term regulatory objectives.

TABLE 2: COMPETENCES

<i>Algeria</i>	<p><i>CREG is responsible for fixing and approving transmission and distribution network tariffs according to methodologies approved by the government.</i></p> <p><i>CREG has approved between 2012 and 2014 utility procedures applying to the consumers and grid users as regards connection and access to the grid, complaint and even the supply agreement between the distributor and the consumer.</i></p> <p><i>According to the law CREG has full access to financial and technical information from sector participants.</i></p>
<i>Albania</i>	<p><i>The mission of Albanian Energy Regulator is:</i></p> <ul style="list-style-type: none"> <i>- to guarantee and develop an energy market based on objectivity, transparency and non-discrimination supported on free competition principles</i> <i>- to ensure continuity and security of supply with electricity for final customers</i> <i>- to protect the customers interest through transparent tariffs based on costs</i> <i>- to protect the environment and citizens life by exercising its authority in licensing and monitoring of subjects that operate in the activities in the energy sector .</i>
<i>France</i>	<p><i>The CRE exercised its new competence over the pricing of electricity networks for the first time in 2013. Before 2011, CRE was not responsible for setting the tariff for the use of public electricity networks (TURPE) but only for proposing them to the competent ministers.</i></p>
<i>Italy</i>	<p><i>A single contact point has been established by AEEGSI to receive complaints and request of information with more than 400.000 inbound calls and 90.000 handled in 2013</i></p>
<i>Montenegro</i>	<p><i>According to the Law, the competences of the Energy Regulatory Agency are as follows:</i></p> <ul style="list-style-type: none"> <i>- Providing energy undertakings with licenses for energy activities,</i> <i>- Issuing guarantees of origin for electricity generated from renewable energy sources or high-efficient cogeneration,</i> <i>- Setting the status of privileged generator of electricity from renewable energy sources,</i> <i>- Approving or setting regulatory allowed revenue, prices and tariffs for energy undertakings,</i> <i>- Making decision on appeals,</i> <i>- Resolving disputes,</i> <i>- Setting acts within its competences and giving consents to acts of energy undertakings,</i> <i>- Supervising of operations of energy undertakings.</i>
<i>Portugal</i>	<p><i>ERSE is responsible for:</i></p>

	<ul style="list-style-type: none"> • <i>Setting tariff methodologies and for approving access tariffs and transitory end user tariffs. Utility unbundling, among others, is guaranteed within this process.</i> • <i>Approving the Codes for both electricity and natural gas sectors (Tariff Codes, Commercial Relations Codes, Access to the Grids and Infrastructures Codes, Quality of Service Codes and Operation of Infrastructure Codes), under public consultation processes.</i> • <i>Market monitoring, namely in terms of prices, switching, market shares and commercial conditions.</i> • <i>Providing prices simulators for electricity and natural gas consumers.</i> • <i>Providing a single focal point to answer electricity and natural gas consumers' complaints.</i> • <i>Providing free dispute settlement to electricity and natural gas consumers.</i> • <i>The Consumption Efficiency Promotion Plan, a tool to promote energy efficiency in the electricity sector.</i>
<p>Turkey</p>	<p><i>-Tariff Setting</i></p> <p><i>As per the Art. 17 of the Electricity Market Law No: 6446; EMRA approves the tariffs prepared by the related legal person to be applicable for the following tariff period. The Board may ask for the revision of the tariff proposals. The tariffs regulated by the Board are listed hereunder;</i></p> <ul style="list-style-type: none"> <i>-Connection tariffs</i> <i>-Transmission tariff</i> <i>-Wholesale tariff</i> <i>-Distribution tariffs</i> <i>-Retail tariffs</i> <i>-Market operation tariff</i> <i>-Last resort supply tariff</i> <p><i>EMRA follows incentive based tariff mechanisms.</i></p> <p><i>In case there is a need to make subsidy to support consumers in certain regions or for certain reasons, the subsidy shall be made without interfering with the prices.</i></p> <p><i>As per the Provisional Article 1 of the EML No:6446; Price equalization mechanism, which will completely or partially protect the consumers subject to regulated tariffs from the price differences stemming from the cost differences among the distribution regions shall be applied till 31/12/2015. All public and private sector companies and supply companies are included in the price equalization mechanism. Cross-subsidy shall be applied in national tariff.</i></p> <p><i>-Network Rules and Standards</i></p> <p><i>Network Codes both for electricity and natural gas transmission and distribution are in place where all of them have been issued by EMRA.</i></p>

-Market Monitoring

The aims of the market laws clearly grant the necessary obligations and powers in terms of monitoring the markets.

Article 6 of the Law on Organization and Duties of EMRA assigned EMRA to oversee the activities and practices of legal entities operating in the market, as well as their compliance with the terms and conditions of their respective licenses, in order to ensure compliance with non-discrimination and transparency standards; and grants the power to examine the audited financial statements of the legal entities operating in the market or to have these reports examined.

Article 8 of the Law on Organization and Duties of EMRA reserves the rights of Competition Authority to issue the authorizations with respect to any merger or acquisitions to be carried out in the market under the scope of Article 7 of the Law on Protection of Fair Competition nr. 4054.

-Access to Information

Article 5 of the Law on Organization and Duties of EMRA powered EMRA to require any public or private entity or person, to provide any information and document deemed necessary and/or to review the same at the premises of such persons, in the course of performing its duties.

Energy Market Notification Regulation was issued on 27 May 2014. This regulation has the objective of setting the principles and procedures for gathering the data required by EMRA for the process of monitoring, analyzing and reporting of the market activities in order to meet the objectives in the related legislation.

-Consumer Protection

Customer Services Regulations in electricity and natural gas markets are in effect in line with the objective of the market laws; to ensure the development of a financially sound and transparent energy market operating in a competitive environment under provisions of civil law and the delivery of sufficient, good quality, low cost and environment-friendly electricity to consumers and to ensure the autonomous regulation and supervision of this market.

-Utility Unbundling

All activities are legally unbundled in the electricity market. As per the Art. 44 of the Electricity Market Licensing Regulation, assigned supply companies shall keep separate accounts for retail activity and retail service and shall not make cross-subsidy between the two accounts. License holders in the electricity market can not make cross-subsidies. EMRA monitors all the process through notifications and reports submitted by licensees and also via audits and inspections.

However, natural gas market activities are not totally unbundled yet.

-Environmental Sustainability

All market laws have the objective of supplying environment friendly energy to consumers. Currently, almost all applications for energy investments require "Environmental Impact Analysis" report to be granted by the Ministry of Environment and Urbanization.

<p><i>Egypt</i></p>	<p><i>EgyptERA is responsible for setting the electricity tariff for the coming 5 years in Egypt.</i></p> <p><i>Also EgyptERA set the Feed in Tariff for renewables, transmission fees and also set the electricity grid and network codes.</i></p> <p><i>For information needs EgyptEra has established an Electricity Observatory to publish the required information concerning the electricity grid for all parties.</i></p> <p><i>At the same time EgyptERA take the necessary precautions to protect the poor customers in the tariff reform during the coming 5 years and also invest a lot of effort in solving all the disputes and complains coming from different customers</i></p> <p><i>In regard to environmental sustainability EgyptEra try to highlights the Co2 emission figure by publishing them in the Observatory Daily Newsletter concerning electricity production, to monitor this figure and its impact on the environment</i></p>
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3. Effective organisation:

Effective organisation means to have clear decision making processes and an operative internal structure, with distinction of roles and responsibilities

A regulator cannot be effective or efficient without a well-defined internal organisation. Internal governance plays an important role to guarantee the independence of the regulator.

Each regulator is organised internally in different ways. Nevertheless, some common elements can be identified. Starting from the decision-making body, the chairman/board, a regulatory structure could be arranged in departments and directorates according different issues, in particular if there the regulator is in charge of several economic sectors.

Recruitment procedures should be transparent and non-discriminatory preferring public call for applications. Internal staff mobility should also be encouraged.

Employees should benefit from well-equipped work-stations (especially regarding IT) and competitive salaries compared to the sector standards.

The regulator should have a direct control of its own staff and be responsible for the internal human resource management.

As in the case of Board members, a “code of conduct” should contain rule and guidelines to prevent abuse, corruption and to simplify compliance to an ethical behaviour of staff members.

TABLE 3: EFFECTIVE ORGANIZATION

<p><i>Algeria</i></p>	<p><i>CREG published the needed positions for recruitment using different communication supports(web site and newspapers)</i></p> <p><i>The internal staff mobility within CREG allowed a number of employees to reach higher positions and to change departments.</i></p> <p><i>CREG board is the unique decision-making authority for the selection and appointment of staff members.</i></p>
<p><i>Albania</i></p>	<p><i>ERE is composed by the Board of Commissioners and the Technical Staff.</i></p> <p><i>Board is composed by the Chairman and four members who shall be appointed by the Parliament</i></p> <p><i>Board in the quality of decision-making body determines the main directions of ERE's activity. It approves ERE's drafts within March 31 every year, and not later than December the Board takes decisions regarding ERE's organizational structure, which is submitted to the Parliament for approval when it has changes from the structure that the Parliament has approved the year before.</i></p> <p><i>After the organizational structure is approved from the Parliament, in conformity with ERE's requirements and based on the conditions defined in Law No. 8549, date 11.11.1999 "Civil Servant Status", the Chairman performs the procedures of taking ERE's technical staff.</i></p> <p><i>The employment criteria for the Director position, are defined by Board of Commissioner decision. For the position of the Head of the Sector and the Specialist the employment criteria are defined by the Directors of respective Directorates in collaboration with the Human Resources, Finance Administration and Foreign Relations Directorate.</i></p> <p><i>After it is finished the competition phase of the civil servant legislation, the decision for appointing the confirmation is taken by ERE's Chairman.</i></p> <p><i>The recruitment in the civil service is done at the expert-level positions, through an open competition.</i></p> <p><i>The competition is organized periodically by the respective responsible unit, for each of the groups.</i></p> <p><i>The competition consists in two phases, as follows:</i></p> <ul style="list-style-type: none"> <i>a) screening of the fulfillment of the general and special requirements, as published in the announcement;</i> <i>b) evaluation of the candidates.</i> <p><i>The screening of the interested candidates is made by the responsible unit whilst the evaluation is done by a Permanent Selection Committee constituted for each of the groups.</i></p> <p><i>The successful candidates, assessed over the minimum threshold of 70% out of the total assessment points, are ranked by the Permanent Selection Committee, in the list of successful candidate</i></p>

<i>France</i>	<i>Current vacancies are published on the website with a detailed description of the open position and of the skills requested.</i>
<i>Italy</i>	<i>In order to continuously improve its organization and procedures, AEEGSI has established a performance evaluation process, carried by external consultants, to monitor and independently verify overall efficiency and effectiveness of both organization and operational procedure</i>
<i>Montenegro</i>	<p><i>The bodies of the Agency are: the Board consisting of three members nominated by the Parliament of Montenegro to the term of five years with a possibility of one reappointment, and the director nominated by the Board after obtaining the opinion of the Government of Montenegro.</i></p> <p><i>The Law provides for the position of the deputy director nominated by the Board after obtaining the opinion of the Government of Montenegro.</i></p> <p><i>The Board of the Agency has advisors and secretary.</i></p> <p><i>The Agency's operation is carried out through the following professional divisions:</i></p> <ul style="list-style-type: none"> <i>• Energy-technical regulation division,</i> <i>• Economic regulation division,</i> <i>• Legal regulation division,</i> <i>• Administrative affairs division.</i>
<i>Portugal</i>	<p><i>ERSE has a clear decision making processes and an operative internal structure based on 5 technical departments and one administrative, with distinction of roles and responsibilities, namely in legal issues, markets and consumers, costs and revenues, infrastructures and networks and tariffs. ERSE internal structure, organisation and functioning are approved by Board decision and established in an internal code.</i></p> <p><i>ERSE Statutes establish that the recruitment procedures are transparent and non-discriminatory, namely that they shall be subjected to competitive, public and dully justified procedures. ERSE workers are chosen by the NRA and they are not subjected to public contracting regime.</i></p> <p><i>Employees benefit from well-equipped work-stations.</i></p> <p><i>The law establishes that Board members are subjected to the exclusivity regime and that, during a period of two years after the end of their mandates, they cannot establish any work relation with the regulated companies.</i></p>
<i>Turkey</i>	<p><i>Law nr. 4628 on the Organization and Duties of EMRA clearly defines internal organization with clearly defined differentiated responsibilities between Board and the Authority.</i></p> <p><i>As per the provisions of the article 4 of the Law on Organization and Duties of EMRA, EMRA performs its duties and exercises its rights through the Energy Market Regulatory Board. The Board is the representative and decision making body of the Authority.</i></p> <p><i>Recruitment procedures are carried out as per the related legislation, through public call and recruitment exams. The President has a direct control on the staff</i></p>

	<p><i>and where necessary, internal staff mobility is encouraged.</i></p> <p><i>The permanent activities required for EMRA's services are performed by contracted civil servants.</i></p> <p><i>Every staff of EMRA is equipped with a PC and a suitable working environment.</i></p>
<i>Egypt</i>	<p><i>EgyptRRA publish the open positions for recruitment, using different communication supports(web site and newspapers)and also the Government web portal, but we still need more support in the IT filed.</i></p>

4. Enforcement:

Enforcement is to ensure compliance with rules by market participants and regulated entities, in order to obtain the public benefit that regulation provides.

Enforcement is a vital part of ensuring compliance with the regulatory framework and to put pressure on operators\market participants to change behaviour and to encourage the compliance with regulator provisions

There are several tools which may allow enforcement of decisions. Before making use of their sanctioning powers, regulators use other instruments to ensure the respect of rules and obligations by the regulated enterprises (e.g. issue warnings). To “name-and-shame” is a common “softer” tool consisting of making public the non-acceptable/non-compliant behaviour of a market actor/operator. For instance the publication of comparative performance reports is very important for the reputation of network and market operators. Being the first in quality of service (e.g. treatment of complaints performance of a contact centre or number of complaints by customers) is an excellent approach to incentives operators to comply with regulatory provisions.

The enforcement power of regulators should include the power to investigate (including on-site inspections) and to sanction (administratively or financially) network and market operators for failure to comply. These competences are essential for the regulator to fulfil its duty as market “watchdog”.

Sanctions can impact significantly a company’s revenues when regulators can impose effectively revocation, suspension or modification of licenses, as well as revision of access tariffs for transmission and distribution networks.

The regulator may impose substantial financial sanctions against market participants or regulated entities, leading in extreme cases to business closure or loss of personal livelihood.

Regulators must therefore be provided with enough funding taking into account all necessary enforcement, prosecution and appeal activities likely to arise from its functions.

TABLE 4: ENFORCEMENT

<p><i>Albania</i></p>	<p><i>ERE has enforcement powers which include the power to monitor, investigate and solve disputes and the power to punish the network operators and suppliers for failure to comply.</i></p> <p><i>ERE tries to solve the disputes between the TSO, DSO, and other licensees.</i></p> <p><i>ERE collaborates with the competition authority that the decisions to be in conformity with the legislation in force and not to violate competition.</i></p> <p><i>ERE Regulations should be complied by network operators and suppliers, not only in relation with ERE but also in their contacts with the customers</i></p>
<p><i>France</i></p>	<p><i>Between 2011 and 2013 the Standing Committee for Dispute Settlement and Sanctions (CoRDIS) took 225 decisions, against which operators filed 90 appeals before the Court. Only one decision of CoRDIS has been overturned by the Court.</i></p>
<p><i>Italy</i></p>	<p><i>AEEGSI has recently introduced the “Formal Commitment” which regulated entities may subscribe in order to be compliant to regulation when a procedure has demonstrated non-fulfilment of regulation</i></p>
<p><i>Montenegro</i></p>	<p><i>The Agency has enforcement powers to monitor operation and business activities of all energy undertakings and in case to find some irregularities, the Agency have right to:</i></p> <ul style="list-style-type: none"> <i>- instruct the energy undertaking to undertake adjustments of detected irregularity;</i> <i>- without delay or during the next approval of justified costs and revenues, undertake adjustment of costs and revenues and set adequate prices for use of transmission or distribution systems for electricity or gas or for gas storage systems;</i> <i>- carry out change of proposed tariffs at the occasion of their approval, or</i> <i>- initiate a procedure before a responsible state authority.</i>
<p><i>Portugal</i></p>	<p><i>The Quality of Service Codes establishes general and individual indicators to be complied with by network operators and suppliers, not only last resort suppliers but also market suppliers.</i></p> <p><i>Other ERSE Codes also establish specific obligations to be complied with by network operators and suppliers, not only in their relation with ERSE but also in their contracts with consumers and between network operators and suppliers.</i></p> <p><i>ERSE has powers to oblige network operators and suppliers to comply with these binding rules, without the need of appeal to the Court.</i></p> <p><i>ERSE uses “name-and-shame” tool in comparing the quality of service performance of network operators and suppliers, making this information public in ERSE website.</i></p> <p><i>ERSE publishes recommendations which act as a “name-and-shame “tool, regarding non-binding rules but considered as good practices.</i></p> <p><i>Since 2013, ERSE has enforcement powers which include the power to investigate</i></p>

	<i>(including on-site inspections and audits) and the sanction power applied to network operators and suppliers for failure to comply.</i>
<i>Turkey</i>	<i>As per the legislation, real and legal persons engaged in energy sector are audited by EMRA. Electricity distribution companies are audited by the Ministry of Energy. The reports of distribution companies auditing are then submitted to the EMRA and the decisions for sanctions are taken by the EMRA Board. The sanctions may be administrative fines, cancellation of the license, removing the executive directors of the company from office and appointing new ones.</i>
<i>Egypt</i>	<i>EgyptERA prepare a yearly report for benchmarking the regulated companies for both technical and commercial bases. The result of this report are presented to the board of director and also a detailed report is sent to each company where we explain the result of the benchmarking report. Till now no action was taken for any company with bad performance</i>

5. Transparency:

Transparency in the regulatory process helps others to understand the regulator's work and is beneficial for a proactive stakeholder engagement.

The regulator should carry out its tasks in a transparent manner. Its decisions should be published while protecting commercial sensitive information. Information on its own organisation (including management indicators, financial statements) should be made available to stakeholders (e.g. via the website). For both industrial and household consumers, clear and reliable information is a rare good in some countries. Energy regulators play a key role in either providing this information directly or in requiring energy companies to do so.

A second aspect of transparency is that regulators should consult stakeholders before taking important decisions. An open, transparent and non-discriminatory consultation process involving all concerned stakeholders (e.g. consumers, regulated entities, market operators) is fundamental to enhance the confidence in the regulator's activities and to increase the understanding of the decisions to be taken. Consultation can take different forms (e.g. written consultation, hearings, workshops). Increasing regulatory transparency also means to:

- consult stakeholders on draft decisions before taking the final decision, when appropriate;
- publish templates for standardised contracts
- support the involvement of consumers (especially household customers) in the decision making process;
- explain clearly procedures for licensing;
- use actively websites for disseminating information on regulatory decisions.

Each regulator may have specific tools to seek and receive regular inputs from the sector participants. All relevant stakeholders should have the possibility to input to the regulatory under equal conditions. It is important that all interests parties involved are equally represented.

TABLE 5: TRANSPARENCY

<p><i>Algeria</i></p>	<p><i>CREG organise periodically meetings and events with the operators and the consumers to disseminate information about the sector and clarify the legislation and regulation that applies to them.</i></p> <p><i>CREG also consult the operators before taking final decisions that involved them.</i></p> <p><i>CREG is about to finalise working on templates for standardised contracts and agreements between the consumers and the distributors and to publish them on its website. This work has been conducted with the association of the distributors.</i></p>
<p><i>Albania</i></p>	<p><i>All the issues handled by ERE require the review of one or more directories, the work to resolve them is directed by directory, whose competences are connected more with the issues handled and the directory requires the cooperation with other directories.</i></p> <p><i>All the directories at ERE, collaborate with the Legal and Customer Protection Directory</i></p> <p><i>All ERE decisions enter immediately into force and are published in the Official Gazette</i></p>
<p><i>France</i></p>	<p><i>In 2013, 70 actors were heard before the Board, CRE's president participated in 7 hearings before the Parliament, 23 public consultation were launched and the working groups on consultation met 65 times. To draft the new electricity transmission and distribution tariffs, adopted in 2013, the CRE has conducted five public consultations since July 2010 and organised several stakeholder meetings, involving not only the operators but also consumer associations, suppliers and other authorities.</i></p>
<p><i>Italy</i></p>	<p><i>Consultation and seminars are held (in 2013 more than 50 consultations) with consumers and environmental associations, operators, private and public entities who can provide, also via AEEGSI web site, any documents to contribute to the decision making process.</i></p>
<p><i>Montenegro</i></p>	<p><i>Before the adoption the methodologies and rules, those documents are always published for a public hearing.</i></p> <p><i>Decision making process on the regulatory allowed revenue for energy undertakings is completely transparent and each phase is published on the web site. In decision making process on the regulatory allowed revenue, the Report on the analysis of documentation is published on the web site and there is a deadline for interested legal and natural persons to give their comments and suggestions. Besides this transparency, the meeting at which the decision on the RAR is made is open to energy undertakings.</i></p> <p><i>The methodologies, rules and decision on the RAR are published in the Official Gazette of Montenegro and on the web site.</i></p>
<p><i>Portugal</i></p>	<p><i>ERSE Codes and other complementary rules are always subjected to public consultation processes and/or to consultation of the Tariff Council and the Consultive Council, depending on the subject. These Councils have</i></p>

	<p><i>representatives of all stakeholders.</i></p> <p><i>All ERSE decisions, including tariff and prices settlement and other administrative issues, have to be published and duly justified.</i></p>
<i>Turkey</i>	<p><i>It is stipulated by all market laws that EMRA acts in a transparent and non-discriminatory manner while regulating the sectors. As per the legislation, all decisions of the Board shall be published in the official web-site of the Authority, where some of them are published also on the Official Gazette.</i></p> <p><i>When issuing the regulations, EMRA is tasked to receive opinions of the legal entities operating in the market and other relevant organizations and institutions, as per the Article 4 of the Law on Organization and Duties of EMRA.</i></p> <p><i>EMRA is tasked by the Law to establish and enforce procedures and principles to protect against the unwarranted disclosure of commercially sensitive information, including commercial secrets and confidential competitive information. Accordingly, respective regulations on licensing define the rules and procedures.</i></p>
<i>Egypt</i>	<p><i>EgyptERA works in a transparent way by publishing all the decision on the website and also provide a Smart Electricity Services that helps increase the awareness of the consumers</i></p>

6. Accountability:

Accountability means that the regulator takes on the responsibility and is able to demonstrate outcomes and results from its regulatory action

Being accountable implies that regulators should report on the fulfilment of their duties. This can be done in different ways e.g. by releasing information/data on a regular basis to its stakeholders (Consumer associations, regulated entities, Government, Institutions) by publishing annual reports. Regulators should also report on the way they spend their budget to the relevant authorities.

The emphasis is not only on the liability of the activities performed to achieve a certain result, but on clear and specific definition of expected results. The definition of objectives is, therefore, a means of ensuring accountability.

Accountability is closely linked to transparency as reporting on results means releasing information on how a regulator has carried out its missions and on the procedures in place. Reporting shows that the regulator complies with its mandate and strengthens the legitimacy of the regulatory actions (e.g. adoption of standards and rules, ethical guidelines, codes of conduct).

There are several ways in which a regulator shows that he is accountable. He motivates his acts/decisions, participates to hearings in parliamentary committees and consults stakeholders openly on a regular basis. To engage broad sections of society, the regulator may set up stakeholder panels, do information campaigns or organise periodic and ad hoc sessions/workshops with stakeholders, including representatives of consumer associations.

TABLE 6: ACCOUNTABILITY

<i>Algeria</i>	<p><i>CREG published every year its activity report. Its accounts could be audited by the account courts and the government.</i></p> <p><i>From the beginning CREG has submitted its accounts, yearly, to the certification of an auditor, even if there is no legal obligation in this sense.</i></p>
<i>Albania</i>	<p><i>No later than the end of the first quarter of each year, ERE shall submit to the Parliament and the Government an annual report on the electric energy sector situation and ERE's activities, including its financial activities. This report shall be made public.</i></p> <p><i>The auditing of ERE's financial activity shall be carried out by financial independent auditors in compliance with the legislation in force.</i></p> <p><i>ERE shall also submit to the Minister responsible for energy, upon request, the data within the scope of the its authority and expertise.</i></p>
<i>France</i>	<p><i>In addition to its annual activity report, CRE published several thematic reports on e.g. the investigation carried out to ensure that whole sale market prices are not manipulated, the development of competition in the retail sector and the respect of unbundling provision by the system operators.</i></p>
<i>Italy</i>	<p><i>AEGGSI has instituted a special Office in order to put in place actions to be more and more accountable. This office has recently reformed the Annual Auditions when stakeholders and institution, where AEEGSI will refer about its Action Plan and how its targets have been reached. Moreover there is a yearly Report that AEEGSI refers on its activities and gives detailed state of the art of regulation and energy market evolution.</i></p>
<i>Montenegro</i>	<p><i>Law defines that not later than June 30 of each calendar year the Agency shall submit to the Parliament for adaptation an Annual Report on conditions in the Energy Sector of Montenegro. In addition to this report, the Parliament shall approve the Financial Report for the previous year and Plan for the following year.</i></p>
<i>Portugal</i>	<p><i>ERSE Statutes establish that ERSE activity plans, budgets and accounts reports are published, namely in ERSE website.</i></p> <p><i>ERSE acquisitions are also public.</i></p> <p><i>ERSE accounts are audited by the Parliament, the Government and the Accounts Court.</i></p> <p><i>ERSE's annual activities and the fulfilment of ERSE's duties are reported to the Parliament, the Government, the European Commission and ACER.</i></p>
<i>Turkey</i>	<p><i>EMRA submits an annual report, including its financial tables to the Ministry for information. And also monthly sector reports are published on its website. Also sector meetings are organized periodically to meet with the representatives of the related stakeholders.</i></p>
<i>Egypt</i>	<p><i>EgyptERA publish an annual activity report, at the same time ERA also publish several yearly reports concerning Cost Of Electricity Services, transmission fees,</i></p>

	<i>statistics concerning the companies operating in the energy, technical reports and all this reports are available on the EgyptEra homepage.</i>
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Conclusions

In addition to the findings and recommendations of the Benchmarking report (2013) on regulatory competences and of the report on dispute settlement mechanisms (2012) of the INS WG, this glossary laid out the common understanding of MedReg members of good regulatory principles. The definitions consider what should best be applied in order to have an independent, empowered and well-functioning regulator who carries out its mission in a transparent and accountable manner. In order to illustrate some good practice some examples are explained in the glossary.

The 6 core principles addressed in this report are:

***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.*

*Duties and powers should constitute a minimum set of **competences** defining the specific responsibilities of a regulator to promote competition and to empower consumers.*

***Effective organisation** 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*

While a regulator can influence some of them (e.g. effective organisation, transparency) the implementation of others (e.g. independence, competences) depend mainly on policy makers and their will to set up a regulatory framework whose stability and reliability are guaranteed by an independent regulatory authority.

Nonetheless, these principles can help regulators to self-assess how close or how far they are in respecting and applying these principles and to define what they wish to achieve in the future.