MedReg
Mediterranean Energy Regulators

PEER REVIEW PROCESS METHODOLOGY

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1. Scope of a Peer Review

The mission of MEDREG is to create that harmonized regulatory framework which is believed to be a crucial basis to progressively create and develop an integrated energy market.

In achieving such ambitious goal, a fundamental step relies on the institutional building that MEDREG means to carry out supporting and strengthening Associated Regulators, firstly within their own national borders. MEDREG General Assembly approved the Good Regulatory Principles in the Mediterranean Countries at its last meeting on 27 November 2014, in Barcelona, and asked the INS WG preparing guidelines on the application of the checklist of regulatory principles, and establishing a list of members that are interested in performing a peer-review.

This may be pursued analyzing and comparing each Regulator with respect a set of values which have been approved by MEDREG as the common principles which should characterize a sound and solid regulatory framework in the Mediterranean Area.

This may be achieved by means of a mutual comparison or a peer review. It's a discussion among equals, not a hearing by a superior body that will hand down a judgment or punishment. This makes peer review a flexible tool; a Regulator may be more willing to accept criticism, and its counterpart to give it, if both sides know it does not commit them to a rigid position or obligatory course of action. Such kinds of peer reviews provide credibility to both sides.

On these basis, a Regulator will be peer reviewed by other Regulators on their compliance to the shared principles in order to obtain a sort of evaluation, both to highlight strengthens and to suggest measures to be taken to ensure a closer compliance. The ultimate aim of the peer review 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 becoming more and more transparent.

The following document describes a methodology of a MEDREG Peer Review Process (PRP) which could allow to achieve two Peer Reviews each year after an experimental test that could be carried out, with a continuous and adaptive tuning,

2. Preliminary Activities

2.1. Identification of Countries to be reviewed.

The Secretariat collects the Regulators who, on a voluntary basis, express their willingness to be reviewed. A time table could then be set regarding the application of PRP to a number of Regulators. It would be highly appreciated to follow a sort of rotation in applying PRP, both in terms of reviewed and reviewer Regulators, with the final goal to obtain that all Regulators will be involved and finally reviewed in the PRP. The final schedule will be approved by the President and added in the Implementation Plan on a yearly basis, in order to present at each GA at least one Peer Review Final Report.

2.2. The Peer Review Team

For each Peer Review Process a Team will be established by at least three Peer Reviewers assisted by a Secretariat staff. The Team will be designated by the President in cooperation with the reviewed regulator. The Team will be approved by the reviewed Regulator.

The reviewed regulator will assign a Focal Point responsible for interfacing the Team and coordination within the reviewed regulator.

3. The checklist

The final goal of the PRP is to evaluate the compliance of Regulators to MEDREG's Good Regulatory Principles in the Mediterranean Countries and to issue recommendations and suggestions to fill the gaps. The use of a checklist is a very useful tool to have a quick overview of the compliance to MEDREG's Good Regulatory Principles.

To create a list of topics is therefore the main step to carry on a PRP, since it will also be a guide during the whole process, in order to systematically organize the rating and to have a synthetic picture.

The establishment of the Checklist structure in terms of topics and sub-items can be developed starting from the Good Regulatory Principles (an example is reported in annex 1). The checklist can be adapted to particular national context, both to highlight particular issues that the Regulator could be interested to be reviewed: for instance stressing that more independence from the Government may be needed, or to receive recommendation and advisory on its competences and powers.

Moreover that the Regulator could identify also some additional regulatory targets as main issues including but not limited to:

- Providing security of supply
- Increasing competition
- Investment promotion
- Consumer Protection
- Environmental issues

The filled checklist will be the final main results of the overall process which may consists of:

1. **Desk analysis**: collection and consolidation of data and information about the context under investigation;
2. **Submission of a questionnaire**: extensive list of questions which allows to understand each aspect of the compliance;
3. **Fact-finding visits**: direct dialogue with internal and external stakeholders.

For each of these three steps, following backbone documents will be prepared by the Team in advance:

1. List of data requested.
2. A questionnaire adapted to the specific needs of the regulator.
3. Protocol of procedure on fact finding visit.
4. A template on how to elaborate answers given by the regulator

Generally speaking, the Regulator may ask for a reduced roadmap due to particular circumstances, for example limiting or canceling the fact findings visits. The Team may agree to such requests, but it will be clearly reported in the final Regulatory Outlook. On the other hand, the reviewed regulator may ask for a second round of peering to evaluate the progress and determine the fields of improvement.

3.1. Desk Analysis

The Focal Point will prepare a preliminary report of the Country, including information and documents that could be useful to the Team to fully understand the national context. This report will describe:

- General information on the country: Institutional arrangements, macroeconomic data, main issues and perspectives;
- Description of the energy sector: Market model, current situation, main actors, trends, descriptions and data of electric and gas systems (generation, production, networks demand);
- Information about the energy NRA: Legal framework, competences, annual reports, publications.

Such preliminary report on the country will be approved by the Team that could require clarifications or modifications, and will constitute the basis of the PRP.

3.2. The Questionnaire

The questionnaire will be prepared by the Team, taking into account the MEDREG Good Regulatory Principles and directly being connected to the Checklist. The questionnaire will be formally sent to the Focal Point.

The Regulator should reply within the scheduled time (about one month). The Regulator may ask clarifications to better answer to the questions from the Team and the Secretariat.. The reply will consist of clear and transparent statements to each question, in order to provide a true picture of the context, even supported by any official documents and data the Regulator may provide.

Finally the Team will prepare a report describing and commenting the general picture coming up from the answers.

3.3. Fact Finding Visit

In order to have a direct dialogue with the Regulator, both Board and Officials, a fact finding visit will be organized by the Focal Point.

The Team, depending on the desk analysis and the answers provided to the questionnaire will prepare a list of topics to be discussed and a range of potential stakeholders that could be worth to meet and discuss about their perception of the Regulator. Independent and third-parties comments will highly increase the accountability of the overall PRP.

The list will be shared and jointly approved with the Regulator. It should include:

- Regulator staff members, such as the President, Board Members, Managing Directors, Directors and Managers, Employees;
- External stakeholders: Government Officials, Other Regulators, Regulated entities (TSO, DSOs), Market Operators, Large consumers, Consumers Associations, Press as much as it could be possible with consideration of time and reviewed regulator's consent;

The Focal Point, with the support of the Secretariat, will organize the meetings and the relevant timetable.

The Team will prepare a report describing main remarks and comments.

4. Final Remarks and Recommendation

Starting from the output of the three phases, a draft final document will be released containing a consolidated checklist on the compliance to MEDREG good principles of each single topic. A SWOT analysis could be also useful to describe which are the present situation, the most crucial issues and the potential actions to be carried out to overcome them.

The report will end with Recommendations for a better compliance to the Good Principles and to the previously defined targets.

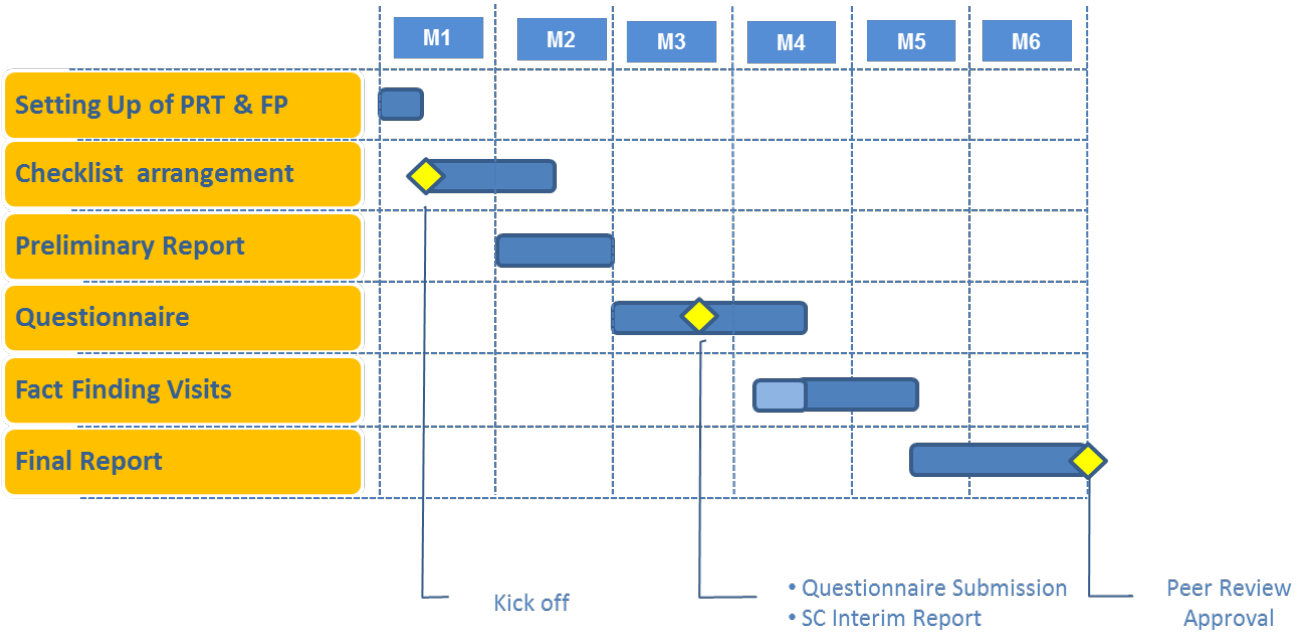
The Regulator may propose integration and modifications of the draft document, clarifying or explaining any misunderstanding supported by documents or data. The Regulator may ask to consider that some data or results are confidential.

Following the potential acceptance of the suggested modifications by the Team, the final report will then be issued.

The final report will be presented to the MEDREG Steering Committee and approved by the General Assembly and delivered formally to NRA (Figure 1).

The document will be published on the MEDREG website upon consent of the review regulator and may be presented jointly by MEDREG and NRA in front of national and international stakeholders, for instance presenting a roadmap to increase the compliance.

Figure 1: Tentative timetable of the PRP



ANNEX 1

Example of Checklist

Principles
Independence
▪ *Legal Framework*
▪ *Board independence*
▪ *Sufficient human and financial resources*
▪ *Location*
Competences
▪ *Tariff Settings*
▪ *Network Rules and standards*
▪ *Market Monitoring*
▪ *Consumer Protection*
▪ *Utility unbundling*
▪ *Environmental sustainability*
Effective Internal Organization
▪ *Organizational Chart with clear roles and responsibility*
▪ *Transparent and non-discriminatory recruitment procedures*
▪ *Non-discriminatory and Merit based Human resources management*
▪ *Appropriate logistic and IT provisions*
▪ *Adoption of Ethic Code of conduct*
Enforcement
▪ *Investigation, inspection*
▪ *Sanctioning and revoking licensing and permitting*
▪ *White\Black List, "name and shame" approach*
▪ *Appropriate funds and competences for legal disputes*
Transparency
▪ *Clear and transparent decision making process*
▪ *Data and statistics on the regulated markets*
▪ *Public consultation and Workshop on main issues*
▪ *Stakeholder engagement*
Accountability
▪ *Publication and diffusion of the accomplishments of the mission, main results*
▪ *Publication of internal structure and its consistence, performance indicators, annual reports, budget and expenses.*