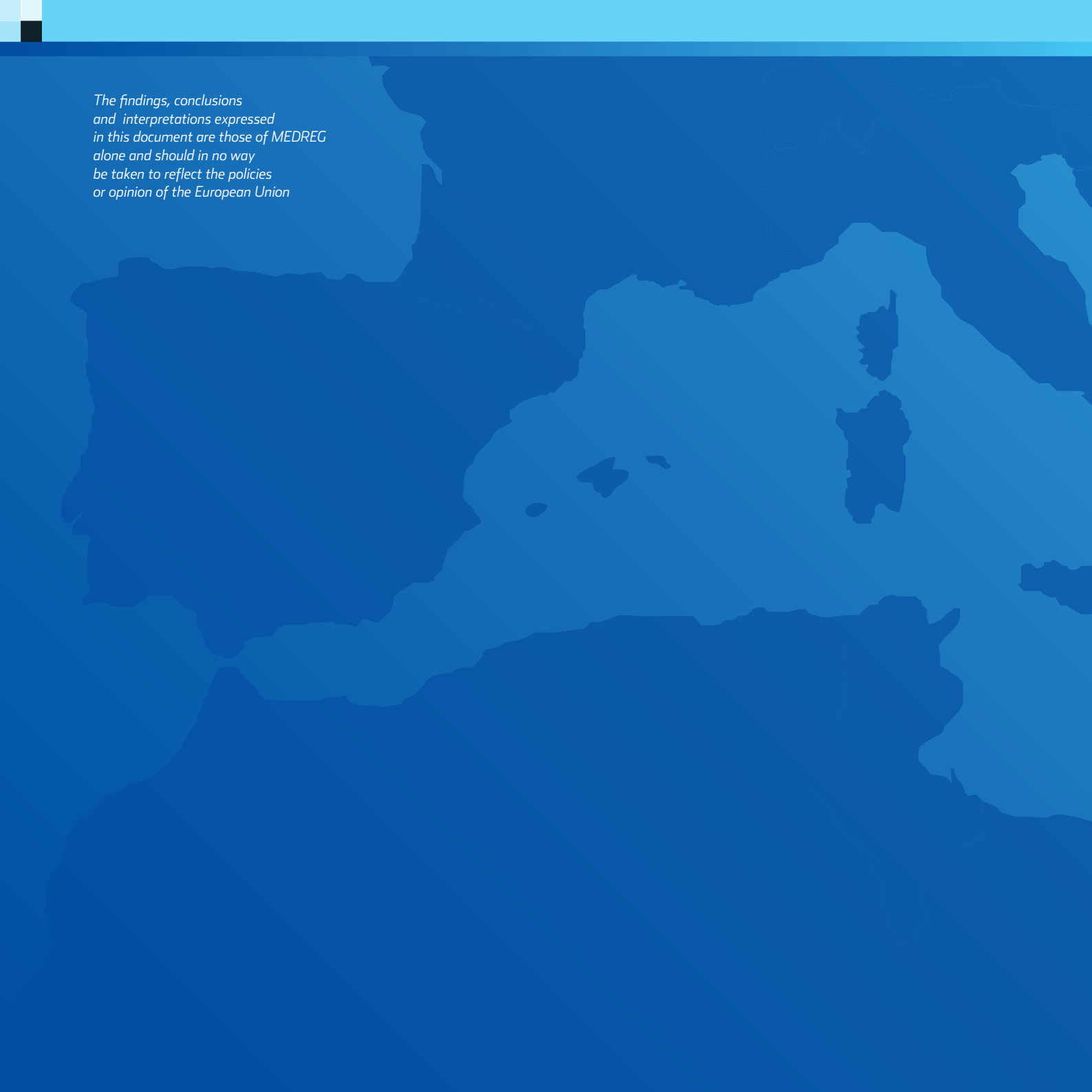
MedReg
Mediterranean Energy Regulators

MEDREG is supported by the European Union

The findings, conclusions and interpretations expressed in this document are those of MEDREG alone and should in no way be taken to reflect the policies or opinion of the European Union



Annual Report 2012

www.medreg-regulators.org

Table of Contents

4	Foreword	Message from the President
10	Chapter 1	Institutional context and evolution
13	Chapter 2	Vision
16	Chapter 3	Developing MEDREG accountability
18	Chapter 4	Enhancing consumer protection
20	Chapter 5	Guiding the establishment of a Mediterranean electricity market
22	Chapter 6	Building bridges through renewable energy
24	Chapter 7	Fostering gas linkages across the Mediterranean
26	Chapter 8	Training and capacity-building activities
28	Chapter 9	Contributing to global energy regulation
29	Chapter 10	Communication activities
34	Chapter 11	Structure
36		Members

Presidential Message

The Mediterranean is a mythical sea. Bordering countries are all keepers of a prestigious legacy. This region of the world gave birth to civilizations and fostered democratic principles that have enlightened later centuries. It is therefore natural to feel proud of this glorious past.

Our future, however, has not been promised to us as an inheritance, but remains to be build.

Our values, our cultural wealth, our know-how will contribute to form this future, but they do not exempt us at all from the efforts we have to make so that our people enjoy a prosperous future.

We should remember what Robert D. Kaplan writes in The Revenge of geography: "Times of global upheaval, testing as they do our assumptions about the permanence of the political map, lead to a renaissance in thinking about geography. This is particularly so because geography is the very basis for strategy and geopolitics."

The question is therefore posed: the Mediterranean Sea is a connection among us. How can we build our strategy and common policies around it?

MEDREG gathers twenty countries bordering the Mediterranean. With few exceptions, all Mediterranean populations are thus united within our Association. All of them have experienced or are still undergoing major conflicts as well as economic and social crises. Yet, all of them know that energy is the vital engine of development, thus of democracy and peace.

MEDREG is the only public partner that forges a regulatory framework in the fields of electricity and gas. This framework entails a common language and clear rules to allow the development of a large energy market between the Northern and Southern shores of the Mediterranean.

This is why our regulatory authorities actively contribute to the promotion of infrastructural investments. The implementation of strong, stable, harmonized and coherent lines of action in all aspects of regulation are essential to favor the attractiveness of our region. In fact, all energy stakeholders -whether they are producers, transmission operators, inves-

tors or financers- want at the same time transparency in the exchanges, reliability and long-term visibility. MEDREG leads the implementation of these principles, and supports national regulatory authorities to attain their objectives. The independence of these regulatory authorities is one of the essential conditions for the development of this framework. MEDREG helps them gain this independence.

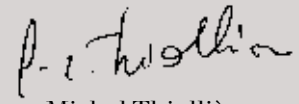
While sometimes hard, this road is the only possible one so that an integrated Euro-Mediterranean energy market could emerge. By 2020, we have to work in order to build the Mediterranean Energy Community. But our growing strength is up to the stakes, and we will be present at this decisive moment.

This work program allows MEDREG to maintain constant and extensive relations with numerous actors of the Mediterranean energy sector, both public institutions or private operators.

MEDREG is still a young association, but has already attained a maturity that allows it to be at the heart of the Mediterranean current challenges. MEDREG members are all experts and specialists of energy regulation, and display an extensive sense of public service.

The reading of this report will show you how committed we are to accelerate, work hard and honor our engagements.

With devotion,
Kind regards,



Michel Thiollière
MEDREG President

Le mot du Président

La Méditerranée est une mer mythique. Nos pays qui la bordent sont tous dépositaires d'un héritage prestigieux. Cette région du globe a engendré des civilisations et a nourri des principes démocratiques qui ont illuminé les siècles. Il est donc naturel que nous soyons fiers de ce passé glorieux.

Pour autant, notre avenir, lui, ne nous est pas promis en héritage, il est à construire.

Nos valeurs, nos richesses culturelles, nos savoir-faire nous aideront à le bâtir mais ils ne nous exonèrent nullement des efforts à faire pour que nos peuples connaissent un futur prospère.

Écoutons ce que dit Robert D. Kaplan dans The Revenge of geography : « Times of global upheaval, testing as they do our assumptions about the permanence of the political map, lead to a renaissance in thinking about geography. This is particularly so because geography is the very basis for strategy and geopolitics."

La question est donc posée: la Méditerranée nous réunit. Comment autour d'elle bâtir notre stratégie et nos politiques communes ?

MEDREG réunit vingt- pays riverains de la Méditerranée. À de très rares exceptions près, tous les peuples de la Méditerranée sont ainsi rassemblés au sein de notre association. Tous ont connu ou connaissent encore des conflits majeurs, des crises économiques et sociales. Mais tous savent que l'énergie est l'indispensable moteur du développement, donc de la démocratie et de la paix.

MEDREG est le seul partenaire public qui forge un cadre de régulation dans les domaines de l'électricité et du gaz. C'est-à-dire un langage commun et des règles claires qui permettent de construire un grand marché de l'énergie entre le nord et le sud de la Méditerranée.

C'est pourquoi nos autorités de régulation contribuent activement à la promotion d'investissements dans les infrastructures. La mise en œuvre d'axes forts, stables, harmonisés, cohérents, dans tous les aspects de la régulation de l'énergie sont essentiels à l'attractivité de notre région. En effet, tous les partenaires du monde de l'énergie, qu'ils soient produc-

teurs, opérateurs, transporteurs, investisseurs ou financeurs, veulent à la fois de la transparence dans les échanges, de la fiabilité et de la visibilité à long terme. MEDREG conduit leur mise en place et aide les autorités de régulation nationales à atteindre ces objectifs. L'indépendance de ces mêmes autorités de régulation est une des conditions essentielles au développement de ce cadre. MEDREG les aide à acquérir cette indépendance.

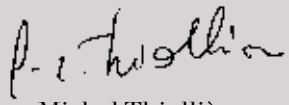
Le chemin est parfois ardu mais c'est le seul possible pour qu'émerge un marché de l'énergie Euro-méditerranéen intégré. D'ici 2020 nous avons du travail pour construire la Communauté méditerranéenne de l'énergie. Mais notre montée en puissance est à la hauteur des enjeux et nous serons au rendez-vous.

Ce programme de travail permet à MEDREG d'entretenir des relations suivies et approfondies avec de nombreux acteurs de l'énergie dans la Méditerranée. Que ce soient des institutions publiques ou des opérateurs privés.

MEDREG est encore une jeune association mais elle a atteint une maturité qui lui permet désormais d'être au cœur des enjeux méditerranéens. Ses membres sont tous des experts et des spécialistes de la régulation de l'énergie. Ils ont le sens du service public.

La lecture de ce rapport vous montrera à quel point nous sommes tous déterminés à accélérer, à travailler dur, pour honorer nos engagements.

Avec mon dévouement,
Bien sincèrement,



Michel Thiollière
MEDREG Président

تقرير سنوي

البحر الأبيض المتوسط بحر أسطوري. وتشعر البلاد المطلة عليه بكونها الأمين على كنزاً لتراث مرموق. فقد أقامت هذه المنطقة من العالم حضارات وعززت مبادئ الديمقراطية التي أضاءت قرونا من الزمان. لذا من الطبيعي أن تشعر بلادنا بالفخر من هذا الماضي المجيد.

غير أن مستقبلنا لم يعهد إلينا كميراثاً، ولكن يتعين علينا بناءه.

ولسوف تساعدنا قيمنا وتراثنا الثقافي والدراية التي لدينا في بناء المستقبل ولسوف نبذل قصارى جهدنا في سبيل توفير مستقبل زاهر لشعوبنا.

يستوجب علينا هنا تذكر كلمات الصحفي الكبير روبرت كابلان في كتابه بعنوان The Revenge of Geography أن "فترات الاضطرابات العالمية، التي تختبر قناعاتنا بشأن أداء الخريطة السياسية، تؤدي إلى نهضة على مستوى التفكير في الجغرافيا، لأن الجغرافيا أساس الفكر الاستراتيجي والجغرافيا السياسية".

وبالتالي فالسؤال الذي يطرح نفسه: إذا كان البحر المتوسط هو المحيط الذي يجمعنا فكيف نستطيع بناء استراتيجيتنا وسياساتنا المشتركة حوله؟

يجمع تجمع منظمي الطاقة لدول حوض البحر الأبيض المتوسط MEDREG في عضويته عشرين دولة مطلة على البحر المتوسط. وباستثناءات قليلة جدا، تعتبر جميع شعوب البحر المتوسط ممثلة داخل التجمع. وشهدت كل هذه البلاد أو لا تزال تشهد صراعات كبرى وأزمات اقتصادية واجتماعية، لكنها جميعا تدرك أن الطاقة هي المحرك الرئيسي لعجلة التنمية وأحد دوافع تحقيق الديمقراطية وإقرار السلام.

ويعد الـ MEDREG الشريك العام الوحيد الذي وضع إطارا تنظيميا لقطاعي الكهرباء والغاز. ويمكن القول إنه أقام لغة مشتركة وقواعد واضحة لبناء سوق كبيرة للطاقة بين شمال المتوسط وجنوبه.

وهذا يتيح للسلطات التنظيمية التي تتمتع بعضوية التجمع المساهمة بشكل فعال في تعزيز الاستثمار في البنية التحتية. ويعد وضع توجهات قوية ومستقرة ومتجانسة ومتسقة في جميع جوانب الرقابة على قطاع الطاقة أمرا ضروريا لتعزيز جاذبية المنطقة. وفي واقع الأمر يحتاج من جميع الأطراف ذو الصلة في قطاع الطاقة، سواء المنتجين أو المشغلين أو الناقلين أو المستثمرين أو الممولين، إلى

الشفافية في عمليات التبادل والدقة ووضوح الرؤية على المدى الطويل. ويعمل الـ MEDREG على مساعدة الهيئات التنظيمية في كل بلد على تحقيق هذه الأهداف. ويعد استقلال هذه الجهات التنظيمية أحد الأمور الضرورية لوضع هذه الأطر. يساعد الـ MEDREG هذه الجهات في اكتساب هذا الاستقلال.

وأحيانا يكون المسار صعبا لكنه الطريق الوحيد الممكن لإقامة سوق طاقة تتمتع بالتكامل على مستوى منطقة أوروبا والبحر المتوسط. من الآن حتى عام 2020 لدينا الكثير من العمل لبناء مجتمع للطاقة عبر البحر الأبيض المتوسط. ولكن قوتنا المتزايدة هي على أتم الاستعداد لمواجهة تلك التحديات.

ويتيح برنامج عمل الـ MEDREG إقامة علاقات متصلة ومكثفة مع العديد من الجهات العاملة بمجال الطاقة في منطقة البحر المتوسط سواء كانت هيئات عامة أو شركات خاصة.

ولا يزال الـ MEDREG منظمة حديثة التأسيس لكنها بلغت مستوى من النضج يسمح لها بأن تكون في صميم قضايا منطقة البحر المتوسط. كما أن أعضاءها وهم من الخبراء والمختصين في مجال تنظيم الطاقة لديهم شغف كبير بالخدمة العامة. بقراءة محتويات هذا التقرير، يظهر وبوضوح عزيمتنا والتزامنا بالعمل الجاد لتحقيق التزاماتنا.

وأنا أتعهد بذلك

مع أطيب الأمنيات

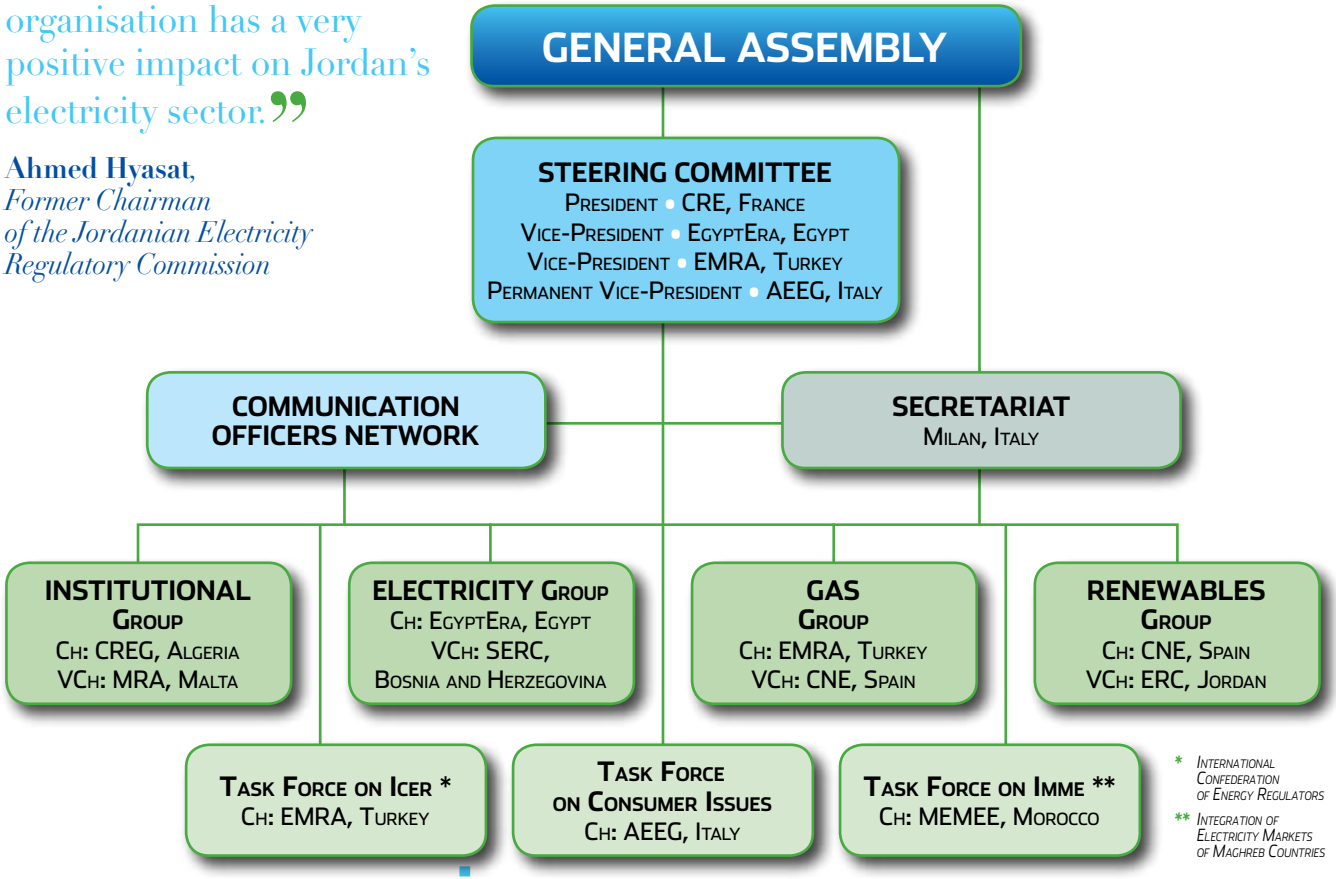
Michel Thiollière
MEDREG President

Institutional Context and Evolution

MEDREG started in May 2006 as a **voluntary working group to establish cooperation among Mediterranean Energy Regulators** and became a permanent regional organisation in November 2007. The European Union has been a continuous promoter of MEDREG since its creation, through the active involvement of the DG Energy and DG Development and Cooperation of the European Commission (EC), which encourages and financially supports its activities. **Regulation** in the energy field is a necessary tool to guarantee a **stable set of rules and technical standards**. The regulatory framework

"Jordan has much to gain from its partnership with MEDREG, including exchange of experience in regulation and open market mechanisms. Jordan fully supports EU efforts to strengthen MEDREG, since the organisation has a very positive impact on Jordan's electricity sector."

Ahmed Hyasat,
Former Chairman of the Jordanian Electricity Regulatory Commission



has to be constantly adapted to the changing economic conditions. MEDREG works to share information, expertise and good practices among its members, thus helping them to reinforce their institutional capacities and encourage appropriate reforms. To reach its objectives, MEDREG promotes a **permanent exchange of know-how, data collection and dissemination of expertise** through comprehensive studies, recommendations, reports and specialised training sessions.

The objectives of MEDREG are to:

- Promote a **greater harmonization** of the energy markets and legislations and seek progressive market integration in the Euro-Mediterranean region;
- Foster **sustainable development** in the energy sector through greater efficiency and integration of energy markets based on secure, safe, cost-effective and environmentally sustainable energy systems;
- Support initiatives of common interest in key areas such as **infrastructure investment** and development, innovative **financing solutions** and **research** in the field of energy regulation;
- Provide capacity-building activities through working groups, training sessions and seminars;
- Increase cooperation, information exchange and assistance among members, providing a **permanent framework for discussion and cooperation**.

Institutional declarations on MEDREG

2007 Declaration of the Euro-Mediterranean Energy Ministers meeting in Limassol

2008 Declaration of the Euro-Mediterranean Foreign Affairs Ministers meeting in Marseille

2009 G8+ Energy Regulators Round Table in Rome: *Explicit political endorsement to MEDREG as point of reference for energy regulation at the regional level*

2011 ITRE Committee of the European Parliament on the Energy Strategy in the Southern Mediterranean: *MEDREG is identified as one of the key actors for energy cooperation and market integration in the region*

2012 Günther Oettinger, EU Commissioner for Energy on EU co-funding: *Increased synergies exist between the various key regional cooperation structures dealing with energy, such as MEDREG*

2012 EC Joint Communication on Supporting Closer Cooperation and Regional Integration in the Maghreb: *MEDREG is identified as a 'regional institution' able to support the Maghreb countries in 2013 through technical assistance projects*

Did you know?

MEDREG promotes diversity and balanced representation within the Association, to make sure that the Northern and Southern shores of the Mediterranean cooperate on equal terms.

The 2008-2013 Action Plan of the Union for the Mediterranean provided further reference for the work of MEDREG.
The plan focuses on three main areas:

a) improved harmonization of legislations and integration of energy markets;

b) sustainable development in the energy sector;

c) initiatives of common interest in key areas such as infrastructure extension and investment financing.

With the aim to contribute to these goals, **MEDREG has been actively collaborating with numerous other initiatives developed in the Euro-Mediterranean context**. For instance, regular exchanges exist with the EU funded regional project Paving the Way to the Mediterranean Solar Plan **(PWMSP)**, on the preparation of suitable national policies for the promotion of energy efficiency and renewable energy sources.
In 2008, MEDREG has been granted the status of observer by the Parliamentary Assembly of the Mediterranean **(PAM)**. The two institutions regularly share views on how to strengthen institutional mechanisms to promote energy projects at regional level.
MEDREG has also supported the establishment of **Med-TSO**, the Association of Mediterranean Transmission System Operators, and contributed to the writing of Med-TSO statutes.

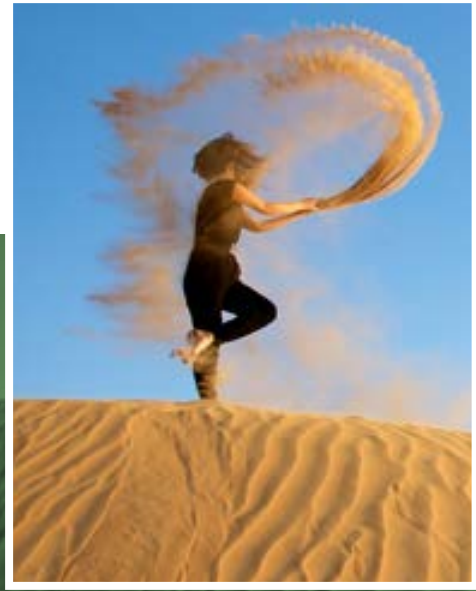
"The Mediterranean dimension is crucial to create an energy hub for the Gulf states, Africa and the European Union. That is why we are very active in MEDREG. MEDREG represents a priority because it is a forum meant to develop harmonized regulations and a place to exchange information."

Hafez El-Salmawy, *MEDREG Vice-President*

Vision

The EC envisages the **concept of a Mediterranean Energy Community by 2020**. Specifically, the EC is developing ideas to open a credible window of opportunity for the integration of Southern Mediterranean energy markets within the EU one. This process would use a differentiated and gradual approach that would lead to a EU-Southern Mediterranean Energy Community first with Maghreb countries, then possibly involving Mashreq countries, too (EC Joint Communication of 8 March 2011, 'A Partnership for Democracy and Shared Prosperity with the Southern Mediterranean').

The EC refers repeatedly to MEDREG as a **key actor for energy cooperation in the Mediterranean region and a relevant stakeholder in the establishment of the Mediterranean Energy Community** (EC Joint Communication of 15 May 2012, 'Delivering on a New European Neighborhood Policy').
In particular, the Commission mentioned MEDREG as one of the institutions responsible for the implementation of the EU directives on renewable energy, with a particular view to the North-South energy exchange (EC Joint Communication of 6 June 2012, 'Renewable Energy: A Major Player in the European Energy Market').



Mediterranean Energy Community

FOUR PILLARS

- **Solid institutional setting**, which takes in good account the various political stances of the EU and MPC countries
- **Clear and binding legal framework**, based on equal sovereignty of participants and a bottom-up approach
- **Holistic attitude**, which combines liberalization with investments, environmental protection, and capacity-building
- **Funding mechanism** to guarantee reinforced trans-Mediterranean cooperation, in accordance with investment-related institutions present in the area

Fabrizio Barbaso,
Deputy Director General
of the EC - Europolitics

More recently, the EC described MEDREG, together with Med-TSO, as a **regional cooperation institution that can further assist the Maghreb area in developing common technical rules** for the deployment of grid codes resulting in a West-Mediterranean electricity area by 2020-2025, which would be a pilot and a front-runner in the Mediterranean region. MEDREG would be involved through specific technical assistance projects (EC Joint Communication of 17 December 2012, 'Supporting Closer Cooperation and Regional Integration in the Maghreb: Algeria, Libya, Mauritania, Morocco and Tunisia').

"The help provided by MEDREG is critical in bringing assistance in the development and implementation of innovative financial support schemes and should likewise go into the review of price regulation frameworks"

Fabrizio Barbaso, *Deputy Director General of the EC – Europolitics*

In line with EU principles and orientations, **MEDREG action plan** has been defining a strategy towards the Mediterranean Energy Community. This strategy includes the development of the Association as a **resource center for Mediterranean energy stakeholders**. The aim is to foster the role of **energy regulators as a regional point of reference to support stronger energy governance**, investing on technical cooperation, data consolidation and publication, and scientific coordination among members.

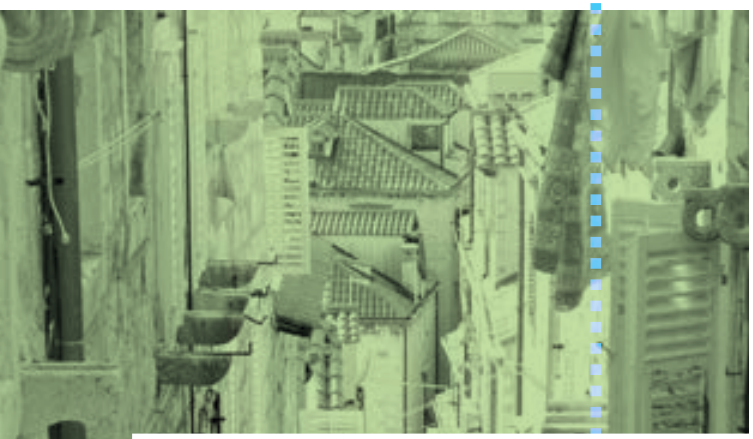
MEDREG's strategy and activities for the 2013-2015 period plan to achieve the following results:

- Contribute to the creation of independent regulatory authorities responsible at least for electricity and natural gas in each MEDREG country;
- Develop and publish periodical recommendations on common principles governing the mission, organisation and resources of Mediterranean energy regulatory authorities;
- Initiate the design of a centralized control centre to monitor the activities of electricity TSOs in the MEDREG region, as a major step towards a regional integrated electricity market;
- Design and set up a public internet platform for the exchange and publication of data on Mediterranean gas markets (structure, actors and responsible entities, flows, etc.) and contribute to greater transparency and security of supply in the region;
- Promote a common approach of consumer protection principles in the Mediterranean region, with a particular focus on the definition of energy poverty;
- Define appropriate and harmonised frameworks for the development of renewable energy sources, energy efficiency, advanced distributed generation and metering in MEDREG countries;
- Support and strengthen the transfer of knowledge to the MPC on the principles of regulation, aiming at creating a common regulatory culture among Euro Med countries and addressing specific training needs expressed by MPC representatives;
- Further develop the publicity and accountability of MEDREG Association in the region.

> "The process of setting a regulatory framework is not starting today: EU co-funding enables the operation of important regional cooperation structures, such as MEDREG and Med-TSO."

Günther Oettinger,
EU Commissioner for Energy – 3rd Dii Desertec Energy Conference

Developing MEDREG Accountability



The Mediterranean energy framework has been structured historically by strong national incumbents. **Third-party access to electricity and gas networks** in an increasingly competitive environment has to be ensured through a **principle of non-discrimination** among market actors. National dispute settlement mechanisms should guarantee independent and impartial judgments.

The **Working Group on Institutional Issues (INS)** reviewed existing and planned tools to settle disputes on third party access in MEDREG countries. Although the results of the surveys were generally satisfactory, the Group saw room for improvements with reference to measures in favour of transparency and accountability.

The Group has elaborated **guidelines for the progressive establishment of certain regimes to manage disputes at national level.**

Guidelines can be summarized as follows:

- Final decisions should be published;
- Decisions should be motivated and contain the ground on which the decision was based;
- People who investigate a case or have a personal interest should not be involved in the decision making process.

The INS Group has also received the task to take care of **MEDREG's dialogue with relevant regional stakeholders working on energy issues.** The Group has mapped and classified re-

gional institution of interest and is reviewing the current status of MEDREG relations with each of them.

This assessment showed that it is important to further strengthen MEDREG relations with Mediterranean organizations focusing on electricity and gas matters. Particularly, the Group suggested deepening MEDREG's dialogue with financial institutions, whose joint activity with regulators could contribute to overcome obstacles to investment.

To this end, the Group promotes discussion and exchanges with MEDREG's stakeholders, especially on the subject of investments in the Mediterranean.

Report Highlights

- **3 MEDREG countries have increased their competences** on dispute settlement in 2011.
  In all surveyed countries, decisions on dispute settlement are binding upon the parties.

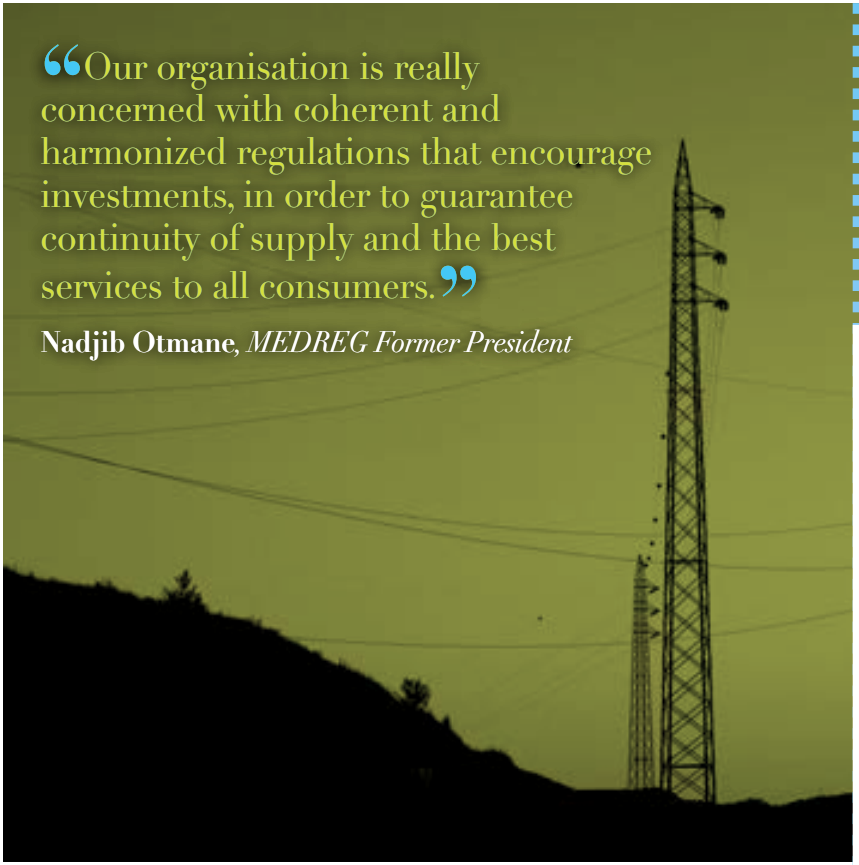
Enhancing Consumer Protection

Advancing in Consumer Protection

- Energy billing, consumer education and information to final consumers
  Late 2012 - late 2013
- Best practices in consumer protection, including vulnerable consumers
  2014
- Quality of service
  2015

Enforcing consumer rights is one of the pillars of regulators' activities, as informed and active consumers are an essential condition for efficient and sustainable energy markets. In 2012, MEDREG created a specific Task Force to review the condition of Mediterranean energy consumers and make proposals for improvement.

The **Task Force on Consumer Issues (CUS)** benefits from the work previously completed under the framework of the INS Group, which established that consumers should be granted the right to receive complete information and protection from market failures.
In the Mediterranean, policies in favour of energy consumers are not harmonized.



> “Our organisation is really concerned with coherent and harmonized regulations that encourage investments, in order to guarantee continuity of supply and the best services to all consumers.”
>
> **Nadjib Otmane**, *MEDREG Former President*

MEDREG started elaborating proposals to identify and spread best practices on consumer issues in the Mediterranean region.

In 2012, the CUS Task Force drafted **two questionnaires** to the intention of member regulators. The first reviews the design of **energy billings**. The second concerns the **information and education activities for consumers** that are organized by national regulators.

The reports resulting from the assessment of these questionnaires will help MEDREG understand what are the **good practices to be shared** among members and serve as a basis for improving consumer protection in the Mediterranean region.

Did you know?

The MEDREG area counts roughly 400 million household energy consumers. Development programs for electricity and gas distribution and transmission infrastructures exist in 13 MEDREG countries.

Source: MEDREG Questionnaire on Energy Billing and MEDREG CUS Summary Assessment

Guiding the Establishment of a Mediterranean Electricity Market

The **MEDREG Working Group on Electricity (ELE)** elaborated **a methodological** analysis that **reviews existing cooperation initiatives and proposes a plan to integrate national electricity markets in the Mediterranean region.**

Strong regulatory bodies are necessary to elaborate an institutional and regulatory framework that accommodates current changes in national energy consumption patterns and the pressing need for new electricity infrastructure.

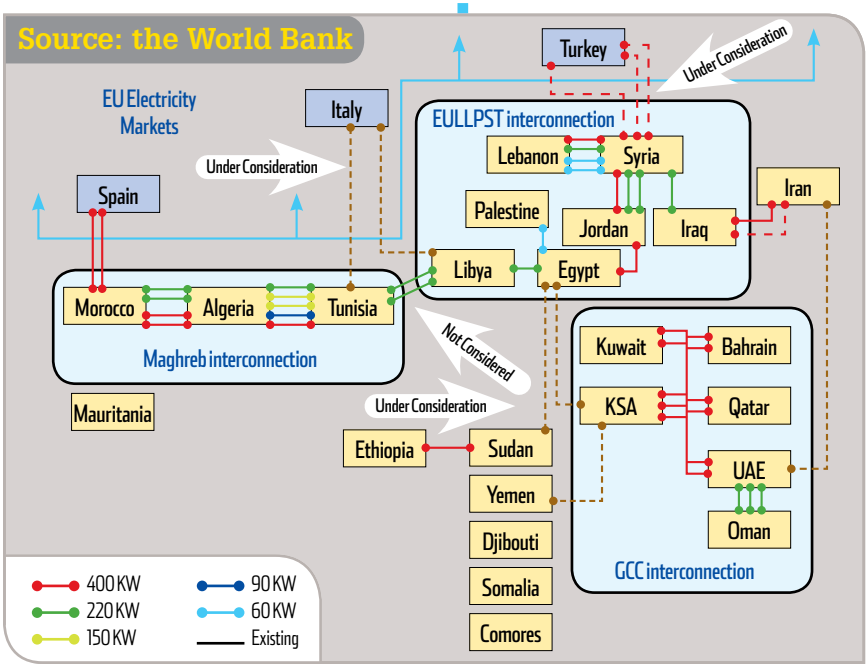
While the timeframe for implementation is left to the individual initiative of each member, the ELE Group proposed a master plan detailing the actions to be taken by each member to join the targeted market. The main action suggested by the master plan is the setting up of a Regional Regulatory Agency and a Regional System Operator.

These two actors would complete the regulatory system in the Mediterranean area. They should guarantee a stable framework of rules for the harmonization and balancing of the Mediterranean regional electricity market.

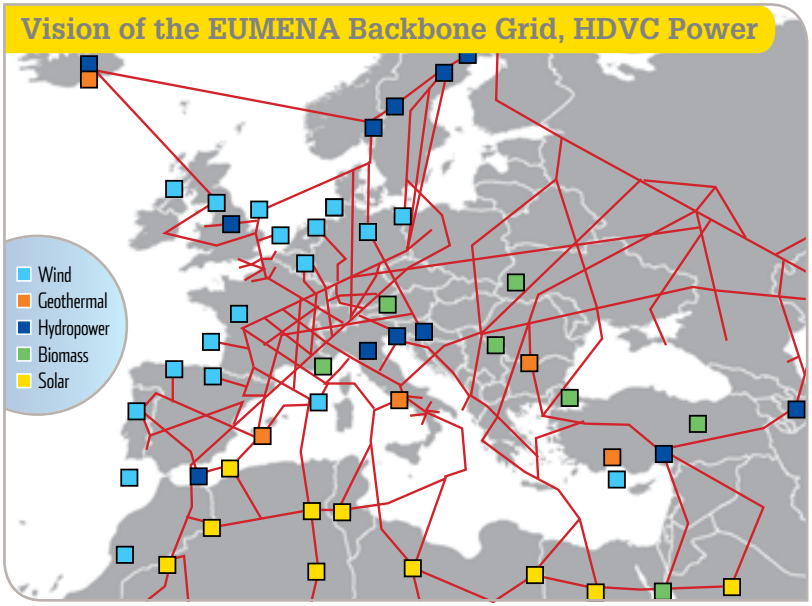
The ELE Group has also discussed **technical aspects related to Mediterranean interconnections**. Infrastructure plays an important role in promoting the use and development of renewable energy. A well balanced energy mix including renewable energy, backed by fossil fuels, can provide sustainable, competitive and secure electricity for the overall Euro-Mediterranean region.

Mediterranean Electricity Market

- MEDREG **proposed a roadmap** for Mediterranean countries to contribute to the establishment of an harmonized Regional Mediterranean Electricity Market.



Vision of the EUMENA Backbone Grid, HDVC Power



A backup infrastructure has to complement the renewable electricity mix. This entails that a proficient grid infrastructure is necessary to transport renewable electricity from the producing regions to the consumption centres.

The ELE Group study demonstrates that it is necessary to have an EU-MENA backbone grid using High-Voltage Direct Current (HVDC) power transmission technology as electricity highways to complement the AC electricity grid.

The report underlines how **HVDC technology is becoming increasingly important for the stabilization of large electricity grids**, especially where increasing fluctuating resources are incorporated. The study investigated HVDC contribution to compensate blackouts of large power stations through distant backup capacity.

In the medium term, the Group considers that a HVDC backbone should be established to complement existing European electricity grids and increase the redundancy and stability of the future Mediterranean power supply system.

Numbers and Facts

- MEDREG studies highlighted that a new conception should be applied to Mediterranean infrastructure development to accommodate the **increasing economic relevance of RES production** in the overall electricity production in the region.
- Even under the best conditions, Alternating Current (AC) grids could only cover about **3.5 %** of the European electricity demand.

Did you know?

MEDREG has published a scientific article on this topic in the January 2013 issue of the European Energy Journal.

Building Bridges Through Renewable Energy

The Mediterranean region displays a considerable potential for renewable energy (RES) infrastructure, of which a significant share could be exported to the European Union market. Yet, countries often lack proper regulation to attract and maintain investments.

Article 9 of the EU Directive 2009/28/EC, on the promotion of the use of energy from RES, sets the main criteria to develop cross border trade of renewables that is compatible with European national support schemes to RES. In order to facilitate the reaching of national mandatory targets in EU countries, article 9 proposed flexibility devices allowing for joint projects between EU member states and third countries. The **MEDREG Working Group on Environment, Energy Efficiency and Renewables (RES)** analysed the effect of these mechanisms.

The RES Group designed a **scenario to verify the effectiveness of tools proposed by article 9**. The study modelled the construction and operation of a concentrated solar

"PAM believes that MEDREG offers all the necessary tools to fulfill the mission of harmonizing energy regulatory frameworks and promote the use of RES. Thanks to the contribution of Mediterranean national governments, MEDREG will therefore work to put RES at the service of the socio-economic development in the region."

Lhou Lmarbouh, *Senator of Morocco – UN Meeting on Marine Renewable Energy*

power plant with 10 Megawatts (MW) nominal installed capacity, located in a model country in North Africa. The adequate incentives to be given to investors in order to assure a reasonable return were calculated. The RES Group then concentrated on the regulatory framework that should be in place for such a project to succeed. The weighted average cost of capital, estimated in a model-EU country for the electric renewable energy sector, was taken into account to measure compliances with European national targets for the generation of RES.

MEDREG's case study supported the knowledge that, under suitable economic conditions, building renewable energy plants in North Africa represents a valuable opportunity for EU to reach its targets on climate change and clean energy production. However, the report underlined that three improvements would be necessary to realize this project on:

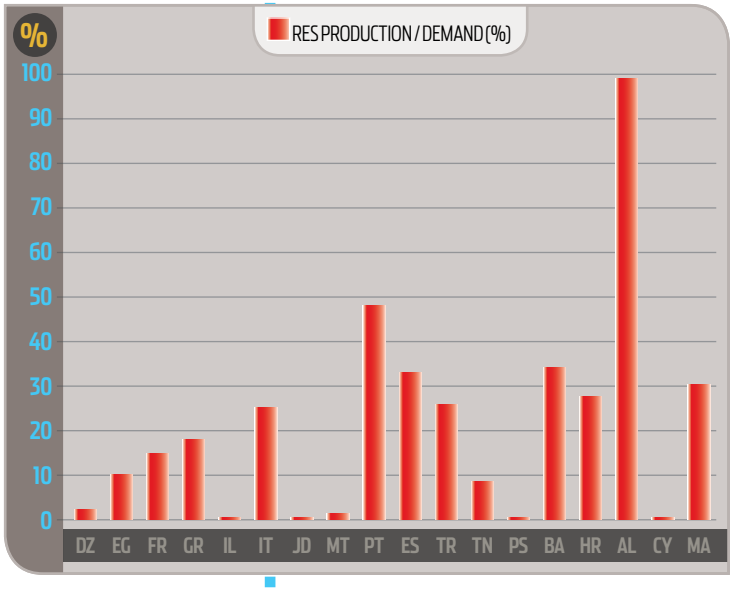
- Upgraded transmission and interconnection infrastructures;
- Renewable certification systems;
- Cross border trade and transit mechanisms between EU and non-EU countries.

In its recommendations, the RES Group highlighted that **regulators and governments should support tools to speed up permitting procedures.** One of the first actions to be taken concerns the reduction of administrative burden. National contact or coordination authorities on cross-border projects should be identified.
The Group also considered feed-in tariffs as the most effective and efficient option to support RES generation systems.

The Group concluded that harmonization of legislation concerning electricity transmission and integration of RES in the grid needs further harmonization. As a consequence, MEDREG Working Groups on Electricity and RES will make joint proposals for managing this ground-breaking phase in electricity generation throughout the Mediterranean region.

Some facts

- Almost **all** of Mediterranean countries adopted environmental impact assessments and legislations about emission limits on thermal plants.
- Mediterranean countries mostly **use a fixed price** mechanism, i.e. a system where electricity prices are set and the market determines the volume.
- All MEDREG countries set up grid **connection procedures** for combined heat and power (CHP) systems and for renewable energy.
- RES and CHP usually have **priority** in dispatch.



What is next?

- **Security of supply** in the Mediterranean region will best be maintained by mutual cooperation and harmonization of trading rules.
- The establishment of a **common regulatory understanding** and level-playing field among trading partners is a pre-requisite to create common market and develop flexibility in case of gas supply disruptions.
- MEDREG will further **deepen its analysis** of trading legislations and suggest improvements to make them to increase their compatibility.

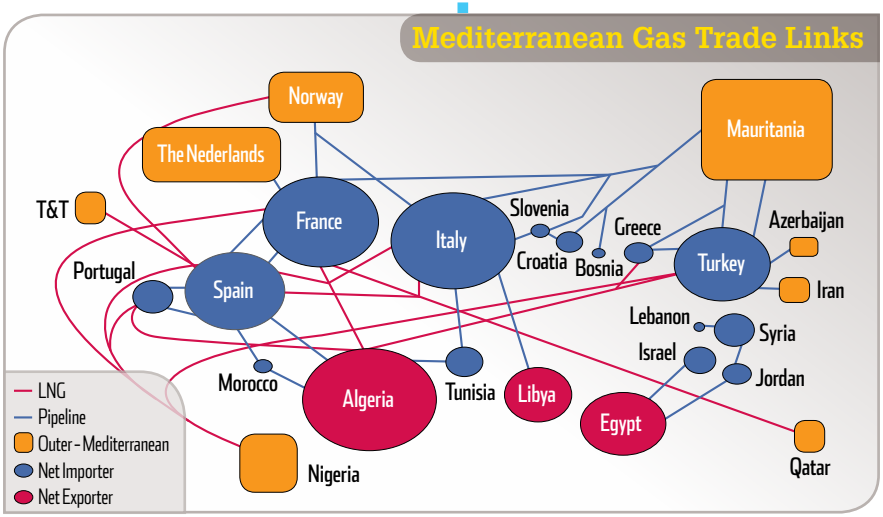
Fostering Gas Linkages Across the Mediterranean

Mediterranean natural gas trade links are difficult to manage because of the complex geopolitical condition of the region. Mediterranean countries are responsible for around 12% of the global gas demand for gas. Their gas production is in constant growth, and they are expected to produce around 350 billion cubic metres of gas by 2030.[1] Gas patterns of Mediterranean countries diverge depending on their position on the geographical axes (North-South, East-West). Yet, the development of gas infrastructure is pivotal for the development of the overall Mediterranean region.

The **MEDREG Working Group on Gas Issues (GAS)** studies how sector regulation influences the planning and implementation of physical expansion of the markets. In 2012, the Group elaborated an overview of regional and political market conditions. The Group finalised studies on:

a) Gas network infrastructure and security of supply
b) The improvement of data transparency.

The **first study** showed that **external dependence for gas imports is the main risk affecting security of supply in the Euro-Med region.** Two dimensions were considered/analysed: share of imported gas in overall gas consumption; diversification of sources and usage intensity of gas. To measure the extension of this potential problem, the GAS Group envisaged an index to measure the diversification level of import sources on a national basis, otherwise indicated as the associated risk. The index has been elaborated through a set of four hierarchical questions administered to MEDREG countries.

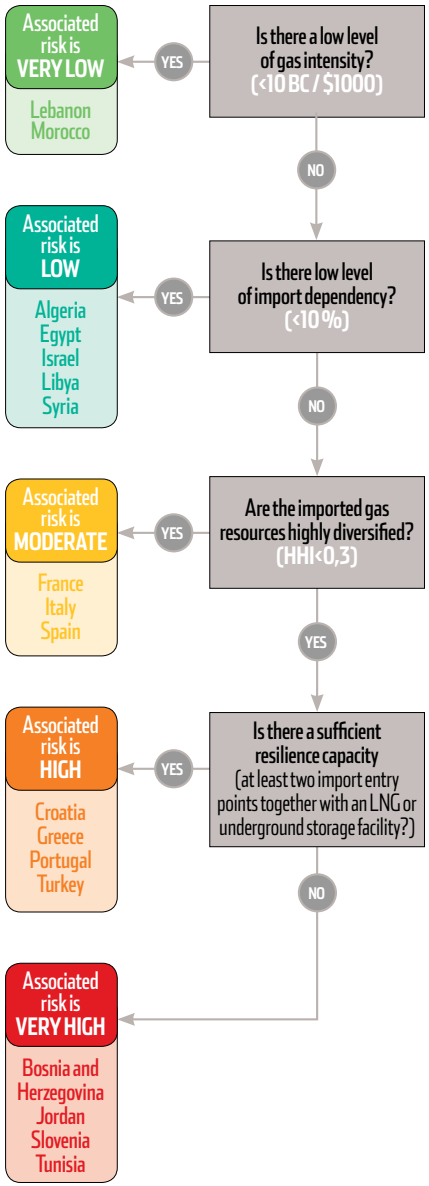


[1] *Source: Observatoire Méditerranéen de l'Energie (OME), 2011*

The GAS Group noted that risks to security of supply could mainly be alleviated through national resilience capacity. Mechanisms to improve it include the number of border transmission entry points, maximal technical capacity (MTC) of entry points, number and capacity of LNG terminals, gas capacity and withdrawal rate of storage facilities. When applied to exporting countries, these instruments also encompass the maximum technical production capacity as well as reserves to production ratio. The methodology of this work allowed the Group to suggest additional country-specific measures to improve security of gas supply, respecting the different maturity at the market of each MEDREG country.

The **second study was a classification of the data sources on gas for each MEDREG country.** The Group prepared a transparency template to be filled by members and published on website. The template covers six different sections, which collect public information from institutional websites, general information on gas, licensing procedures, description of gas systems, capacity situation, and network codes. The transparency template increase reliable knowledge on Mediterranean gas markets and provide easy access to information. This allows to compare easily the different conditions of gas markets in MEDREG countries. Also, thanks to this tool, MEDREG remains committed to progressing toward a more integrated, responsible and aware Mediterranean gas market.

Country-Based Security Conditions of Gas Supply



Training and Capacity-Building Activities

Among its missions and duties, **MEDREG organises training for its members to exchange experience and knowledge on all the aspects of energy regulation and market integration.** The Association believes that capacity-building activities are fundamental in a context of historical diversity and fast evolving Mediterranean environment. For this reason, MEDREG envisages resources dedicated to training activities and consolidate its cooperation with scientific and research organizations interested in energy regulation in the Mediterranean region.

In 2012, MEDREG organized and financed the participation of members to five training events. These training session were organized in cooperation with the Florence School of Regulation and Enel Foundation.

MARCH ▪ **Specialized Training Course on the Regulation of Gas Markets:** Participants from Mediterranean Partner Countries followed the training on EU gas market context and development, the regulation of gas pipeline systems, the relevance of new infrastructure for security of supply and LNG regulation.

APRIL ▪ **Training session on the Main Drivers of Market Transition:** the training focused on the most important elements of market transition (market liberalization, non-discriminatory access to the networks and infrastructure, and evolution of regulated tariffs and prices).

JUNE ▪ **Course on Market Liberalization and Transitional Periods:** the course recalled the basic elements characterizing electricity, power markets and reforms to foster competition, with a specific focus on virtual power plants.

JUNE ▪ **Summer School on the Regulation of Energy Utilities:** this meeting looked into the theory and principles of regulation, specific case studies, tariff design and support mechanisms.

OCTOBER ▪ **Training Session on National Regulatory Authorities' Experience on Regulatory Tools for Evaluating Financial and Technical Data:** the training concentrated on the role of information for regulation, the specific importance of indicators on quality of service and the monitoring of retail markets.

"Palestine is looking to MEDREG with great interest. The possibility to operate under the jurisdiction of a common regulatory body with the same rules and obligations will bring great advantages to the Palestinian economy. MEDREG will also help PERC to improve its expertise in a number of fields, such as training, capacity-building and know-how sharing with other regulatory bodies."

Zafer Milhem,
Executive Chairman of the Palestinian Electricity Regulatory Council

In the third quarter of 2012, the Task Force on IMME, in cooperation with PWMSP and Med-TSO, finalized the programme for a capacity-building seminar on the Progressive Integration of the Electricity Markets of Algeria, Morocco and Tunisia within the Internal Electricity Market of the European Union. The seminars took place in February 2013 in Rabat. The topic of the event was the third party access to networks and the common rules for the use of networks to establish a regional integrated market in the Maghreb countries.

"MEDREG, connecting countries on the Northern and Southern shore of the Mediterranean, has a unique position to harmonize and reflect the views of both developed and developing regulatory environments. Hence, the contribution of MEDREG, of which EMRA is a member, in organizing the WFER VI is of the utmost importance. Accordingly MEDREG will play a crucial role in determining the Forum Agenda and thus increasing the number of participants in WFER VI."

Fazil Senel, *MEDREG Vice-President*

Contributing to Global Energy Regulation

WFER V

The World Forum on Energy Regulation (WFER) is the most important international event in the field of energy regulation. The fifth edition of WFER took place in Canada, in May 2012. WFER V focused on the interaction among regional energy markets.

MEDREG former President, Mr. Nadjib Otmane (CREG, Algeria), represented the Association. He moderated the panel on 'Consumer and New Smart Technologies'. Ten MEDREG members, for a total of thirty-one staff people, participated in the event.

The presence of MEDREG members allowed connecting the global agenda of WFER V to Mediterranean priorities.

MEDREG participants discussed challenges for cross border investments; regional security of supply and interconnection of isolated countries. The positive interaction developed during WFER V served as an incentive to MEDREG activities.

WFER VI

The sixth edition of the World Forum of Energy Regulation (WFER VI) will take place in Turkey in 2015. The meeting will be hosted by the Energy Market Regulatory Authority of Turkey (EMRA), which is an active member of MEDREG.

WFER VI will tackle the issue of regulatory problems in developing and developed countries.

Bridging both developed and developing members, MEDREG supports EMRA in the promotion of the event and is fully engaged in the building of WFER VI programme.

Communication Activities

Communication Officers (COs) Network

The COs network is engaged to:

- **ensure constant internal communication** among MEDREG members and exchange information to enable mutual comprehension on specific issues and understand how to address similar problems;
- **consolidate and amplify institutional communication at the regional level** and facilitate cooperation between MEDREG and energy stakeholders in the Mediterranean area.

In order to achieve the above mentioned objectives, the COs network identifies a **communication line** to speak with a single voice about common objectives. The diversity of the COs network is its strength as it helps developing mutual understanding on regulatory aspects. In this respect, MEDREG and all its members have an important role to play and **communication strategies become an opportunity in the active use of the network.**

Concrete examples

Thanks to the COs network, MEDREG has been able to guarantee the highest possible number of attendees to all MEDREG working groups, to fill out questionnaires, to participate at conferences and targeted events, to nationally disseminate promotional material and to build relations with international media.

What's next?

All MEDREG reports can be downloaded for free at our website.
www.medreg-regulators.org

Translate the MEDREG website in French and Arabic.

Start a forum of discussion dedicated to MEDREG members

Communication tools

The MEDREGNews, launched in 2012, is a **periodical newsletter** designed to show the latest activities and achievements of the Association. It is published four times a year and currently has **3.000 online subscribers.**

The MEDREG **website** contains news, publications, reports and position papers, newsletters, media releases and media coverage, action plan, and presentations given at past events.
A dedicated members' area has been set up on the website as a practical internal work tool for MEDREG members and contains all the relevant material for the preparation and follow-up of Working Groups, Task Forces, Steering Committee and General Assembly meetings.
A satisfaction survey of MEDREG website users has been elaborated based on member's feedback, in order to improve the website and the members' area.

BROCHURE

NEWSLETTER

5 YEAR REPORT

WEBSITE

Promoting a Constant Dialogue with External Partners

MEDREG's external relations aim inter alia at raising the public visibility of the Association's activities, starting new cooperation opportunities, as well as ensuring the accountability of its actions through a permanent exchange of views and periodical consultations with all energy stakeholders. MEDREG **collaborates with industry associations, system operators, traders, consumer associations, think-tanks, financial institutions.**

The Association is increasingly identified at the institutional level, being invited to intervene during several international conferences and targeted events related to Mediterranean energy issues.

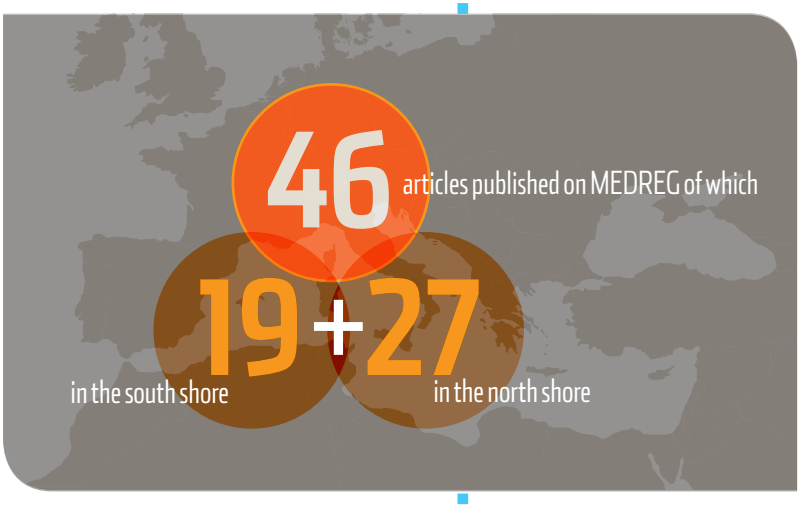
MEDREG partecipated in 18 events and seminars

PLACE	DATE 2012	CONFERENCE	PARTNER
London	6 March	European Bank for Reconstruction and Development and International Confederation of Energy Regulators	EBRD-ICER
Rome	2-3 May	Paving the Way to the Mediterranean Solar Plan	PWMSP
Rome	3 May	Renewable Energy Solutions for the Mediterranean	RES4MED
Québec City	13-16 May	World Forum on Energy Regulation	WFER V
Brussels	19-20 June	Mediterranean Energy Forum	EC
Tunis	7 September	The Association of Mediterranean Transmission System Operators	Med-TSO
Ouarzazate	14-15 September	Parliamentary Assembly of the Mediterranean	PAM
Rome	3 October	Rabat Energy Forum	IEA
Berlin	7-9 November	Desertec Industrial Initiative	Dii
Berlin	7-9 November	Union for the Mediterranean	UfM
Milan	12 November	Milano Med Forum	
Geneva	28-29 November	United Nations Economic Commission for Europe	UNECE
Tunis	18 December	Mediterranean Renewable Energy Center	MEDREC

Press Coverage

A press relations strategy has been designed and implemented ensuring the optimal positioning of MEDREG in national and international media.

MEDREG has improved public awareness at national level on the primary importance of energy cooperation in the region also thanks to **46** articles, collected among national and regional newspapers, and **2** broadcasts on national tv channels.



LES RÉGULATEURS DE L'ÉNERGIE SONT FAVORABLES

Un marché de l'énergie en Méditerranée est possible

LA TRIBUNE ▲
Algeria, 30 April 2012

Tiziana Tronci

MEDREG: THE ASSOCIATION OF MEDITERRANEAN REGULATORS FOR ELECTRICITY AND GAS

ROLE AND MISSION OF MEDREG

PROJECTS DEVELOPED UNDER MEDREG AND MOST IMPORTANT MEDREG ACHIEVEMENTS

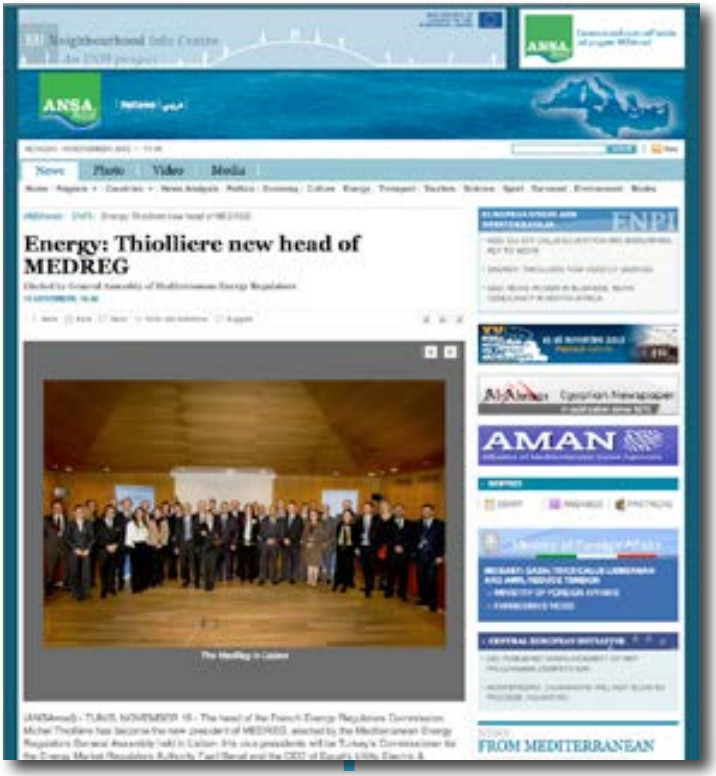
◀ GEM- Global Energy for the Mediterranean (OME magazine)
July 2012

DINHEIRO VIVO,
DIARIO DE NOTICIAS E
JORNAL DE NOTICIAS
Portugal, 17 November 2012

CISION
Dinheiro Vivo (DN + JN)
"É inevitável." Preços da eletricidade vão subir ainda mais

QUOTIDIANO ENERGIA
www.quotidianoenergia.it
Mercati energetici, è arrivata la "rivoluzione" dell'Autorità
Il gasdotto spicca il volo
"Italia sempre importante"
Carburanti, per Coop non "sono un prodotto civetta"
Federutility: SOS investimenti
Di nuovo rialzi

▲ QUOTIDIANO ENERGIA
Italy, 16 November 2012


ANSA
News
Photo
Video
Media
Energy: Thiolliere new head of MEDREG
AMAN
FROM MEDITERRANEAN

ANSAMED ▶
19 November 2012

Steering Committee

Michel Thiollière
President

Fazil Senel
Vice-President

Hafez El-Salmawy
Vice-President

Luigi Carbone
Permanent Vice-President

Working Groups

INS Group

ELE Group

GAS Group

RES Group

Structure

General Assembly

The General Assembly is the decision making body responsible for defining MEDREG's strategy and approving the Action Plan, operational guidelines, budget and position papers elaborated by the Groups and Task Forces.
It is composed of high level representatives of MEDREG members. The General Assembly meets every six months on a principle of rotation among MEDREG's members.

Steering Committee

The Steering Committee prepares the work of the General Assembly and supervises the implementation of the Action Plan.
The Steering Committee is composed of the President, the Vice-Presidents, the Chairpersons of Groups and Task Forces as well as the Secretariat.

Working Groups

Institutional Issues (INS Group) This Group has the objective of enhancing closer coordination among MEDREG members through the promotion of the role and competencies of independent regulatory authorities, and promoting a consolidated institutional presence of the Association in the EU and international context. The INS Group coordinates the dialogue on energy regulation with the European Union, international institutions, regional organisations of regulators and other bodies.

Electricity (ELE Group) This Group is in charge of assessing the current status of electricity markets and regulatory frameworks in MEDREG countries and their possible developments. The ELE AG has the mission to identify and propose basic requirements that will lead to the harmonization of energy regulation in MEDREG countries, developing a competitive, strengthened and well functioning regional electricity market in the region.

Gas (GAS Group) This Group assesses the current status of natural gas and LNG markets in Mediterranean countries, their relevant regulatory frameworks and possible evolutions. The GAS Group elaborates Guidelines of Good Practice (GGP) and recommendations that could lead to the development of an integrated, competitive, secure and effective gas market in the region.

Environment, Renewable Energy Sources and Energy Efficiency (RES Group) This Group focuses on the legislative and regulatory mechanisms used to promote renewable electricity generation, energy efficiency and RES deployment in the Mediterranean basin.

Task Forces

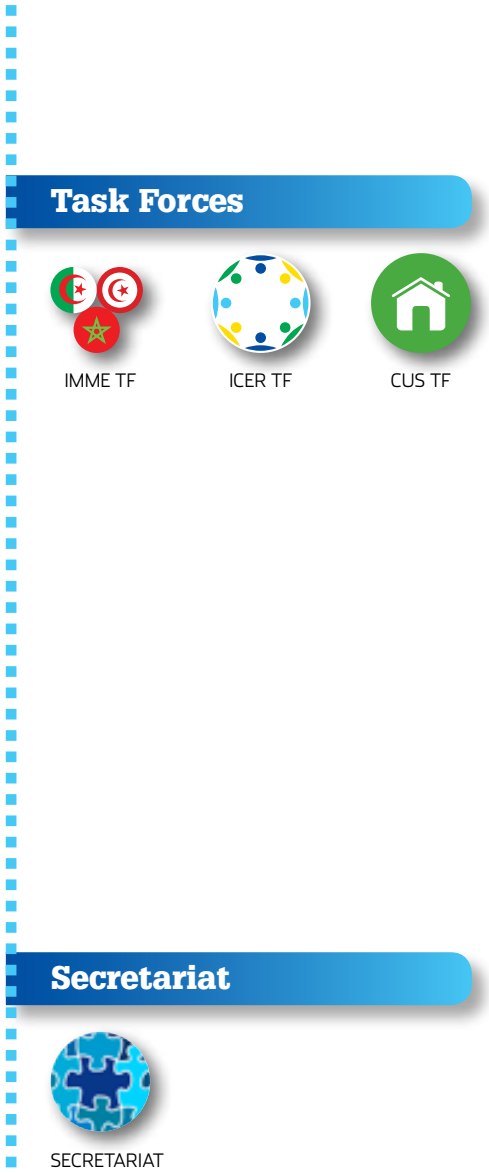
Integration of Electricity Markets of Maghreb Countries (IMME TF) The IMME activities are supported by the European Union. The Task Force is engaged in the implementation of the IMME Action Plan 2010-2015 for the integration of electricity markets of Algeria, Morocco and Tunisia. MEDREG organizes capacity building activities through the implementation of seminars whose content complies with the expectations expressed by the IMME Technical Committee.

Cooperation with the International Confederation of Energy Regulators (ICER TF) The Task Force on ICER provides coordination among the MEDREG representatives in the four ICER Virtual Working Groups. The Task Force is also coordinating MEDREG involvement in the World Forum on Energy Regulation.

Consumer Issues (CUS TF) The Task Force on Consumer Issues works on enhancing the protection of household consumers in the MEDREG countries. The work of the Task Force includes surveys and recommendations on energy billing, consumer protection and information. The Task Force also identifies and promotes best practices in consumer protection, including vulnerable customers and quality of service for electricity and gas.

The Secretariat

The Secretariat implements MEDREG strategy defined by all GA members, enhancing MEDREG's accountability and institutional cooperation in the Mediterranean energy sector. MEDREG Secretariat provides continuous support to the President, Vice-Presidents and all members. Moreover, MEDREG Secretariat strongly fosters information exchange among its members through a Communication Officers network that promotes the association's message in each member country.



Members

MedReg
Mediterranean Energy Regulators

Albania (ERE)

Algeria (CREG)

Algeria (ARH)

Bosnia and Herzegovina (SERC)

Croatia (HERA)

Cyprus (CERA)

Egypt (EGYPTERA)

France (CRE)

Greece (RAE)

Israel (PUA)

Israel (NGA)

Italy (AEEG)

Jordan (ERC)

Jordan (MEMR)

Malta (MRA)

Montenegro (REGAGEN)

Morocco (MEMEE)

Palestine (PERC)

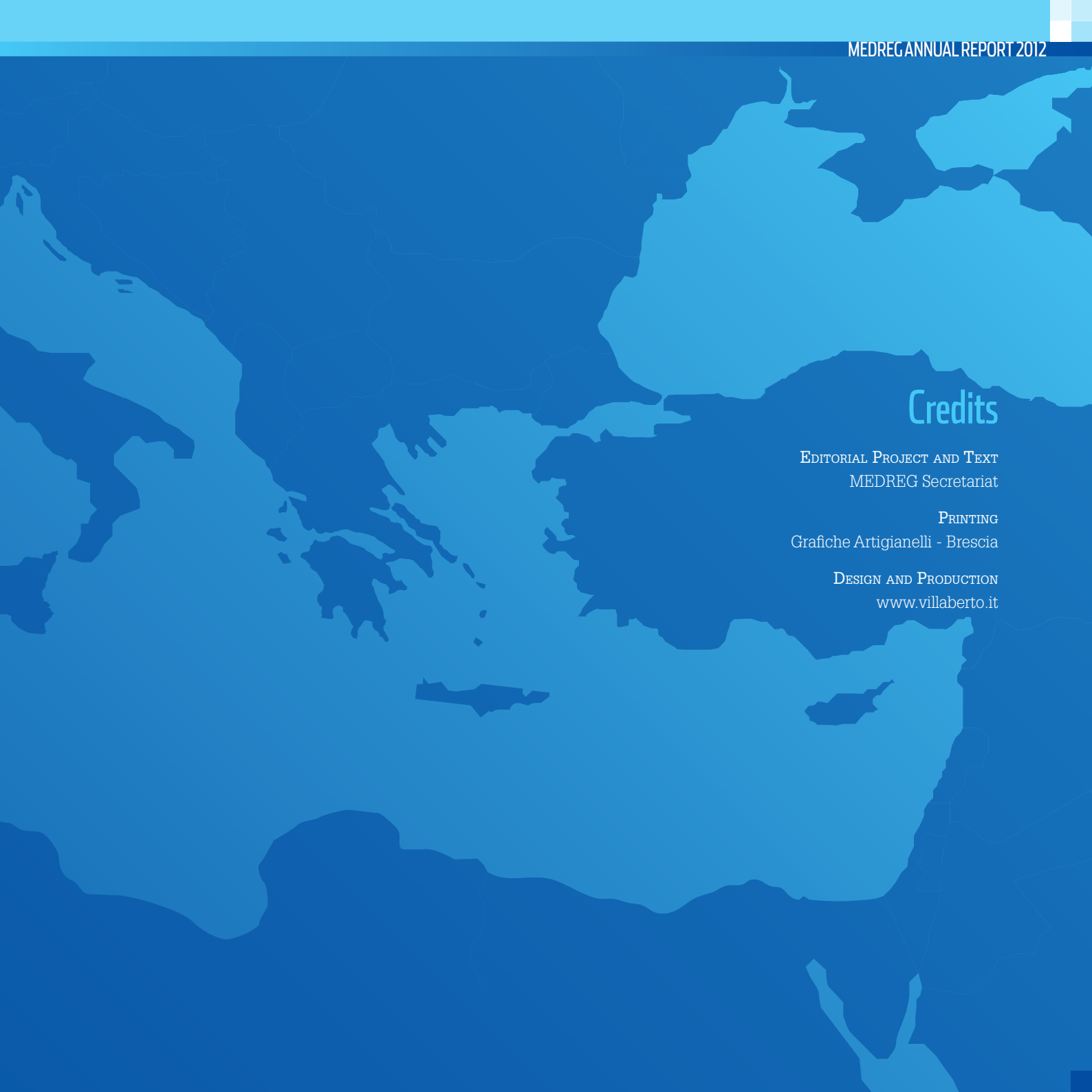
Portugal (ERSE)

Slovenia (AGEN-RS)

Spain (CNE)

Tunisia (MIT)

Turkey (EMRA)



Credits

Editorial Project and Text
MEDREG Secretariat

Printing
Grafiche Artigianelli - Brescia

Design and Production
www.villaberto.it

www.medreg-regulators.org
info@medreg-regulators.org

MEDREG is supported by the European Union