



Mediterranean Energy Regulators

*Cross-border Trade Experience Sharing And Regional Regulatory
Development: a Case Study in Mediterranean Region*

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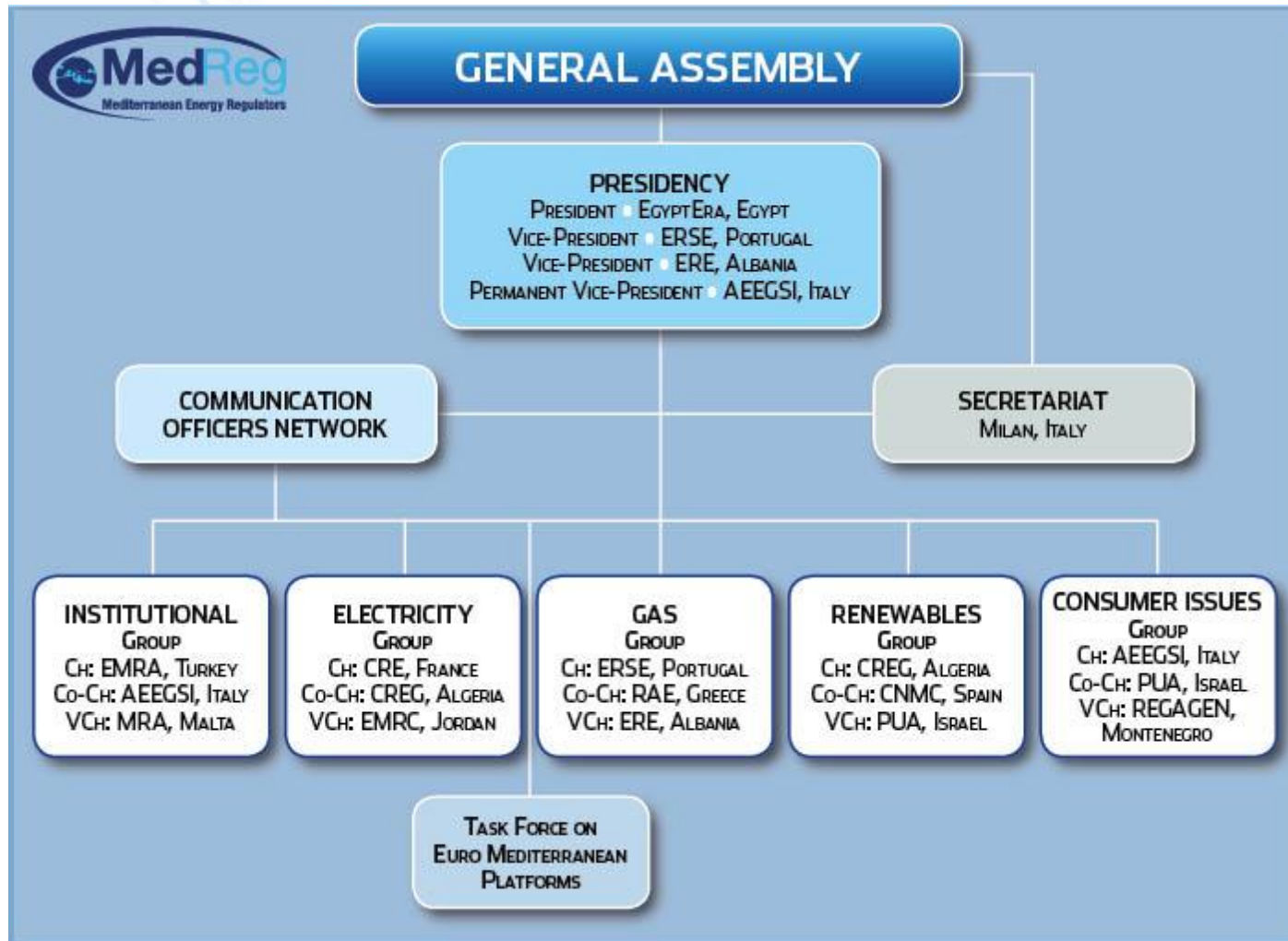


MEDREG

- MEDREG is the Association of 24 Mediterranean Energy Regulators, born in 2007 and based in Milan.
- MEDREG promotes:
 - a **stable and harmonized regulatory framework,**
 - **markets and systems integration,**
 - **infrastructure investments,**
 - **consumer protection,**
 - **enhanced energy cooperation.**
- MEDREG carries out its activities through **internal cooperation process** and **external collaboration with energy stakeholders** in the Mediterranean Basin, with the objective to implement, based on a **bottom-up approach**, the conditions for the establishment of a future **Mediterranean energy community.**



Organisation Chart



MEDREG Strategy 2030

- **A sound institutional regulatory framework** with the objective of the establishment of an independent regulator with clear powers and competences in each Mediterranean country.
- **Optimal conditions for infrastructure investments** with the perspective of a complete interconnection of all the countries.
- **Functioning, competitive and transparent electricity and gas markets** with a open market for electricity and gas in each country.
- **Efficient consumers protection** taking into account the particular situation of vulnerable consumers, with consumers able to choose between different suppliers.
- **Intensified regional cooperation** and setting up of pilot projects with common principles for market integration are defined and pilot projects are set up to test implementing them.



MEDREG INVESTMENT REPORT



MEDREG Investment Report

Rationale

MEDREG elaborated a report on “**Interconnection Infrastructures in the Mediterranean: A challenging Environment for Investments**”:

- Mapping current and projected interconnection infrastructures for electricity and gas in the Mediterranean basin and analyses the challenges finance them properly;
- Providing the vision of Mediterranean regulators on the main barriers to use efficiently existing infrastructures and to finance new projects;
- Encouraging an active debate on energy investments that reinforces synergies among main actors;
- Providing general recommendations to support strategic decisions for future plans related to energy infrastructure.

MEDREG Investment Report

Barriers to investments

A survey was carried out among **regulators** and **stakeholders** regarding **barriers** that can increase investors' uncertainty and hinder the proper development of cross-border grids:

1. **Regulatory and/or legal obstacles** (e.g., administration, permitting, licensing, etc.)
2. **Lack of interest in interconnection projects from the public sector**
3. **Technical barriers**
4. **Financial feasibility of the project** (namely technical and financial feasibility, e.g., adequate revenues)
5. **Insufficient market demand** due to the underdevelopment of markets
6. **Lack of national reforms**
7. **Political instability and/or lack of clear institutional frameworks**, including geopolitical barriers (e.g., conflicts or tensions between countries)
8. **Lack of coordination and/or cooperation** (e.g., between TSOs, between TSOs and regulators)

MEDREG Investment Report

How to tackle uncertainty (1/2)

- **Unclear institutional architecture at national level:** regulators, TSOs, operators and other actors should cooperate with **clear distinction of roles at national level**. Sometime considerable conflicts of interest occur, heavily affecting the credibility of the country face to foreign investors.
- **Lack of transparency:** Mediterranean energy markets are mainly managed by state-owned monopolies that influence prices and trading conditions. For this reason, **foreign investments tend to be discouraged by scarce information on market prices and available transmission capacity**. This problem is coupled with a lack of legal obligations for the monopolist, which makes increasingly difficult for a third party to access the market.

MEDREG Investment Report

How to tackle uncertainty (2/2)

- **Significant subsidization:** in some non-EU Mediterranean countries consumers tend to rely on heavily subsidized domestic prices, without any market mechanism in place. This **hinder the development of cost-reflective energy prices**, which are key to foster private investment in the energy sector.
- **Lack of cost-benefit analysis (CBA) and cross-border cost allocation (CBCA) methodologies:** some Mediterranean countries have no effective methodologies for cost evaluation and allocation, thus affecting investment plans for new infrastructures. CBA and CBCA analyses provide investors and countries with a **clear view on the economic value of interconnections projects for each subject involved.**

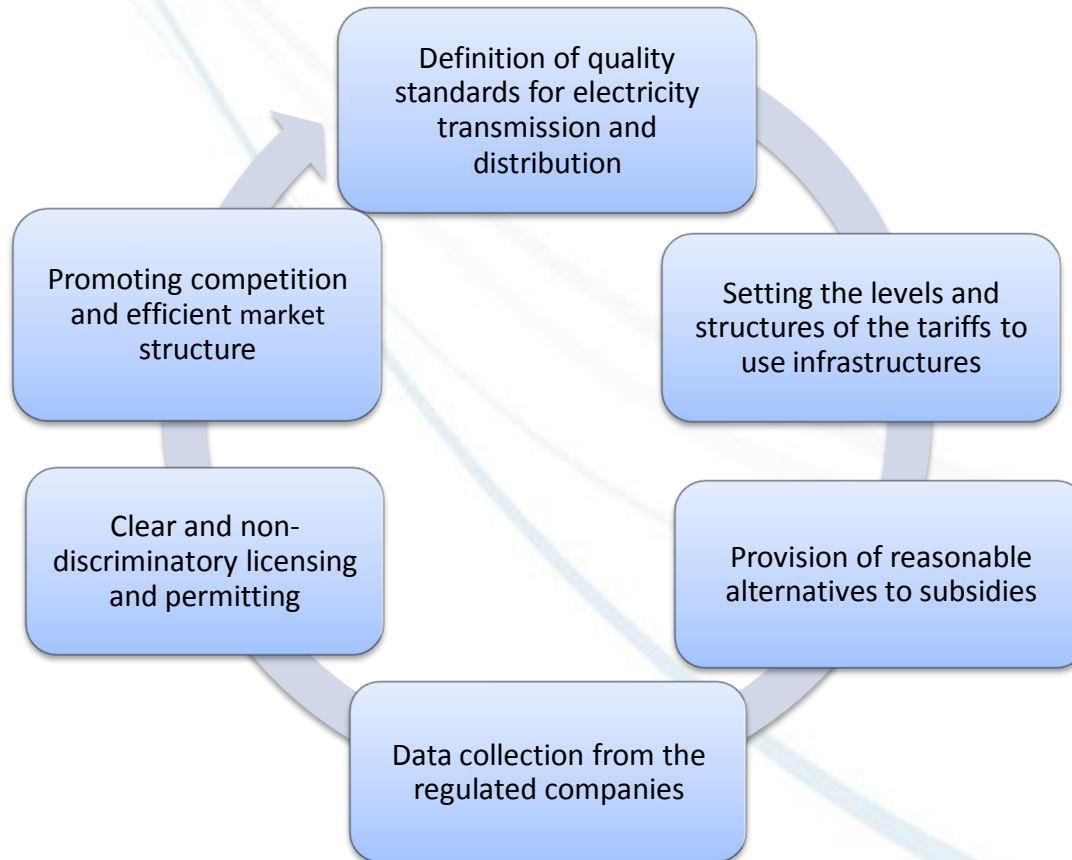
MEDREG Investment Report

How independent regulators can incentivize investments



MEDREG Investment Report

How independent regulators can incentivize investments



MEDREG recommendations and plan of actions

1. Establish competitive and reliable energy markets
2. Promote deeper harmonization of national regulatory frameworks
3. Increase the use of existing interconnections in the Southern shore
4. Evaluate the economic benefits of building new cross-border infrastructure
5. Enhance cooperation between regulators and TSOs
6. Design a Ten-Year Network Development Plan for the Mediterranean region
7. Support technology innovation to improve the condition of vulnerable consumers

THE EURO-MED ENERGY PLATFORMs



MEDREG & UE Institutions

EU Institutions (DG ENER, DG NEAR) have financially and politically supported MEDREG and MEDTSO* activities since their early stages.

A Memorandum of Understanding was signed by DG ENER, MEDREG and MEDTSO, whose main contents are:

- Acknowledgment of the Associations as long term institutional partners;
- Agreement between the Parties to intensify their institutional cooperation, also in the framework of the “Euro-Med Platform on Regional Electricity Market”.

**Association of 18 Mediterranean Transmission system Operators, established in 2012 and based in Rome*



The EuroMED Energy Platforms

In November 2014, during the Italian Presidency of the Council of the EU, a Conference in Rome on “Building a Euro Mediterranean energy bridge: the strategic importance of Euromed gas and electricity networks in the context of energy security”, launched

“three thematic platforms to provide a permanent high level forum for discussing energy policy objectives and measures, with a view to identify specific and concrete actions.”

- **Gas:** to reinforce the security of gas supply and the regional gas exchanges.
- **Electricity:** to promote gradual establishment of regional and sub-regional inter-connected electricity markets.
- **Renewable Energy and Energy Efficiency:** to assist in the deployment of renewable energy and energy efficiency technologies and projects.

The Regional Electricity Market Platform

It aims at:

- the **progressive integration** of energy systems and energy markets;
- the enhancement of **electricity exchanges**
- the gradual development of a **Mediterranean Electricity System**

in order to achieve a secure, affordable, and sustainable electricity supply for the benefit of citizens and economies in the Euro-Mediterranean region.

Preliminary discussions have focused governance, working methodology and contents.

MEDREG and MEDTSO will propose by the end of 2015 a work program towards the integration of the euro-med electricity markets.

The Regional Electricity Market Platform

Main expected results

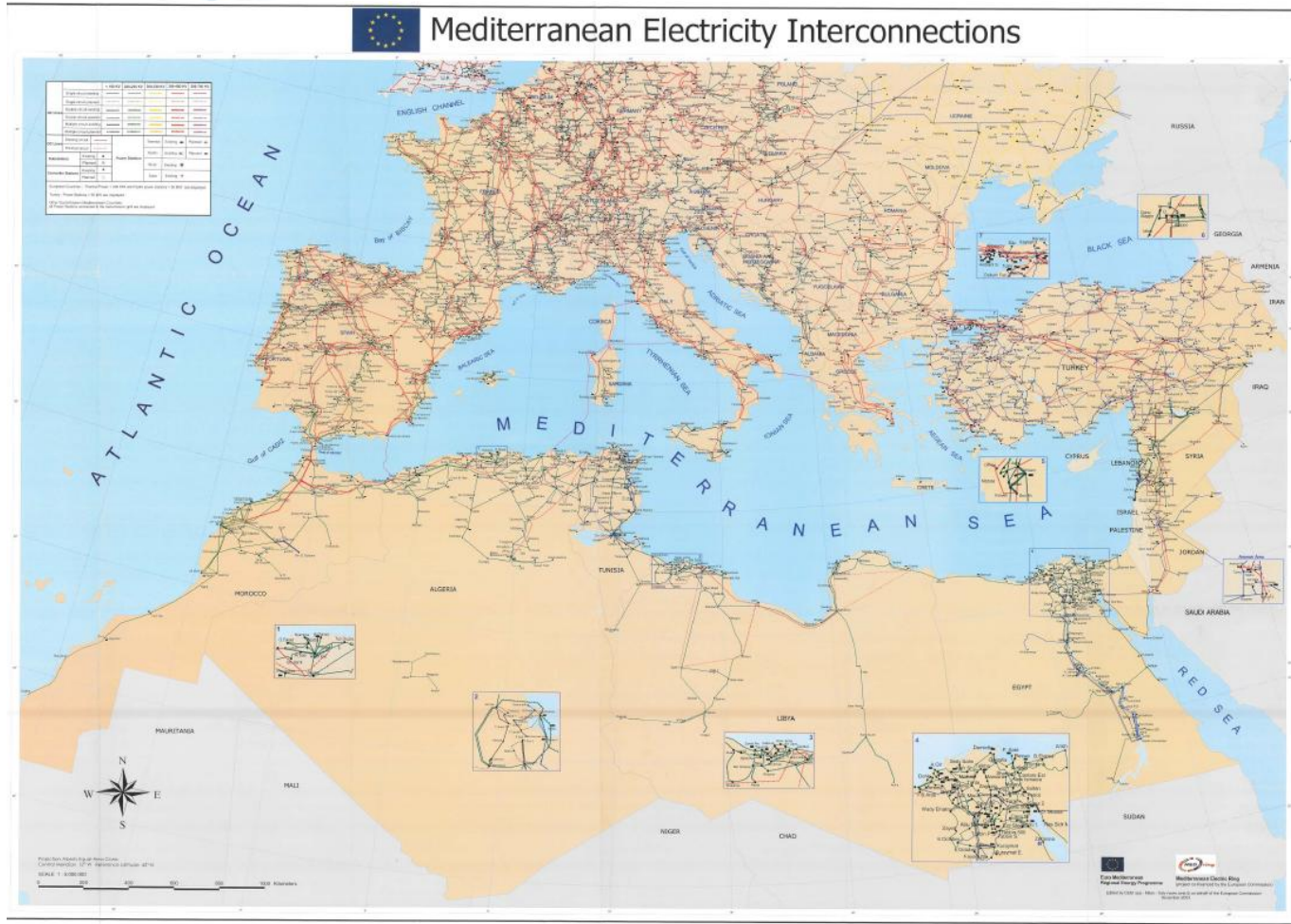
To optimize the supply of electricity within a regional framework characterized by:

- Non discriminatory access to energy infrastructures;
- Transparent market data and information;
- Cost reflective tariffs;
- Harmonized power-grid codes;
- Synchronized systems;
- Open and liberalized Markets;

Requirements

In order to effectively reach these goals, **an harmonized and stable regulatory frameworks** must be achieved, setting up **independent regulators** to establish market and network regulations, including promotion of fair competition and customer protection.

Starting point



Barriers and challenges

Absence of secure and stable legal framework among countries

Lack of information on market prices and transmission availability

Absent of transparent and non discriminatory access to the networks

Significant subsidization and cross-subsidization in the power sectors

Different socio-economic contexts and structures of the energy sectors

Few countries have “de facto” an independent and/or competent regulator

Stable, secure and long-term regulation needed to support investments

Governments' influence on electricity exchanges and generation mix

Potential solutions & Steps

- Deepening regional integrations require a gradual move toward uniform approaches by national regulators
 - a common regulatory framework, taking into account the specificities of the Mediterranean countries
 - establishing and/or strengthening Regulators' independence (peer reviews, recommendations..)
 - Regional/Sub-Regional/bilateral approach
- Flexible approach to power sector reform
 - competitive power markets not a prerequisite for initial regional market integration;
 - higher integration will require national power markets to be at similar stages of reform;
- Regional markets and network codes/standards elaborated commonly by regulators and network operators
- Opening monopolies and establishing markets need to define a comprehensive set of rules for consumers issues



Short Term Activities

- Identification of cooperation and/or integration initiatives on regional or sub-regional or bilateral basis
- Peer Review Process to verify the compliance of National Regulators to MEDREG Regulatory Principles
- MEDREG Regulatory Policy Outlook

Next Steps

- Launch of the REM Platform in mid October in Rabat (Morocco)
- Presentation of Roadmap in December 2015 (tbd)



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