



The competences of Mediterranean energy regulators and their role in the market

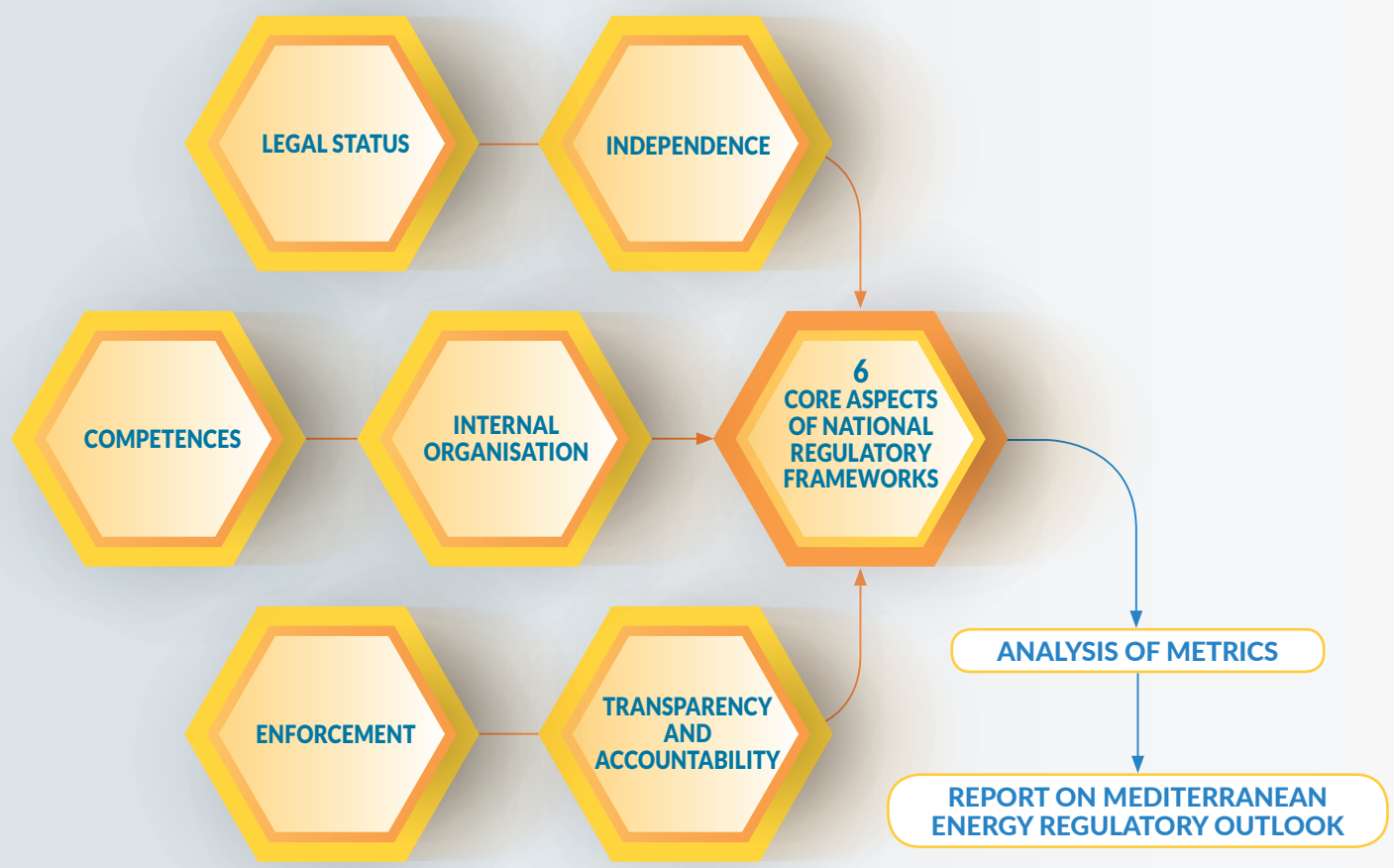
A review by MEDREG Institutional Working Group (INS WG)



The Mediterranean Energy Regulatory Outlook presents an update on the status of energy regulation in the Mediterranean Basin in 2020. It aims to provide a useful insight to Mediterranean regulators regarding the role and tasks of their fellow regulators in neighbouring countries so that they can improve their approaches and practices. It also introduces consolidated and updated information to stakeholders and potential investors regarding the role of regulators in new investments.

APPROACH

PREPARATION AND SENDING OF A DEDICATED QUESTIONNAIRE TO MEDREG MEMBERS FOCUSED ON



MAIN FINDINGS

Political and legal independence of the regulators from administrative and industrial interests, as well as from national and regional governments, political organisations and any public or private body is one of the most important regulatory principles.

19 out of the 22 National Regulatory Authorities (NRAs) in the region are distinct and functionally independent from other public and private entities. To achieve political independence, the majority of NRAs prohibit their high-level positions staff from being employed in the energy industry for a determined period of time after they leave the regulator. In cases of non-compliance of the codes of conduct, half of the NRAs foresee the need for dismissal of the breaching member or employee. Finally, MEDREG members have performed successfully given that all NRAs are now formally obliged to report to their government or parliament.

Market opening and monitoring is an important feature of the energy market, given that it increases the competition between utilities and correspondingly increases service quality and consumer satisfaction. The role of a regulator is always crucial in evaluating and observing the evolution of energy markets to intervene and correct potential distortions, limiting abuses and market manipulation and therefore facilitating consumer protection and fair competition.

The report shows that the majority of MEDREG members have already opened up their electricity market. The liberalisation of the gas market is following at a slower pace according to the legislative framework in each country. Typically, opening up markets, roadmaps to consumer eligibility and market design are formulated by law. Nevertheless, there are instances where NRAs are also empowered to propose market designs.

Transparency and accountability in the regulatory process help stakeholders understand the regulator's work. Accountability is assured when a regulator can demonstrate outcomes and results from its regulatory action. In the same way, transparency is guaranteed concerning regulatory provisions or general information on the authority itself when the information is published in detail on their websites or issuing annual reports.

Most of the Mediterranean NRAs consult stakeholders on draft regulations before making any final decisions. Additionally, all NRAs have reporting obligations to other public bodies, such as the government, relevant ministry or parliament, with some NRAs required by law to appear annually before a parliamentary committee. The regulators may have access to different tools of stakeholder-engagement, in order to support fact-based regulation by gathering opinions, data and technical expertise from the sector participants. Public bodies may also be invited to inquire into the regulators' main activities and results, not only when required by legislation but also in front of stakeholders, thus enhancing the regulators' accountability.

REGULATION IN ENERGY TRANSITION

Taking into account the challenges posed by climate change in the last years, the Regulatory Outlook report also focuses on the analysis of energy transition. This refers to the pathway towards the full transformation of the global energy sector from fossil-based to zero-carbon by the second half of this century.

The challenge the regulatory framework is facing is to enable the development of new business models for the energy transition, so that the energy market can fully benefit from technological innovation and developments while ensuring a level playing field.



FOCUS ON...

Greece's "Smart island" pilot projects is one of the many monitored in order to have a better understanding of the energy transition roadmap.

It consist of new RES units in combination with storage units controlled by a smart management system.

The target of these "Smart Island" pilot projects is to increase RES penetration over 60% of their total electricity consumption while ensuring the supply of demand and the secure operation of the power systems in a cost-efficient manner.

RECOMMENDATIONS



POLITICAL AND LEGAL INDEPENDENCE SHOULD BE STRENGTHENED WITHIN THE NRAS

A cooling-off period of time, varying in each country, in which the board members and/or staff cannot be engaged with the regulated entities after their service in the regulatory body is a good practice to strengthen the independence. Another crucial point in securing the NRAs independence is that board members are selected based on their competences and capabilities, rather than being appointed on exclusive political merits.



CONSUMER PROTECTION AND FAIR COMPETITION ARE NEEDED THROUGH MARKET OPENING AND MONITORING

Regulators should be able to collect data from the regulated entities and directly from the stakeholders to have feedback to correct and improve the regulations in favour of these needs.



CONSIDER A DOUBLE-FACETED APPROACH WHEN EVALUATING AN NRA'S ACCOUNTABILITY

(1) voting procedures of the regulatory board, defined in each NRA, which usually foresee quorum and majority or unanimity as to the voting criteria.

(2) Elaboration of a communication strategy that is available to the Mediterranean NRAs.



THE NRAS WILL NEED TO ACT AS THE FACILITATORS OF INNOVATION

One of their main challenges would be to provide valuable evidence to help understand whether regulation should change in a more permanent way to incorporate energy transition requirements.



CONSUMERS WILL NEED TO BE THE CENTRE OF REGULATORY EFFORTS

The NRAs should be further empowered to monitor market behaviour, seek transparency, impose penalties, ensure consumer protection and address energy poverty without compromising cost reflectivity, this also in consideration of COVID-19 and its adverse effects on the global economy.

MEDREG will continue to support its members on the path towards a compatible, transparent and versatile regulatory framework designed to address the new era, always aiming towards realising a future energy community of the Mediterranean.

[READ HERE THE COMPLETE REPORT](#)



Co-funded by
the European Union