



## **Second CEER-MEDREG Roundtable**

St. Julian's (Malta)

19 May 2016

### **Conclusions**

The Council of European Energy Regulators (CEER) and Mediterranean Energy Regulators (MEDREG) held a second joint roundtable in St. Julians, Malta on 19 May 2016.

The event revolved around four main topics: regulators' independence and principles that characterize an effective regulatory authority; generation adequacy and the European capacity remuneration mechanisms (CRMs); quality of supply for electricity; and current challenges for the gas market in terms of market prices and security of gas supply.

Representatives from AEEGSI (Italy), BNetzA (Germany), CRE (France), CREG (Algeria), EMRA (Turkey), ERE (Albania), ERSE (Portugal) and HERA (Croatia) contributed to the roundtable by presenting recent regulatory developments. Speakers and participants debated several long-term challenges which regulators are facing, with particular attention to the regulatory competences and role regulators play in the market.

Pursuant to their discussion, CEER and MEDREG have agreed on the following conclusions.

**The independence of energy regulators is a crucial element for the exercise of their duties and thus represents a core area of interest for European and Mediterranean energy regulators.**

The duties and powers of CEER and MEDREG National Regulatory Authorities (NRAs) may be different depending on the model and stage of development of the national markets and the regulatory framework in place. The existing provisions in the EU provide for common standards in its Member States as regards the independence of energy regulators and their market monitoring mission, tariff setting powers and consumer protection. These are key competences that all energy regulators should have and exercise independently.

Despite the differences in CEER and MEDREG countries with regard to the existing legal framework and individual levels of independence, NRAs not only face similar challenges but also share the same approach in order to achieve and strengthen their independence, through an assessment of:

- the regulator's situation and performance;
- transparency in the exercise of their duties and powers for all stakeholders in the sector; and
- accountability standards.



In terms of accountability, reporting to national parliaments, for example, should not be understood as a burden, but as an important opportunity to demonstrate the proper functioning of NRAs as impartial bodies and to identify needs for improvement.

In addition, peer-reviews performed by fellow regulators can be a useful tool for the reviewed regulators to assess their performance and improve their role and scope. These peer-reviews help address concrete shortcomings in the effectiveness of an NRA as well as providing recommendations on measures that have already been implemented and assessed by other regulators. This is a concrete and tailor-made support that regional associations can provide to their members, as MEDREG is doing in its peer review of the Egyptian regulator EgyptERA.

Considering the relevance of this common subject, it was suggested to pursue a cooperation activity. CEER and MEDREG agreed to explore the opportunity to address further the issue of energy regulators' independence and competences through their relevant Working Groups and Task Forces.

**Investments in cross-border electricity infrastructure are pivotal to ensure continuous development and stability of national markets and security of supply.**

The development of a fit and adequate infrastructure in the EU as well as in the MEDREG region is an important pillar of the future electricity market design. Interconnectors are crucial to physically link networks, and to create common regional markets.. When it comes to cross-border electricity exchange, energy regulators need appropriate competences. Indeed, market coupling requires not only the interconnection of regions, but also common regulatory principles.

Therefore, the interoperability of electricity systems is crucial as it enhances their reliability so to provide electricity to all consumers. This synchronization should complement and support the development of national markets.

In this respect, CEER and MEDREG members discussed the role and functioning of Capacity Remuneration Mechanisms (CRMs) as in the EU, and highlighted the infrastructure challenges which emerge from the constantly growing share of renewable generation in the grid, notably in Mediterranean Southern shore countries. Participants agreed that generation adequacy is an issue that should be discussed at regional level.

**The responsibilities of energy regulators concerning the quality of supply are evolving and take into account an increasingly complex environment, both in transmission and distribution networks..**

Local and decentralised production of electricity can create challenges for the management of distribution networks and thus require an adjustment of the legal framework, which, must be tested against the given unpredictability of the networks. Participants agreed that smart meters can be a useful to improve the identification and understanding of problems in the management of distribution systems.



MEDREG participants explained that in several Southern shore countries DSOs are the most direct counterpart of household consumers in the energy market. CEER and MEDREG participants discussed the importance of DSOs' work to provide detailed and accurate data to allow for evaluating quality of supply. In turn, regulators provide DSOs with accurate, timely, and detailed information on the targets they have to achieve. Therefore, regulators need adequate powers and competences to give economic incentives in order to drive operators to a sufficient level of quality, and to apply penalties where required.

**Security of gas supply requires a constant enhancement of competition in the market through diversification, harmonisation, connectivity and transparency in and between countries.**

Concerning natural gas, EU and Mediterranean countries are both facing substantial challenges that call for a revision of certain individual regulatory approaches to the gas markets. European countries are currently working in close cooperation in order to realise the ambitious goal of the European Gas Target Model, which has to reflect and address a declining consumption as well as the need to look for new usages for natural gas. Southern Mediterranean countries exchange expertise and best practices to develop their national market models for gas, while ensuring their compatibility with neighbouring regions.

CEER and MEDREG participants underlined that regulators should be able to collect transparent and updated information on gas wholesale markets and that this information is key to identify the best regulatory instruments to support the development of competition in national markets.