



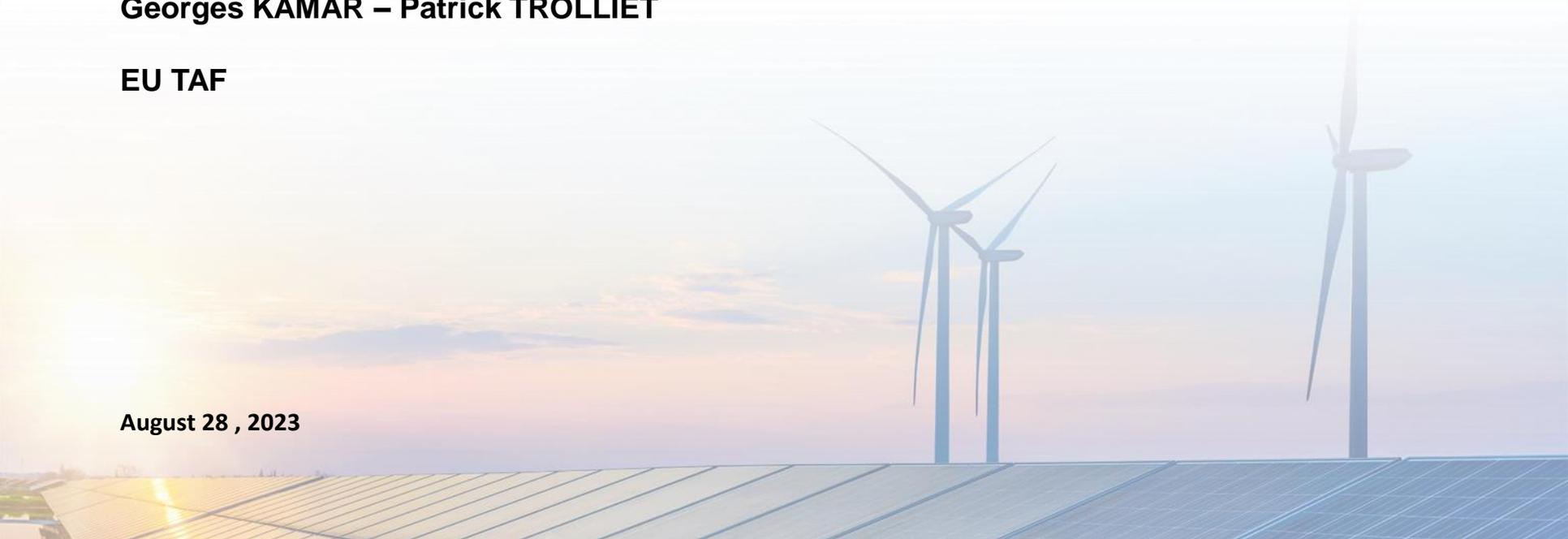
## GT126: AREI

### Session 2: Prerequisites for attracting private investment in the electricity sector

Georges KAMAR – Patrick TROLLIET

EU TAF

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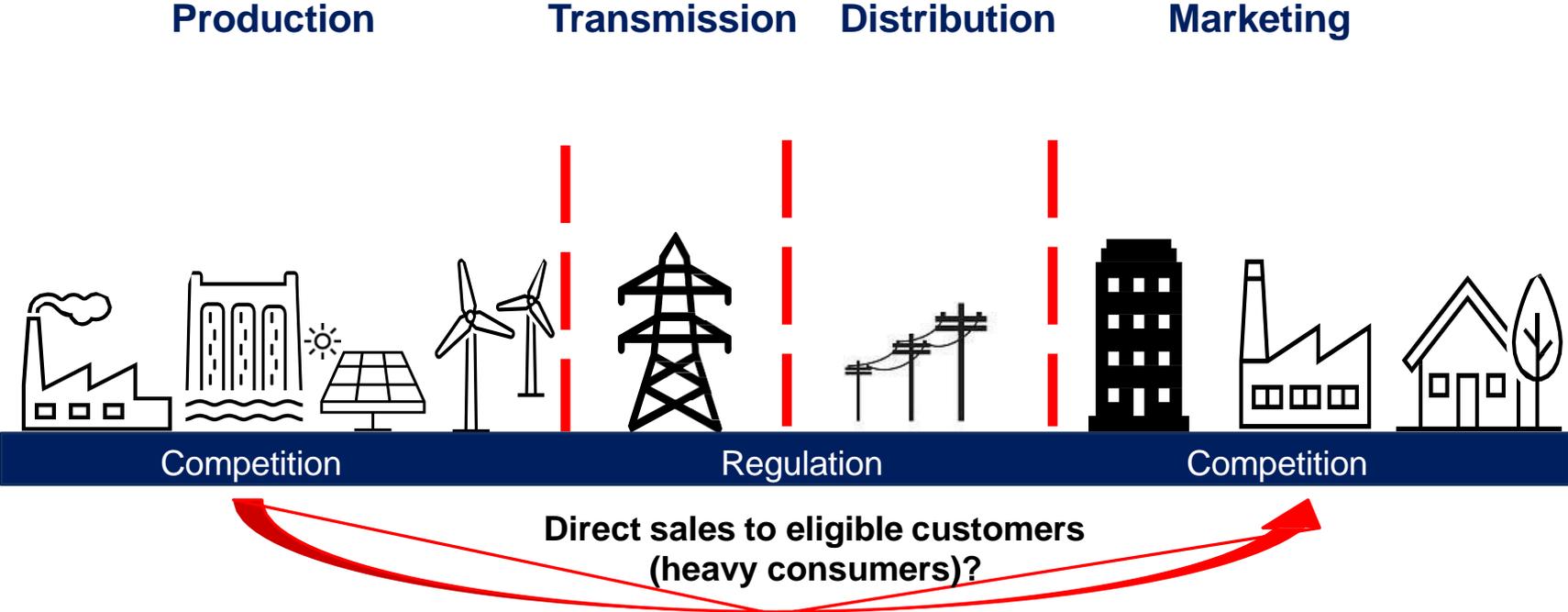
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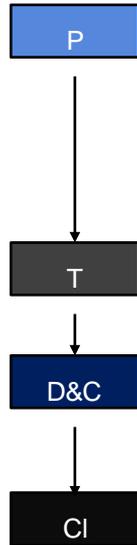
# Unbundling electricity sector activities





## Towards a liberalised electricity market

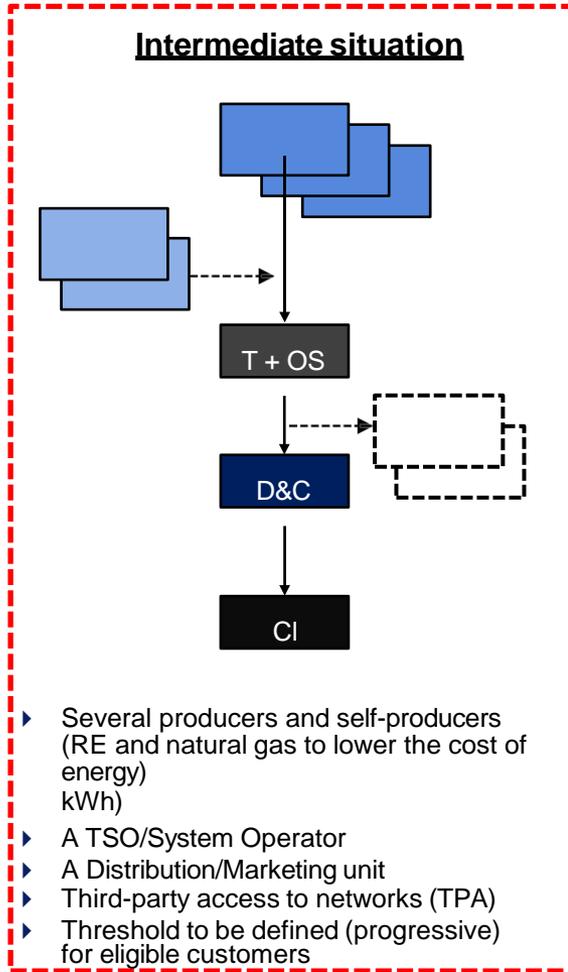
### Current situation



*P= Production*  
*AP = Autoproducer* *T= Transport/GRT*  
*D= Distribution/GRD*  
*C= Marketing* *CI = Customer*  
*EC = Eligible Customer*  
*OM = Market Operator* *OS = System Operator*

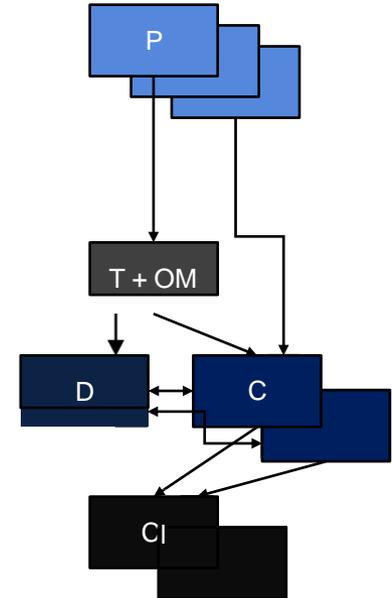
- ▶ Vertically integrated monopoly of SOMELEC

### Intermediate situation



- ▶ Several producers and self-producers (RE and natural gas to lower the cost of energy) kWh)
- ▶ A TSO/System Operator
- ▶ A Distribution/Marketing unit
- ▶ Third-party access to networks (TPA)
- ▶ Threshold to be defined (progressive) for eligible customers

### Fully liberalised market



- ▶ Customers choose marketers in full competition
- ▶ Universal access to transport and distribution networks
- ▶ Dissociated distribution of marketing

**Gradual liberalisation of the market - towards lower costs**





## Moving towards cost-reflective tariffs



• **A major objective: to ensure fair, cost-reflective remuneration for each activity in the sector, as well as ways of recouping investment.**



• **The principles of cost-reflective tariffs (set by the law) :**

- **Price truth principle: it reflects the real costs established by accounting separation**
- **Principle of ease: it is easy for operators to understand**
- **Predictability principle: it is stable over time**



• **The procedures for setting tariffs vary. In all cases, consultation with Ministries, operators and consumers is necessary, as this is a major political and social issue.**



The political authorities may decide that tariffs will not reflect costs. This will require subsidies to be paid to the injured operators. In this situation, the sector regulator must ensure that the agreements reached are respected and that the sector's overall financial equilibrium is maintained.

The regulation on pricing methodology and its implementation are considered essential for the implementation of open access.

This is very important in order to implement cost-reflective tariffs for transmission and distribution, based on a model that provides for the separation of costs along each segment, since it is only the transmission or distribution costs that will be needed to calculate the relevant costs of the assets used to access or the rolling power on the network.

A clear and transparent pricing methodology based on a strict separation of the organisational accounts of the electricity sector at national level will therefore be necessary to provide effective price signals, and is often one of the first cardinal tasks of the regulator.



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- ▶ 1 The prerequisites for attracting private investment
- ▶ 2 **The role of the Regulator**





## The regulator in the electricity market

The establishment of an organisationally, financially and operationally independent regulator is fundamental to the development of an efficient, transparent and competitive electricity market.

The regulator is generally responsible for regulating market development and examining applications for operating licences.

Outlook	Strategic objectives		
<b>Why regulate ?</b>	Ensuring transparent and fair competition on the electricity markets	Preventing monopolies and discrimination	Keeping rates as close as possible to actual costs
<b>Who must regulate ?</b>	Regulators created by legislation (law or decree) with clearly specified mandates	Regulators who are independent of other branches or bodies of government and regulated utilities	Regulators with sufficient financial resources, real power and qualified staff to carry out their duties effectively.
<b>How to regulate ?</b>	A single regulatory model will not suit all electricity markets	Any model will need to be aligned with market structures that vary from country to country	The regulatory model will depend on the level of competition, unbundling and private sector participation.





## The three issues addressed



Involvement of the regulator in  
PPP projects



Involvement of the regulator in  
rural electrification projects



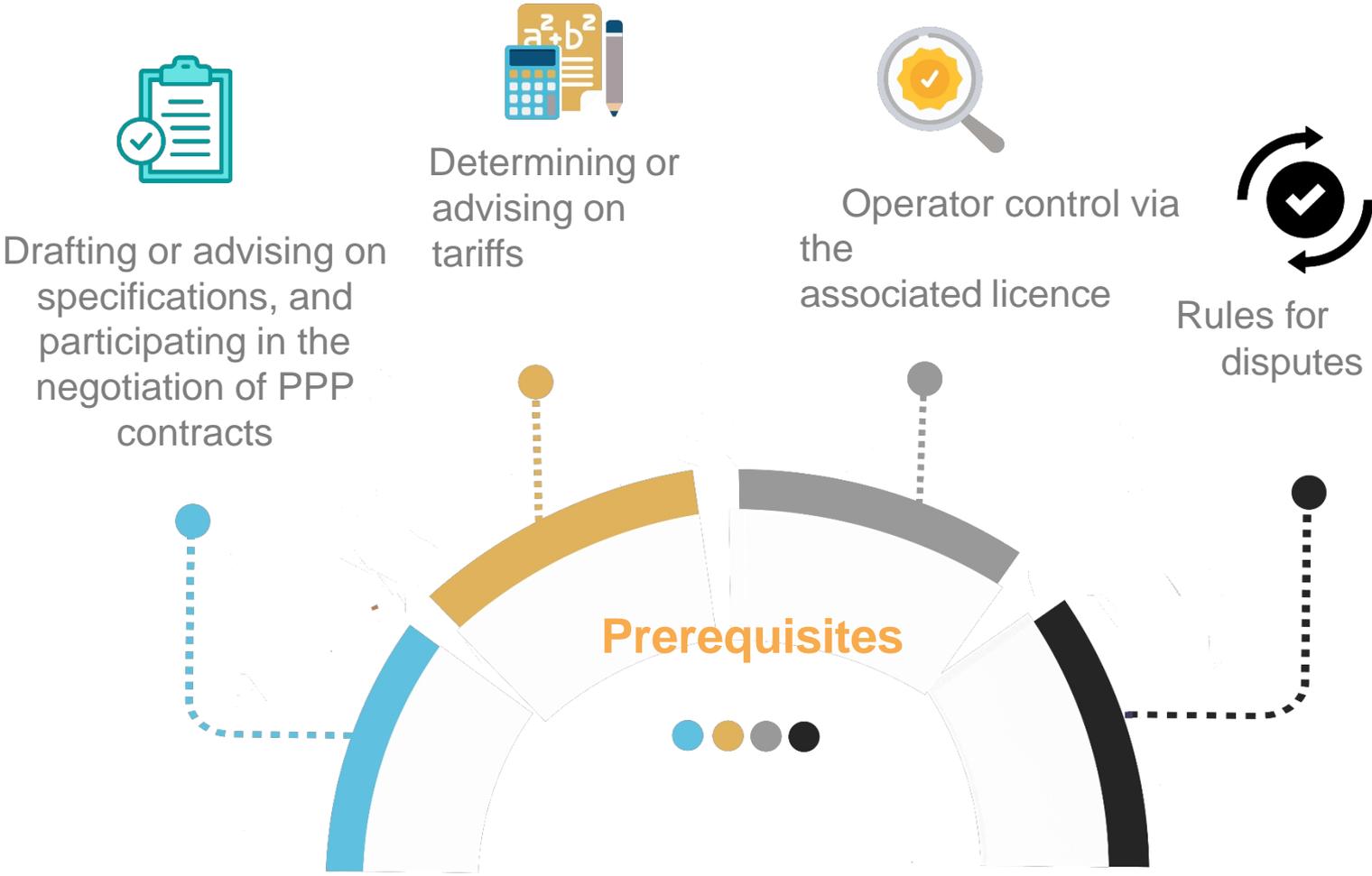
Powers, resources and capabilities  
of the regulator





# Issue 1

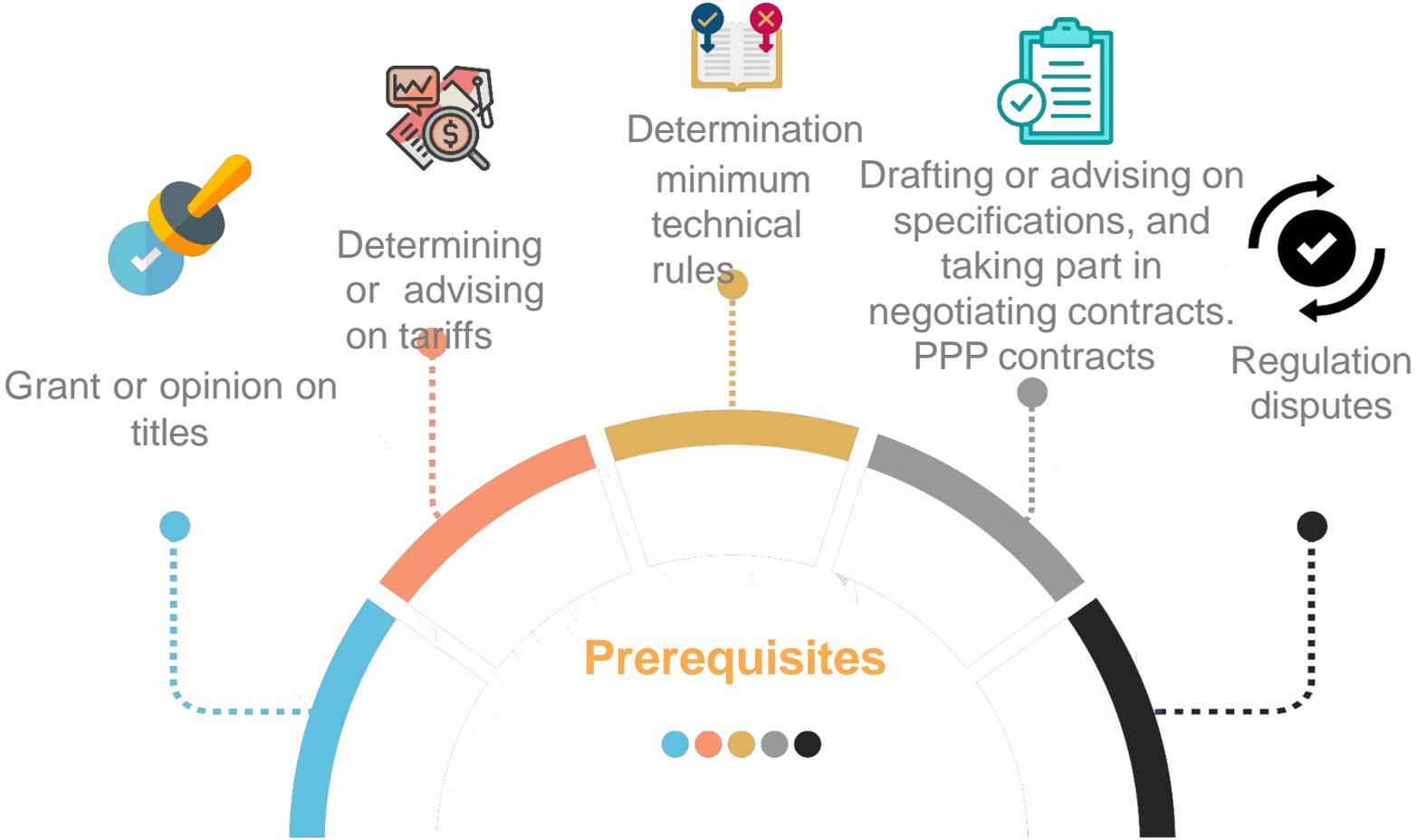
## Involvement of the regulator in PPP projects





# Issue no. 2

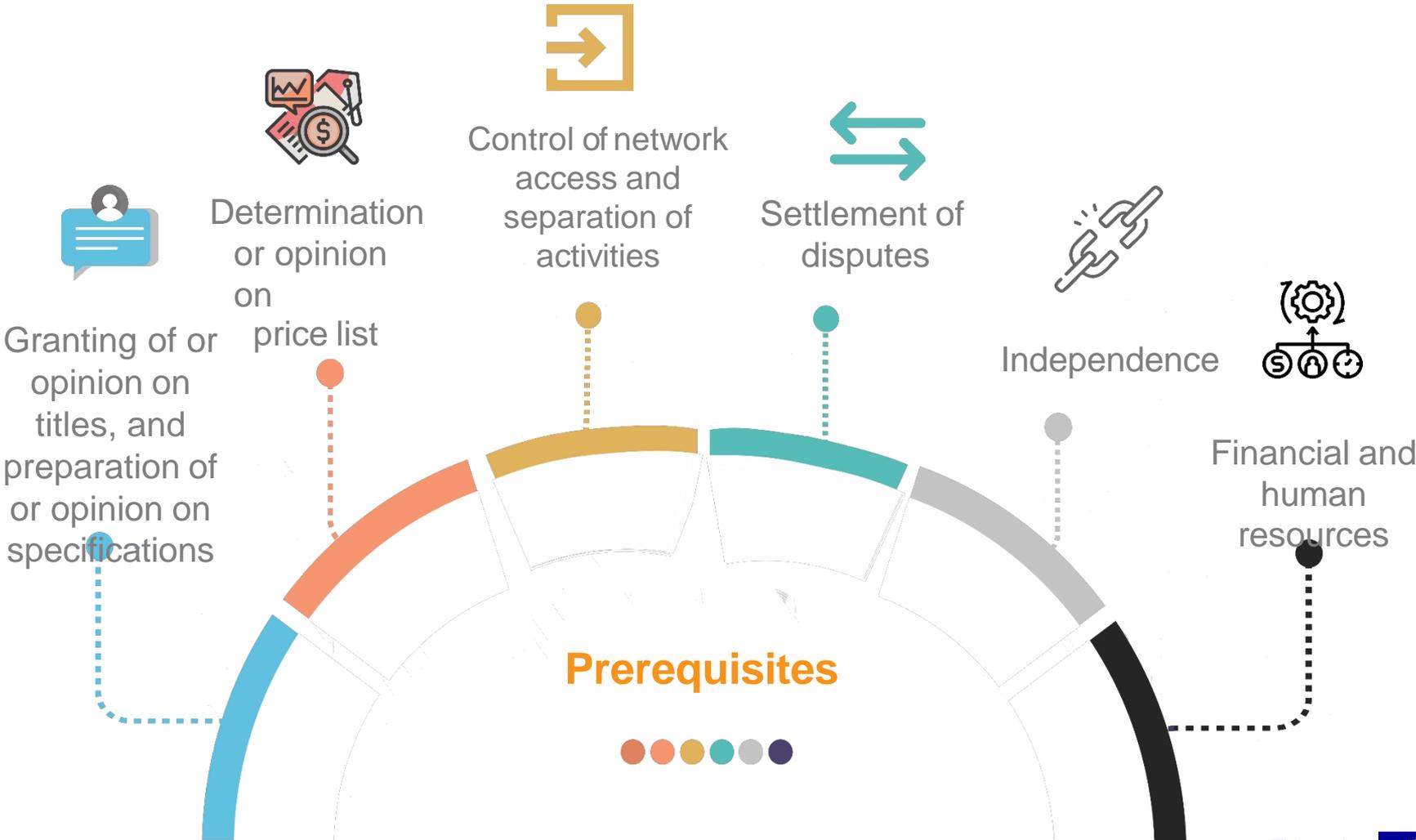
## Involvement of the regulator in rural electrification projects





### Issue no. 3

## Powers, capabilities and resources of the regulator





**THANK YOU FOR YOUR ATTENTION**