



Regulation and investments in the Mediterranean Region

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**S3P Energy: *Smart Mediterraneo*. Best practices, innovation and pilot projects in smart grid
development in the Mediterranean region**
Bari-Italy, 23-24 June 2016



Outline

- **MEDREG: Mission and Organization**
- Energy Platforms and investment barriers
- Regulator role in Smart Grids



MEDREG

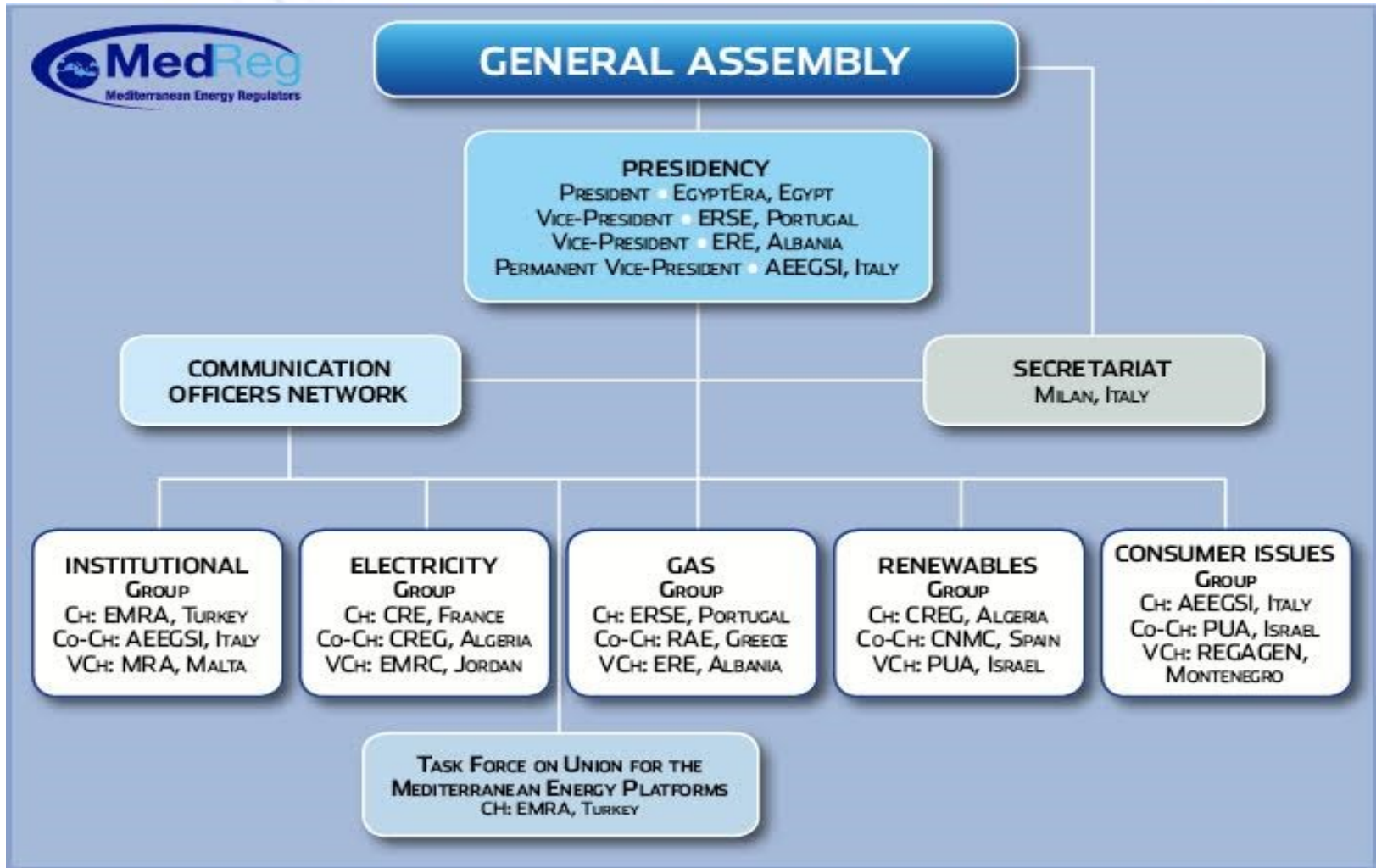
- MEDREG brings together **25** Mediterranean Energy Regulators, born in 2007 and based in Milan (Italy).
- MEDREG objectives are to promote a stable and harmonized regulatory framework; markets and systems integration; infrastructure investments; consumer protection; enhanced energy cooperation.



MEDREG

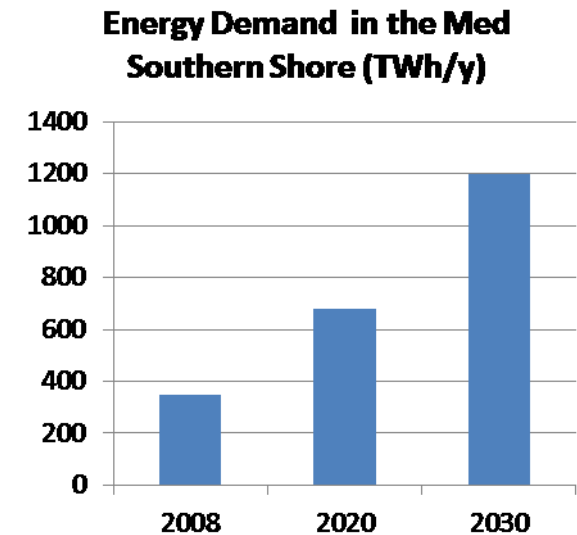


How do we work?



Why regulating Energy in the Mediterranean?

- The Mediterranean, a region bridging Europe, Maghreb, Mashreq and the Balkans
- Regulation is an essential tool for the integration of energy markets and for non-discriminatory access to infrastructure
- Regulation is necessary to implement energy policies and improve security of supply:
 - For *investors* - while assuring a satisfying degree of opening to competition, regulation guarantees the existence of a set of transparent and stable norms
 - For *consumers* - through tariff elaboration and methodology, regulation operates so that energy prices reflect real costs of production, transport and supply, promoting the protection of vulnerable consumers



Source: MEDREG

MEDREG STRATEGY

2020 - 2030

Achieve Mediterranean Energy Strategy through the Following Measures:

1. A sound institutional regulatory framework.
2. Optimal conditions for infrastructure investments.
3. Functioning, competitive and transparent electricity and gas markets.
4. Efficient consumers protection taking into account the particular situation of vulnerable Consumers.
5. Intensified regional cooperation and setting up of pilot projects

MEDREG World

NETWORK

INSTITUTIONS

EUROPEAN UNION

European Commission,
European Parliament and
European Council

CEER
Council of European
Energy Regulators

AFUR
African Forum
for Utility Regulators

ICER
International
Confederation
of Energy Regulators

PAM
Parliamentary Assembly
of the Mediterranean

UfM
Union
for the Mediterranean

ECRB
Energy Community
Regulatory Board

UNECE
United Nations Economic
Commission for Europe

ERRA
Energy Regulators Regional
Association

OTHER PARTNERS

Med-TSO
Transmission System
Operators
of the Mediterranean Basin

GIE
Gas Infrastructure
Europe

DESERTEC
Consortium of Renewable
Energy Industries
with a focus on developing
Clean Power in Desert areas

MEDGRID
Consortium of Grid Operators
and Industries
of the Mediterranean region

MEDELEC
Association of Electricity
Companies of the
Mediterranean Region

OME
Observatoire
Méditerranéen
de l'Énergie

RCREEE
The Regional Center
for Renewable Energy
and Energy Efficiency

EFET
European Federation
of Energy Traders

RES4MED
Renewables for the
Mediterranean

MEDENER
Mediterranean
Association of the
National Agencies
for Energy Conservation

FINANCIAL ORGANISATIONS

EIB
European Investment
Bank

EBRD
European Bank
for Reconstruction and
Development

ADB
African Development
Bank

INFRAMED
Investment Fund for
Infrastructures in the
Mediterranean Region

WB
World Bank

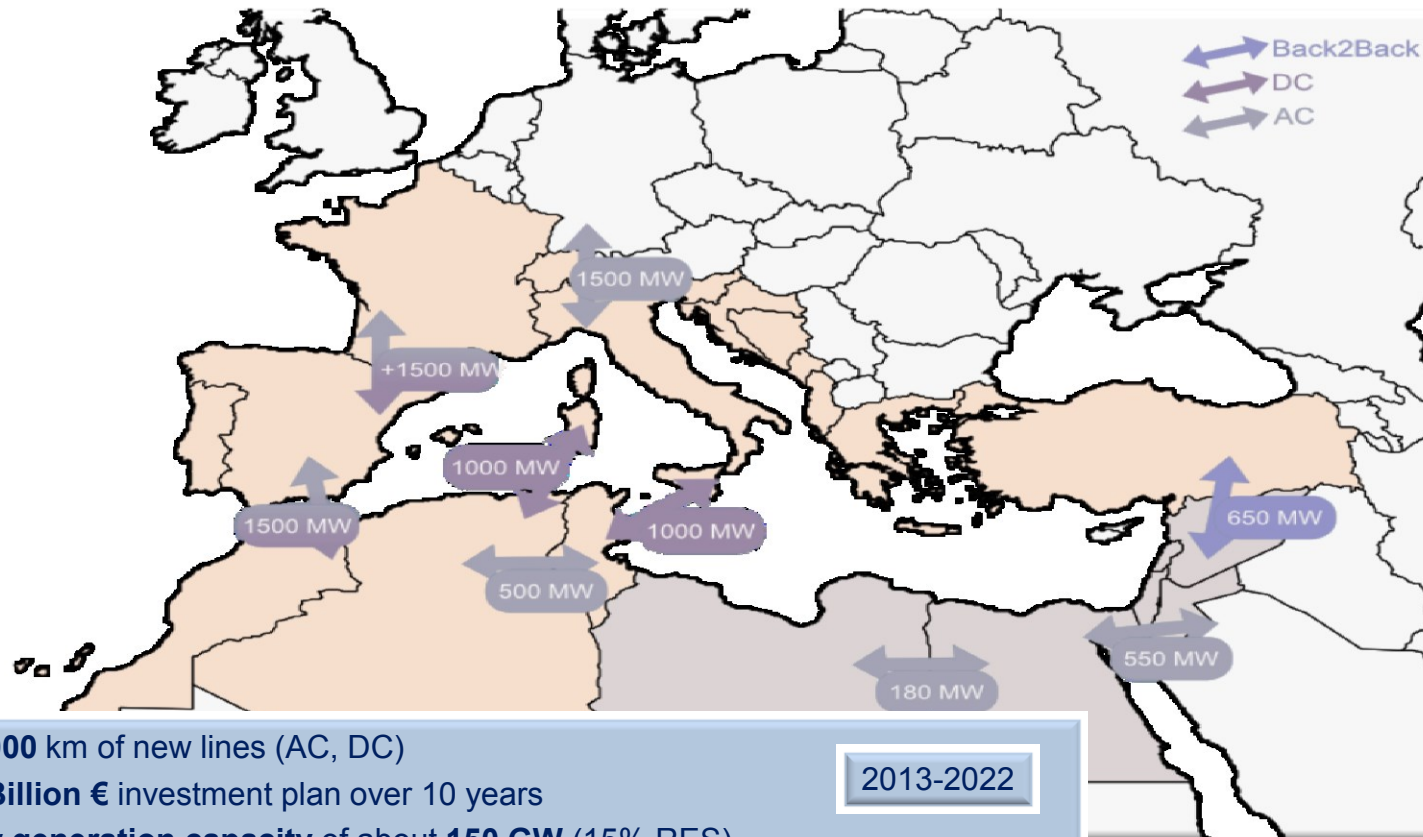


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- Regulator role in Smart Grids



The Context: Electricity



- **33,000 km** of new lines (AC, DC)
- **30 Billion €** investment plan over 10 years
- New **generation capacity** of about **150 GW** (15% RES)
- Planned investment of **220-250 Billions €** in 10 years
- Priority: developing interconnections South-North & South-South, jointly with reinforcement of internal network

2013-2022

Source: MEDTSO

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The UfM Energy Platforms

November 2014: High Level Conference on “Building a Euro Mediterranean energy bridge: the strategic importance of Euromed gas and electricity networks in the context of energy security”, which proposed

“...to invigorate the cooperation by establishing, in the context of the Union for the Mediterranean process, three thematic platforms (...) The intention is to provide a permanent high level forum for discussing energy policy objectives and measures”

- **Gas:** to reinforce the security of gas supply and the regional gas exchanges
- **Regional Electricity Market :** 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

March 2015: UfM officially endorsed the Platforms

Regional Electricity Market (REM) Platform

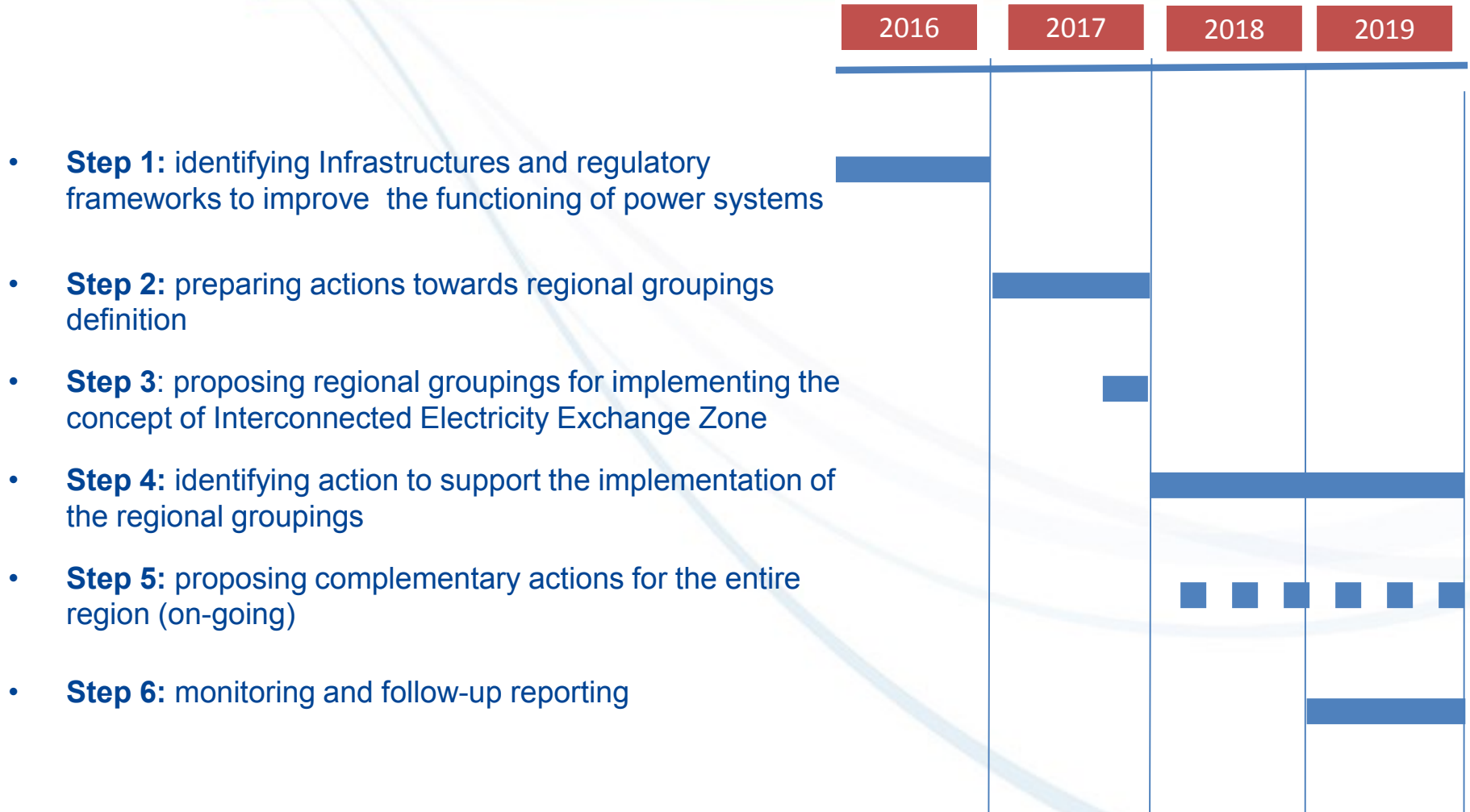
- Joint work MEDREG and MEDTSO (Mediterranean Transmission System Operators)
- Evaluate and motivate the adoption of regional and sub-regional approaches, aiming at an overall integration, while respecting countries' diversity
- Develop, share and discuss possible scenarios on Mediterranean power exchange in the short, medium and long term
- Perform a cost-benefit analysis of cross-border projects in the Mediterranean region, and propose to the Euro-Mediterranean countries a list of potential candidates to be labelled as projects of common interest to obtain faster permitting procedures and easier funding

Barriers to investments

As part of the report, a public consultation was carried out with **stakeholders** regarding **barriers** that can increase investors' uncertainty and hinder the proper development of cross-border grids:

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

REM Work Programme



Regulator role in Smart Grids (1/2)

- NRA shall allow that the DSO takes a strong role in defining any new operational or market structures.
- Foster the interaction of competitive services, also from the infrastructure point of view.
- Clarify the roles of all (including new) stakeholders in the changing energy system.
- Adapt the regulatory framework so that it enables the creation of new system services at distribution level to contribute to local grid stability and security of supply.
- NRA before implementing a smart grid shall learn from successful smart integration demonstration projects.

Regulator role in Smart Grids (2/2)

- Design regulation that supports other network solutions
- In a way to improve efficiency in design and operation, national regulation should take a broader view when evaluating cost-efficiency
- There is a clear need to clarify the sharing of cost and benefits among stakeholders and throughout the value chain.
- Smart integration brings benefits for different stakeholders, but not always for grid operators.
- MEDREG electricity working group (ELE WG) will start next year a study on «The impact of smart grids on network regulation and energy efficiency measured in MEDREG countries: case studies»

MEDREG work in the Mediterranean

- MEDREG WG RES (Renewable energy and efficiency) performed a study on November 2014 on how to evaluate net metering systems in Mediterranean countries
- The aim of this report is to analyze “net metering systems” in Mediterranean countries, from different points of view: generators, distributors, consumers, etc., in the context of new concepts as “smart grids” or “distributed generation”.
- Best practices from the experience of Spain, Israel, Montenegro, Italy and Portugal
- MEDREG is keen support to Mediterranean south shore countries on developing the right regulation for smart grids

Future work

- MEDREG support on sub-regional integration
- Mediterranean financial advisory panel (MED-FAP)
- Dedicated Task Force on supporting countries in their energy national reforms





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Thank you for your attention!

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