Capacity Building Programmes for Energy Regulators

Ms. Krisztina Kasza

Energy Regulators Regional Association (ERRA)
Program Director,
Team Leader

Cooperation Objective

- INOGATE Partner Countries signed up to Baku Initiative in 2004 for enhanced energy cooperation
- Energy Road Map adopted 2006; agreed objectives:
  - “establishing independent energy regulators”
  - “establishing common methodologies for tariff setting policy / role of regulators for gas & electricity markets, based on EU principles”
  - “developing a capacity building programme for relevant energy authorities incl. regulators to increase their understanding of EU energy legislation / practice, and in this way supporting the convergence of energy markets"
ERRA Mission

- To improve national energy regulation in member countries
- To foster development of stable energy regulators with autonomy and authority;
- To improve cooperation among Energy Regulators
- To facilitate the exchange of information, research, training and experience among members and other regulators around the world.

ERRA Members - Map

[Map image showing the distribution of ERRA members across various countries in Europe and beyond]
Collaboration ERRA/INOGATE (1)

- 2007: Implemented 2 classroom type training courses:
  Training activities for regulators and ministry staff of INOGATE countries

- 2007: Prepared a basic textbook:
  “Regulating Our Energy Supply: A Prime Objective in Serving Our People”

Collaboration ERRA/INOGATE (2)

- Promote sound & harmonised energy regulatory practices in INOGATE countries

- Proposal:
  - 6 training events implemented between May 2009 and June 2010
  - Variety of traditional and non-conventional education programmes
Proposal: activities

- Classroom type trainings (2)
  - Introductory & decision-making levels
- Technical exchanges (2)
  - hands-on experiences
  - target participants: regulators & ministry staff
- Peer reviews (2)
  - expert feedback, sharing experiences
  - target participants: regulators

Beneficiaries

1. Armenia (Public Services Regulatory Commission)
3. Belarus (Ministry of Economy)
4. Georgia (National Energy and Water Supply Regulatory Commission)
5. Kazakhstan (Agency for Regulation of Natural Monopolies)
6. Kyrgyz Republic (State Department of Fuel and Energy Regulation at the Ministry of Industry, Energy and Fuel Resources of the Kyrgyz Republic)
7. Moldova (National Energy Regulatory Agency)
8. Tajikistan (Ministry of Economy Development and Trade)
9. Turkey (Energy Market Regulatory Authority)
10. Turkmenistan (Ministry of Energy and Industry)
11. Ukraine (National Electricity Regulatory Commission)
12. Uzbekistan (Ministry of Finance)
Classroom type training (1)

Introduction to Energy Regulation

Primary audience:
* Entry-level regulators
* Ministry representatives
* Other stakeholders of the energy market (trade unions, media, researchers)

2 tracks:
* Based on interest
* Based on level of understanding of energy regulation

Timing:
Proposal: November 2009

Classroom type training (2)

Decision-making level training course

Primary audience:
High-level ministry/parliament representatives
High-level regulators

Timing:
Proposal: April 2010 (in conjunction with ERRA’s Annual Conference)
Technical Exchange Programme (1)

Host Organization:
National Electricity Regulatory Commission of Ukraine
- 12 years of regulatory experience
- Assistance received from EU, Austrian & Italian regulators, USAID
- Experience highly applicable to INOGATE countries

Date/Location:
13-15 May 2009, Kiev, Ukraine (NERC)

Proposed Beneficiaries – 2 persons/country:
Belarus, Uzbekistan, Tajikistan, Turkmenistan, Kyrgyzstan

Facilitator:
Mr. Vidmantas Jankauskas, Former Chairman, National Control Commission for Energy and Prices of Lithuania

PROPOSED PROGRAMME OF 1st TECHNICAL EXCHANGE

Day 1. Legal Aspects of Energy Regulation: Electricity Markets
- Role and functions of an independent regulator
- Basic Tendencies of the Activities
- Legal aspects of the regulatory work
- Regulator’s relations with other agencies and institutions
- Licensing – One of the Tools of State Regulation
- Operation of the Ukrainian Wholesale Electricity Market

Day 2. Tariff Design and Electricity Market Reform
- Tariff Regulation for Production of Electricity and Heat
- Main Approaches for Tariff Design for Energy Distribution and Energy Supplier Companies (Examples of calculations)
- Main Concepts of Activities of NERC Ukraine in Electricity Market Reform and Development of Regulatory Methods for Natural Monopolies
- Site Visit to the System Operator of Electricity in the state organization of «National Energy Company «Ukrenergo»

Day 3. Regulation of Natural Gas and Oil
- Basic Concepts of Operating Natural Gas Markets in Ukraine and Regulating Distribution Companies of Ukraine
- Basic Issues of Price and Tariff Design in Oil and Gas Network of Ukraine. Examples of Tariff Calculation Regarding Services of Subjects of Natural Monopolies
- Characteristics of Price Design and Establishment for Natural Gas for Different Categories of Consumers
Technical Exchange Programme (2)

Host/Location

Proposed to take place in 3 Baltic states
✓ Strong & independent regulators
✓ Each regulator has its own characteristics of regulation
✓ Command of Russian language

Timing

Proposed in May 2010

Proposed Beneficiaries:
Azerbaijan, Armenia, Georgia, Kazakhstan, Moldova, Ukraine

Peer Review

Proposed organisations:
- Armenia (Public Services Regulatory Commission)
- Georgia (National Energy Regulatory Commission)
- Kazakhstan (Agency for Regulation of Natural Monopolies)
- Moldova (National Energy Regulatory Agency)

Proposed timing
- November 2009

2 Reviewers (practicing/former regulators)
- receive & study documents regarding legal background of host organization (eg: laws, secondary legislation, market structures, tariff methodology, etc.)
- conduct interview-type discussions with senior & junior staff
Peer Review (2)

- **2 Reviewers** (practicing/former regulators)
  - receive & study documents regarding legal background of host organization (eg: laws, secondary legislation, market structures, tariff methodology, etc.)
  - conduct interview-type discussions with senior & junior staff

**Final Output:**

Objective evaluation of regulatory development (outside audit)

---

Purpose of the Survey

- Background information on beneficiary organizations
- Discussion on energy regulatory training topics
- Assessment of the beneficiaries’ interest in major energy regulatory issues
- Involvement of other stakeholders
Major Issues Listed

- Energy policies and relevant legislation
- Establishment of independent regulators
- Tariffs
- Competition promotion
- Creation of energy markets
- Others (Dispute resolution; Quality of service control; Benchmarking efficiency of operators; Loss reduction)

Countries Submitting Their Survey

- Armenia
- Azerbaijan
- Georgia
- Kyrgyz Republic
- Moldova
- Ukraine
- Turkey
Background Information (1)

▶ Energy Sectors Covered:

- **Electricity**: All countries
- **Natural Gas**: All countries
- **Liquefied Propane Gas**: Azerbaijan, Moldova, Turkey
- **Oil and its derivatives** (petroleum, etc): Azerbaijan, Moldova, Ukraine, Turkey
- **District Heating**: Armenia, Azerbaijan, Kyrgyz Republic, Moldova, Ukraine
- **Coal** (including lignite and peat): None
- **Other: Water Supply** (Armenia, Georgia, Moldova - Approval of methodology for setting of water tariffs and approval of tariffs for technical water);
- **Telecommunication** (Armenia)

Background Information (2)

▶ Organizations existing: 1994 - 2005

- Ukraine: 1994
- Azerbaijan: 2005

▶ Number of staff: 13 - 412

- Azerbaijan: 13
- Ukraine: 412
Energy policies and relevant legislation

Establishment of independent regulators
Tariffs

- Social aspects of tariff setting (lifeline tariffs, subsidisation, etc.)
- Tariff setting in energy sector
- Energy theft combating, collection efficiency improvement

Competition promotion

- Facilitation of competition in energy sector
- Facilitation of third party access
- Establishment of independent system operators
- Unbundling
Creation of energy markets

Establishing balancing rules
Establishing competitive energy markets
Establishing energy exchanges
Cross-border exchanges
Congestion management

Other Topics

Benchmarking efficiency of operators
Quality of service control
Loss reduction
Dispute resolution
Thank you for your attention!

Email: Krisztina.Kasza@erranet.org