Harmonised Regulatory Framework for Electricity Market in Africa

REFERENCE GROUP ON INFRASTRUCTURE MEETING
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African Union Commission
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Harmonize regulations and promote good governance with a view to creating a conducive climate for increased direct investment, both national and foreign, and especially public-private partnerships". *Maputo Declaration of 05 November 2010, African Energy Ministers*

The African Energy Ministers recommended to the African Union Commission (AUC) to “strengthen and harmonize legal and regulatory frameworks in the African energy sector”.

**Agenda 2063:**
- **Aspiration 1**: A prosperous Africa based on Inclusive Growth and Sustainable Development;
- **Aspiration 2**: An Integrated Continent Politically united and based on ideas of Pan Africanism and vision of Africa Renaissance
Strategy document has been developed with aim to achieve a fully integrated, competitive and harmonized electricity market in order to accelerate Africa's development and improve access to electricity considering *following strategic objectives*:

- Developing effective Regional and Continental Electricity markets;
- Improving the operational efficiency and performance of the Electricity Supply Industry;
- Creating stable, transparent and predictable environment to attract investment;
- Enhancing electricity markets frameworks to increase access;
- Enhance Renewable Energy Frameworks;
- Establish norms, standards and frameworks for energy efficiency;
Part 2: Action Plan Document

**Initial Phase**
- Economic Regulatory Framework;
- Technical Regulatory Framework;
- Enabling market environment;
- Establishing the norms, standards and frameworks for energy efficiency.
- Identification of main activities, particularly establishment of key institutions and development of important documents;

**Market Opening Phase**
- Implement or operationalize the actions from the initial phase of the harmonization process;
- Identification of activities to achieve market opening at the National, Regional and Continental levels;

**Harmonized Electricity Market and Progress Monitoring:**
- Identify the roles of various agencies and institutions;
- Monitor progress towards achieving the set objectives at the country, regional and continental levels.
Strategic Requirements

- Allocation Responsibility
- Monitoring
- Political Commitment
- Strong Coordination
- Review Mechanism
- Human Capacity
- Financial Resources
Main Responsibilities

A. African Union:

- Formulation and coordination of a Continental Strategy and Harmonized Regulatory Framework for Electricity Supply System;
- Guidelines and monitoring of regional and national policy makers and electricity harmonization actors;
- Monitoring of market rules and grid codes (emphasis on interconnections) recommended at continental level, defined and implemented at regional and national levels;
- Development and promotion of technical harmonization;

Potential implementing actors: Member States, AUC, STCs/CEMA, AFREC/AFSEC, NEPAD/NPCA, AfDB, UNECA, APUA, AFUR
Main Responsibilities

B. Regional Economic Communities:

- Coordination and monitoring of national legislation, regulatory frameworks, establishment of National Regulators and enhancement of power sector organization at regional level;
- Coordination and monitoring of large scale interconnections and large scale power plants;
- Coordination and monitoring of the development of Renewable Energy and Energy Efficiency (both supply and demand side) regional policies, plans and programmes.

**Potential implementing actors:** RECs, Regional Regulators and Associations, Power Pools, Regional RE and EE centres.
Main Responsibilities

C. Member States

- Establish and update sector policy and legislation;
- Establish and strengthen autonomous national regulatory agencies (electricity/RE/EE);
- Establish simple, clear and transparent licensing, procurement and permits procedures;
- Create competitive market with non-discrimination and open access to networks;
- Facilitate infrastructure development, national and transnational;
- Establish independent system operation;
- Establish and enforce codes, technical and quality of service standards;
- Improve technical and operational efficiency of Utilities;
- Establish sustainable tariff regime;
- Ensure financial viability of sector through corporatization/commercialisation of State owned Enterprises;
- Undertake targeted capacity building and skills training;
- Establish framework for increasing access.

Potential implementing actors: Governments, Ministers, Ministries, National Regulators and Agencies
In developing the Action Plan documents, the following basic essential elements which underpin the regulatory harmonization process were considered:

- Access to electricity;
- Price of Electricity and affordability issues;
- Quality of Electricity Supply to customers, including customer services or commercial quality of electricity;
- Impact of the power sector reforms on economic and business development;
- Impact of reforms on public sector finance.
Phased implementation of actions within the short, medium and long-term time frame

Phase 1: Initial Phase of Harmonization Process

- Identification of following Key Areas or Pillars for achieving regulatory harmonization;
  - Economic Regulatory Framework;
  - Technical Regulatory Framework;
  - Enabling market environment;
  - Enhancing Renewable Energy Frameworks;
  - Establishing the norms, standards and frameworks for energy efficiency.
- Identification of main activities, particularly establishment of key institutions and development of important documents

Phase 2: Market Opening

- The aim of the market opening phase is to implement or operationalize the actions from the initial phase of the harmonization process;
- Identification of activities to achieve market opening at the National, Regional and Continental levels

Phase 3: Harmonized Electricity Market and Progress Monitoring

- Identify the roles of various agencies and institutions;
- Monitor progress of harmonization of regulatory framework towards achieving the set objectives at the country, regional and continental levels
**Action Plan – Main features**

- A roadmap for implementing the various activities and its horizon;
- Based on three time frames: Short-term (3 - 5 years), Medium-term (6 - 8 years); and the long-term (9 - 15 years);
- Specific activities and actions;
- Identifies the budgetary requirements and financial implications;
- Identifies the implementing agencies;
- Develop monitoring and evaluation framework at the national, regional and continental levels;
- Identifies of priority activities for implementation;
# Action Plan – Short Term

<table>
<thead>
<tr>
<th>Level</th>
<th>Priority 1 Programmes</th>
<th>Priority 2 Programmes</th>
<th>Priority 3 Programmes</th>
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</thead>
</table>
| National  | ▪ Establishment of a National Regulator  
▪ Tariff Reforms: Accounting Separation, Tariff Guidelines and Methodology, Cost of Service Study, Tariff Unbundling. Also RE tariff reforms to be included  
▪ Establish RE Feed-In tariffs, Competitive Tendering, Net metering, etc  
▪ Grid Code development  
▪ Develop Market Rules  
▪ Develop Minimum Performance Standards and Labelling for EE |  | ▪ Develop licensing framework for smaller power plants  
▪ Develop Rural Electrification Standards  
▪ Quality of Service Regulations and Standards  
▪ Develop and design roadmap for market model |
| Regional  | ▪ Establish regional regulatory authority  
▪ Develop harmonized transmission system tariff methodology  
▪ Develop System Operation Manuals and Codes of Practice  
▪ Implement monitoring of power pools  
▪ Develop harmonization of EE and labelling standards |  | ▪ Establish regional coordination and dispatch centre or upgrade existing system control centres  
▪ Monitor progress of power pools through regular meetings |
| Continental | ▪ Implement regulatory performance review mechanism  
▪ Monitor and implementation of power pools  
▪ Establish Centres of Excellence |  |  |
## Action Plan – Medium Term

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<thead>
<tr>
<th>Level</th>
<th>Priority 1 Programmes</th>
<th>Priority 2 Programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td>National</td>
<td>▪ Full operationalization of national regulator</td>
<td>▪ Implement RE Feed-In tariffs, Competitive Tendering, Net metering, GETFiT</td>
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<td>▪ Implementation of Grid Code</td>
<td>▪ Implement RE Guidelines and streamline licensing procedure</td>
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<td></td>
<td>▪ Complete electricity market opening process</td>
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<tr>
<td>Regional</td>
<td>▪ Operationalization of Regional Regulatory Authorities</td>
<td>▪ Implement harmonized transmission system tariff methodology, including wheeling charges and cost allocation methodologies</td>
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<td>▪ Implementation of Operations Manual and Codes of Practice</td>
<td>▪ Develop a strategy for implementing flagship infrastructure projects as the “corridors”, for power trade.</td>
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<td>▪ Operationalize regional dispatch and coordination centres or upgrade area control centres</td>
<td>▪ Implement Standard Model Contracts</td>
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<td>▪ Support Centres of Excellence for capacity building</td>
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<tr>
<td>Continental</td>
<td>▪ Monitoring progress of market integration</td>
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<td>▪ Support to the Centres of Excellence</td>
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## Action Plan – Long Term

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<tr>
<th>Level</th>
<th>Priority 1 Programmes</th>
<th>Priority 2 Programmes</th>
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<tbody>
<tr>
<td>National</td>
<td>- Implement tariff unbundling and cost reflective tariffs;</td>
<td>- Undertake performance monitoring and assessment of power utilities</td>
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<td>- Update existing tariff guidelines/regulations and methodology</td>
<td>- Implement Quality of Service Regulations and Enforcement</td>
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<td>- Revise Grid Code</td>
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<td>- Implement Market Opening and ensure operational autonomy of transmission system</td>
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<td>Regional</td>
<td>- Revise/update Market Rules</td>
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<td>- Full operationalization of dispatch and coordination centre</td>
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<td>- Implement strategy for implementation of flagship projects</td>
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<tr>
<td>Continental</td>
<td>- Monitoring of progress of power pools and market integration</td>
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<td>- Undertake performance review of regulators</td>
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<td>- Progress monitoring of Centres of Excellence</td>
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Current Phase – Phase 2

following studies will be conducted and validated in 2017:

- Harmonized Transmission System Tariffs;
- Technical and Economic Regulation for microgrids / mini-grids;
- Design for the Establishment of an effective Continental Energy Coordination Unit
Recommendation and Way Forward

- Complete the remaining studies in phase 2;
- Establish the technical Facility within AUC to implement the Action Plan;
- Awareness creation and consensus
- Funds Mobilization
Thank you for your attention