ROLE OF AFUR – DEVELOPMENT OF A HARMONISED ENERGY REGULATORY FRAMEWORK

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Presentation Outline

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INTRODUCTION

- The African continent lags far behind from the rest of the world on its electrification process, especially in rural and peri-urban areas
- Public and private sectors cooperation and involvement are of paramount importance for the energy sector
- It is necessary to build strong regulatory and legislative frameworks
- Strong regulatory frameworks in the energy sector are a must to ensure that the African continent leaves the bottom levels of economic poverty and heads to sustainable development
REGIONAL INTEGRATION

- Africa is living a very dynamic process of regional integration of the electricity markets through the Western, Central, Southern and Eastern power pools (WAPP, CAPP, EAPP and SAPP)
- These regional integration initiatives aim at homogenizing regional regulatory frameworks and at adopting regional compatible grid codes and standards.
During the past few years regional associations of regulators have been created in order to support or to tackle the new regulatory needs in this integration process.

These regional regulatory associations are a very good way of clustering national regulators in order to respond to their needs.

AFUR is developing structured partnerships with regional and sectoral initiatives such as: WATRA; CRASA; RERA; the Power Pools; etc.
Regulators in Africa

- Regulators can be divided into three groups:
  - Regulators which face basic challenges such as life expectancy of the institution after creation, organisational and hierarchical basic frameworks, and more importantly basic independency matters
  - Secondly those that could be considered as having achieved intermediate development and have most of the basic challenges of creation and survival solved, however
their expertise and areas of knowledge lies still behind of what other regulatory bodies from developing countries in other continents have already achieved.

- Thirdly the more advanced regulators, with sufficient regulatory experience in relatively large and mature systems
- Because of this there is a strong need for the development of guidelines, which if
adopted at a National, continental, Regional, and Continental bodies, would bring harmony to the legislative and regulatory framework within the continent.
AFUR

• AFUR focuses on issues related to the regulation of Energy, Communications, Transport, and Water & Sanitation industries, with a particular emphasis on issues that are common across sectors.

• AFUR’s objectives are:
  - Information sharing
  - Capacity building
  - Harmonisation of regulatory policies, legislation and Standards
· Promotion of the philosophy of autonomous utility regulation and good governance
· Support to African initiatives, through PIDA
· Promotion of sound relationships with governments and other stakeholders
· Efficient and coordinated utilization of donor funding
Facilitate the creation of reliable and competitive energy regional markets, increasing cross-border interconnections, energy trading, network reliability and security;

Facilitate investments by the private sector;

Harmonise the energy regulatory frameworks; and

Ensure sustainable regional policies in the energy sector through sound economic, environmental and social practices
Regulatory Challenges

What’s wrong with this picture?

Millions have been denied a privilege considered by most as a basic human right: electricity. But it’s a scenario we’re changing. With the introduction of low cost electricity at a rate of a thousand new homes a day, Eskom, through its specialised subsidiaries, and with business partners throughout Africa, is paving the way for stimulating regional economic opportunities and reinvestment. And thus helping to unleash this continent’s true potential.
Challenges Identified by African Energy Regulators

- Improving performance of some of the State-Owned Utilities
- Inappropriate pricing & unsustainable subsidies due to competing interests – Tariff setting is still highly politicized
- Regulation still a relatively new concept – institutional fragility
- Regulatory Independence - Some regulators only advise the Minister who makes the final tariff decision
  - Regulation of state-owned enterprises difficult
  - Members of regulator boards are frequently replaced
CHALLENGES - CONT

- Gap between “law” and “practice”
- Interference from government
- Limited public sector finance for new infrastructure
- Limited private sector participation
- Low level of access to service
- Lack of capacity / competency
- Tariffs are usually below cost, metering grossly inadequate, billing poor, revenue collection low, and power theft rampant, (Non technical losses).
AFUR - GOING FORWARD

- AFUR Secretariat to work closely with NEPAD, and on the regulatory issues of the PIDA projects in Africa.
- AFUR to collaborate closely with Continental and Regional Associations with focus on helping to develop, promote, and implement the requisite regulatory environment in Africa.
Strategic Objectives and Approach

The following **strategic objectives** have been identified:
Developing Effective Regional and Continental Electricity Markets

- African Economies require Legislative and regulatory changes to facilitate development of the electricity markets and to increase access to affordable and sustainable electricity.
- Leaders need to ensure that the responsibilities are allocated at the right level, from national to regional and from regional to continental. Reinforcement of the political and technical coordination role of the different organs of the AUC, particularly with respect to the RECs in implementing harmonisation decisions, guidelines or directives.
Improving the operational efficiency and performance of the Electricity Supply Industry (ESI)

- The overall target is to make the Electricity Supply Industry (ESI) financially viable and ensure that it is able to attract investment by implementing such measures as corporatisation of the utility companies, separation of accounts, transfer of assets, establishing cost reflective tariffs, transparent management and monitoring by the National Regulator.
Creating stable, transparent and predictable environment to attract investments

- Conditions for attracting private investors include the existence of national regulators which must be designated as the main or sole licensing authority for energy infrastructure, monitoring the performance of operators as well as the design, implementation and supervision of retail and wholesale markets.
Enhancing electricity market frameworks to increase access

- Achievement of increased electricity access for public services, households, industry and the commercial sector of the continent would be facilitated by common rules, guidelines and directives for on-grid and off-grid solutions.
Enhance Renewable Energy Frameworks

- New reforms, legislations and regulations have to support and promote the development of the huge African renewable energy potential for electricity generation to:
  - support large scale renewable energy systems for generation projects of regional interest (mainly hydropower);
  - allow grid extension to remote areas, mini grids using local RE resources, such as mini-hydro, wind, solar, biomass and geothermal;
  - provide, on a small scale, electricity through off-grid, mini grid and stand-alone systems (rural electrification);
  - support common technical standards at regional and continental levels for the RES I;
  - support to ensure the development of harmonized tariffs.
Establish norms, standards and frameworks for energy efficiency

- The savings from improved energy efficiency measures can create additional opportunities for access within the existing energy infrastructure. In Africa significant efforts are needed to improve policies and plans promoting energy efficiency at all levels, and to accelerate the implementation of programmes and actions.

- Expected results are reducing power shortages, increasing quality of supply and more efficient services to consumers.
Main Responsibilities

- With regard to the subsidiarity principle, the main responsibilities have to be carried out on the basis of building a common sustainable future. In order to meet the strategic objectives, the following main responsibilities are identified:

  **African Union**

- Formulation and coordination of a continental strategy for the development of electricity supply and transmission systems.
- Monitoring of market rules and grid codes recommended at continental level, defined and implemented at regional and national levels;
- Development and promotion of technical harmonization, e.g. of contracts and tariffs, norms and standards, RE and EE.

  **Potential implementing actors:**
  AUC, STCs/CEMA, AFREC/AFSEC, NEPAD/NPCA, AfDB, UNECA, APUA, AFUR
Thank You

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