

# **Proposal for Establishment of the CAREC Members Electricity Regulators Forum (CMERF)**

Senior Officials Meeting, CAREC  
Almaty, September 2004

## **Goal and Objectives**

**Goal:** To enable CAREC member countries to develop their energy resources into an important export sector through larger and more efficient investments, and sharing of benefits.

**Objectives:**

- To provide a forum for the sharing of regulatory experience.
- To build the regulatory skills of members.
- To facilitate cooperation in the development of common electricity regulations and procedures across members.

## **Medium-Term Benefits**

### **Joint regulatory capacity building, leading to:**

- Reduced risks to cross-border energy trade by harmonizing market and access rules.
- Consistent and predictable settlement and dispute resolution systems across members.
- Harmonization of licensing procedures.

## **Medium-Term Benefits (2)**

### **Joint regulatory capacity building will enhance regulatory efficiency through:**

- Sharing of resources and modeling for forecasting, analysis of price controls etc.
- Optimizing of donor-funded technical analysis.
- Regional training programs and working groups.
- Development of performance monitoring systems and indicators for regulated entities that are consistent across members.

## **Longer Term Benefits**

**Consistent regulatory structures across members leads to deeper transnational markets, implying:**

- Cost reductions due to exploitation of economies of scale.
- Price reductions due to increased competition between a larger pool of power suppliers.
- Reductions in price volatility due to increased diversity of energy sources.
- Equitable sharing of gains from trade between members, and from energy exports to non-members.

## **Energy Regulators Regional Association (ERRA)**

- Association of primarily Eastern European regulatory agencies, with support from USAID and NARUC. ([www.erranet.org](http://www.erranet.org))
- Kazakhstan, Kyrgyz Republic and Mongolia are also members.
- Emphasis on countries ready to harmonize with EU standards, with more market-oriented energy sectors.
- Excellent source of general information and training for regulators.

## **Energy Regulators Regional Association (ERRA)**

**CMERF will complement ERRA, emphasizing:**

- Regional cooperation and development.
- Linkages to eastern as well as western markets.
- Regulation in initially less market oriented sectors.

### **Timeline, March 2004.**

- Central Asia Energy Regulators Meeting held in Manila.
- Participants: AZE, PRC, KAZ, KYR, MON, PHI, TAJ, TUR, UZB, ADB.
- All participants expressed:
  - Recognition of significant common challenges in energy regulation.
  - Desire to learn from each other's experiences.
  - Necessity of annual workshops on topics selected by member regulators.

## **Timeline, January 2005**

**Regulatory expert visits the CAREC member countries, to prepare a diagnostic review of:**

- Government policy objectives.
- Regulations and principles for determining tariffs and customer supply performance standards.
- Technical regulations, including those governing access to the market and network performance standards.
- Required improvements in data collection for transparency, economic regulation and regional sector management to optimize power production and trade.

## **Timeline, April 2005**

- Draft MOU on the establishment of the CMERF circulated to members.
  - The draft MOU will have been prepared in advance by the regulatory expert, in consultation with CMERF members.
- Funding proposal for CMERF prepared by MIs and circulated.

## **Timeline, June 2005**

**First CMERF meeting / conference. Agenda to include:**

- Country status reports.
- Results of the diagnostic study.
- Half-day discussions on economic, technical, and data collection issues stemming from the study.
- Approval of the draft MOU, in order to establish the CMERF during the following SOM.
- Approval of an initial work program for 2005-2007, identifying 2 economic, and 2 technical regulatory issues.

## **Timeline, July 2005-June 2006**

CMERF participants undertake data collection and information gathering to facilitate analysis of the technical regulatory and economic issues selected for work plan.

## **Timeline, July 2005-June 2006**

**Collected data and information will also permit analysis of how to maximize the value of the energy sector to members through the development of:**

- Energy production capacity to make full use of scale economies and to minimize price risk.
- Transmission/distribution capacity to utilize members' comparative advantages in energy and related sectors through trade, thereby reducing member costs and maximizing benefits.
- Institutional structures, trade agreements and model contracts to ensure reliable delivery of power.

## **Organization: Medium-Term Structure**

- Secretariat to be hosted by ADB. Consultants would be used for studies and related services.
- Funds will be sought from MIs, PPIAF, and other donors.
- Activities will include:
  - Periodic studies as proposed by CMERF.
  - Bilingual website to facilitate exchange of, and access to, related studies and information on international and regional regulatory practices.
  - Annual three day meetings.

## **Organization: Longer-Term Structure**

- Regulatory harmonization will lead to closer cooperation and deeper markets.
- Demand for Forum services will increase in scope and frequency in the areas of data collection and analysis, and regulatory advice.
- Therefore:
  - A regional agency/institute will be better suited to host the Forum's functions.
  - Funds will be sought from MIs, PPIAF and other donors.
  - Members will need to share Forum costs.

## **For More Information**

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