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# Guidelines for the opening of national energy markets and Third Party access across ECOWAS countries.

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## Guidelines for the opening of national energy markets and Third Party access in ECOWAS.

Steps:

- Third Party access in ECOWAS Countries: inventory
- Description of a structure for Third Party Access
- Implementation





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## Third Party Access in Ecowas Countries: inventory





## THIRD PARTY ACCESS IN ECOWAS COUNTRIES: INVENTORY

Ghana and Nigeria : only countries with operational Third Party Access

- Regulation and legislation in place, including market rules
- Unbundling of the historic utility, with independent Transmission Company
- Competition in generation
- Eligible customers in Ghana with direct bilateral contracts beside regulated customers
- Eligibility on hold in Nigeria in the lack of demand/supply balance
- (Several) Distribution Companies and suppliers of regulated customers





## THIRD PARTY ACCESS IN ECOWAS COUNTRIES: INVENTORY

### Other ECOWAS Countries :

- Very diverse regulations
- The objective of 3rd Party Access is mentioned in the relevant Electricity Law in only 2 countries
- Single-buyer policy (with vertically integrated incumbent utility)
- No analytical accounting at the historic utility (except 2 countries)
- Not many IPPs
- Generation competition requirements rarely met
- Unstable supply/demand balance
- No independent national regulator in 5 countries
- Modern dispatching centres spreading





## THIRD PARTY ACCESS IN ECOWAS COUNTRIES: INVENTORY

### Expected developments in ECOWAS:

#### a) Regional wholesale market

- Phase 1: Stakeholder / country can enter the market. This is compatible with most policies in place (single-buyer)
- Phase 2: More cross-border bilateral contracts between producers and some customers
- Large regional generation projects supported by the WAPP aim at selling at least some of their generation to end-customers

**Third Party Access has to be implemented in all countries for producers and eligible customers**





## THIRD PARTY ACCESS IN ECOWAS COUNTRIES: INVENTORY

### b) Transnational projects supported by the WAPP

- Generation:
  - CC Ghana : 450 MW
  - CC Benin : 450 MW
  - OMVS :150 MW
- Transmission:
  - 330 kV South Ghana – North Ghana
  - 225 KV CLSG (Côte d'Ivoire – Liberia – Sierra Leone – Guinée)

**With these projects, the supply / demand balance should be guaranteed over the medium term in many ECOWAS countries (Mali, Burkina, Togo, Benin, Liberia, Sierra Leone and Guinea Conakry)**



## THIRD PARTY ACCESS IN ECOWAS COUNTRIES: INVENTORY

### Summary and conclusions

- 1) National institutional situations are still far from enabling the flexibility of trades as mentioned in the Energy Protocol
  - With the single-buyer policy, IPPs do not really have access to the network
  - Except for Ghana, eligible customers are not identified
- 2) Supply/demand balance will get better in many countries, thanks to regional projects (WAPP Projects, OMVS, OMVG)
- 3) Supply/demand balance is necessary for the implementation of Third Party Access

**In parallel, Third Party Access is a powerful incentive to attract new IPPs and maintain the supply/demand balance**



## THIRD PARTY ACCESS IN ECOWAS COUNTRIES: INVENTORY

### Summary and conclusions

- 4) Third Party Access should be supported and implemented as soon as possible for generators and, at least, for eligible customers
- 5) Recommendations based on EU example: Directive published by the ECOWAS Commission to incentive national stakeholders to evolve towards a more harmonised model, enabling Third Party Access for an increasing number of users

**A harmonised model for all ECOWAS Countries will make easier direct trades between regional stakeholders**



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## Description of a structure for Third Party Access





## DESCRIPTION OF A STRUCTURE FOR THIRD PARTY ACCESS

### 1) General approach: To create two parallel markets at national level

- A market for eligible customers and IPPs free to sell their generation. The market operator (MO) facilitates transactions between market stakeholders and centralises trades with the regulated market
- A 'market' with regulated tariffs for other customers, the incumbent utility and the IPPs contractually bound by long term Power Purchase Agreements (PPAs)
  - A Central Public Purchaser (APC) buys all the output of the generators and sells to distribution companies
  - APC and MO liaise to ensure a generation optimum





## DESCRIPTION OF A STRUCTURE FOR THIRD PARTY ACCESS

### 2) Conditions Precedent

- Supply/demand balance, including sufficient reserve margin
- Competition in supply (several producers in the liberalised market)
- The Transmission Owner has to remain neutral (natural monopoly) and independent of generation stakeholders



## DESCRIPTION OF A STRUCTURE FOR THIRD PARTY ACCESS

### 3) Products of the free limited market

- Medium term bilateral contracts to supply electricity to eligible customers
- Short/Medium term bilateral contracts between IPPs from the free market
- Short/Medium term bilateral contracts between producers from the 2 markets resulting from optimisations issued by SB and MO

## DESCRIPTION OF A STRUCTURE FOR THIRD PARTY ACCESS

### 4 ) Normal development of the system

Growing free market

Relative downsizing of the regulated market

#### Requirements

- New generation managed by 'pure' IPPs
- Eligibility criteria decreasingly selective
- Distribution Companies directly purchase growing share of total needs for the regulated market on the free market, via auctions



## DESCRIPTION OF A STRUCTURE FOR THIRD PARTY ACCESS

### 5) Likely development stages

See the three following diagrams.





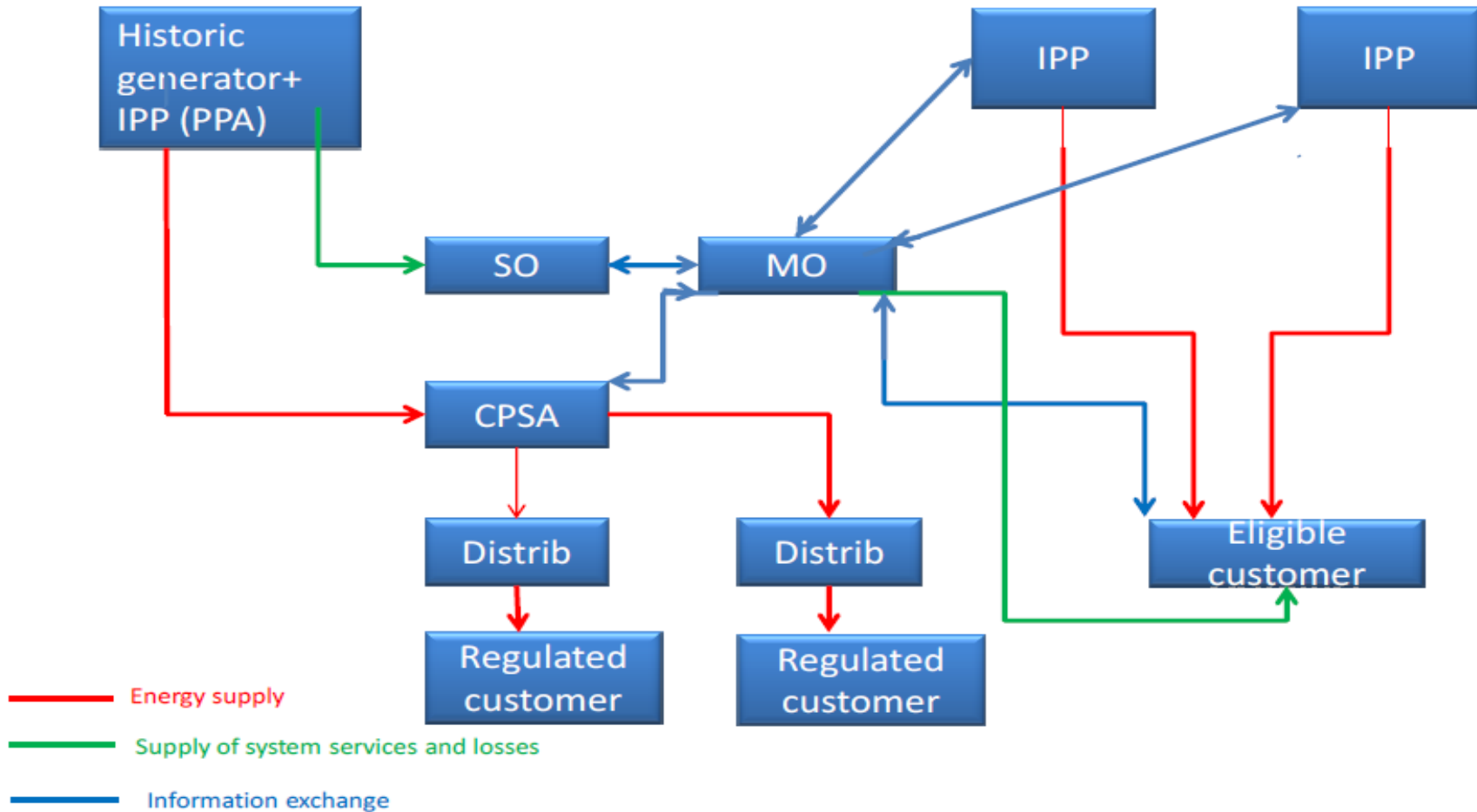
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1st stage



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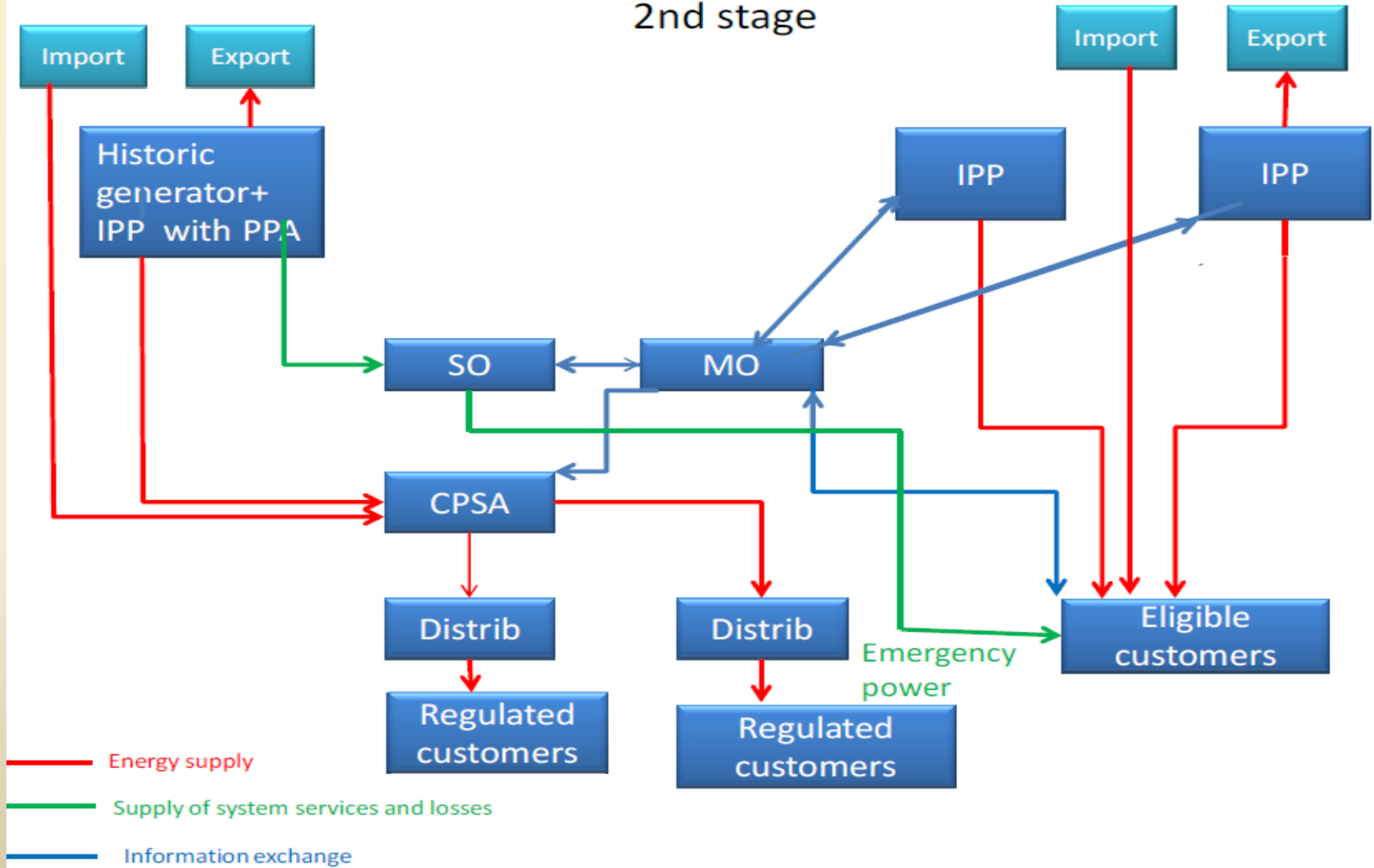
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2nd stage



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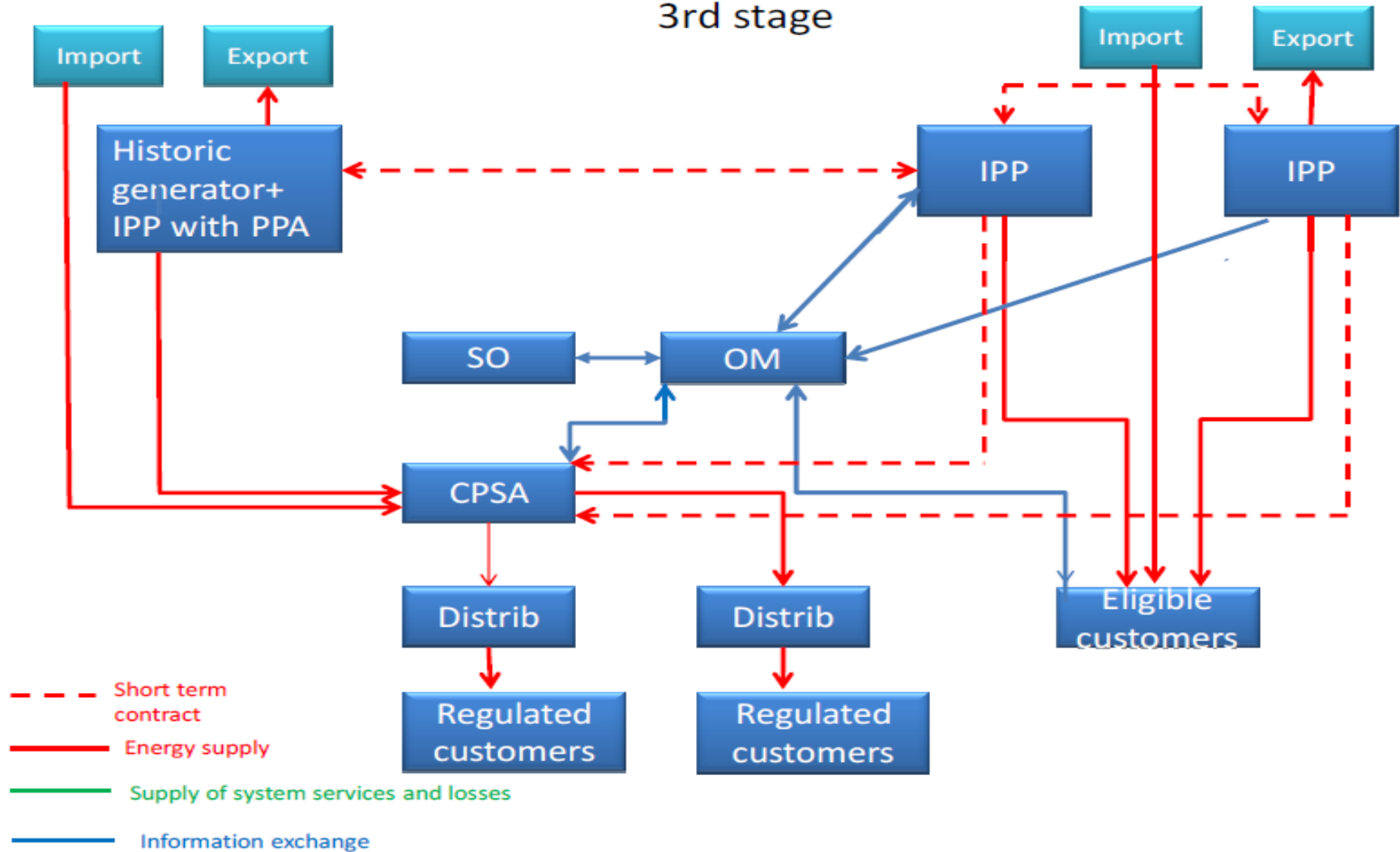
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3rd stage





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## Third Party Access: Implementation





## THIRD PARTY ACCESS: IMPLEMENTATION

### Proposed breakdown of activities:

- 1) Preparation to a limited network access
- 2) Legal framework adaptation
- 3) Accounting and functional unbundling of the incumbent utility
- 4) Transmission networks operations: framework, organisation, and tools
- 5) New contracts
- 6) Distribution: new framework and pricing



## THIRD PARTY ACCESS: IMPLEMENTATION

### 1) Preparation to a limited network access

- Public hearings, raise public awareness, feasibility assessment
  - supply / demand balance in both markets
  - balance in prices
  - eligibility criteria and development
- Electricity Sectoral Policy Letter
  - target structure for the unbundling of the incumbent utility
  - public service delegations
  - missions of the Regulator
  - setting up a permanent task force
- Assistance to the utility to face changes



## THIRD PARTY ACCESS: IMPLEMENTATION

### 2) Legal Framework changes

- Amendments to electricity sector laws
- Amendments to implementation decrees
- Adaptation of laws defining the roles and responsibilities of national regulators

**Proposal:** ERERA coordinates this effort to guarantee harmonisation across the region

- Amendments to provisional OMVS and OMVG Acts:
  - unbuilding accounts of generation and transmission
  - clarify access rules in all member countries



## THIRD PARTY ACCESS: IMPLEMENTATION

### 3) Preparation for the unbundling of the incumbent utility

- Analytical accounting
- Clear sector boundaries
- Inventory of assets
- Sharing the total debt between (future) new stakeholders
- Organisational charts
- Status
- .....



## THIRD PARTY ACCESS: IMPLEMENTATION

### 4) Transmission network management

#### 4.1 Framework

- Grid Code
- PTSO concession agreement, specifications and performance targets
- Metering Code
- Market Rules
- PTSO manuals of procedures
  - Confidentiality and Ethics Agreements
  - Manual of procedures ACP
  - Manual of procedures MO





## THIRD PARTY ACCESS: IMPLEMENTATION

### 4.2 Rehabilitation programs

- Rehabilitation / Extension of infrastructure
  - According to needs. To achieve performance targets from the specifications and instructions from the Grid Code.
- New equipments for dispatching centres, and associated telecommunication infrastructures
  - Take cognisance of growing needs for data protection and confidentiality
  - Take account of growing communication requirements between national stakeholders and between regional stakeholders
- Metering and metering management

**Proposal:** Harmonisation to be managed by WAPP

## THIRD PARTY ACCESS: IMPLEMENTATION

### 4.3 Support

- Public transmission network users committee
  - Committee managed by the national regulator
  - To share and assess experiences
  - Facilitate necessary amendments to acts and procedures
  - Ensure development of access to the network is fair for all users

Example : GHANA with the Electricity Market Oversight Panel

## THIRD PARTY ACCESS: IMPLEMENTATION

### 5) New energy trading contracts

- ACP Contracts (overseen by the Regulator)
  - transfer of long term PPAs (IPPs, renewables, ... )
  - Medium term selling contracts to DNOs.
  - Back-up contracts for eligible customers (optional)
- Contracts for IPP to eligible customer supply on the free market
- Regulation of new supply contracts: energy supply, use of the Transmission Network and Distribution Networks etc, have to be clearly defined with appropriate delineation of responsibility
- Amendments to the subsidies procedures
  - beneficiaries: customer groups, distribution areas,...
  - Possible involvement of both markets

## THIRD PARTY ACCESS: IMPLEMENTATION

### 6) Distribution :

#### 6.1 ) Purchasing and selling contracts

- Medium term selling contracts
- Terms for energy purchase on the free market
- Study on the cost of service
- Terms for regulation of prices and tariffs by the national regulator

#### 6.2 Customer groups profiling studies

#### 6.3 Amendments to distribution concession contracts

- Distinguish regulated customers and eligible customers
- Introduce distribution –connected IPPs
- Specifications with performance targets and incentives



## THIRD PARTY ACCESS: IMPLEMENTATION

How much time will this take ?

**It is a long process:**

- Nigeria : Decision in 1998 and still ongoing process
- Ghana: Decision in 1995, free market started in 2007

**The vertical unbuilding stage (and horizontal in Nigeria) of the historic utility seems to be the most critical and the longest**



**THIRD PARTY ACCESS: CONCLUSIONS**

- Political stability and support crucial throughout the process
- Financial unbundling of vertically integrated utilities will be on the critical path for implementation, so this should be initiated now
- Such a process will have significant economic and financial benefit



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THANK YOU

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