



**ECOWAS REGIONAL ELECTRICITY
REGULATORY AUTHORITY**

**AUTORITÉ DE RÉGULATION RÉGIONALE
DU SECTEUR DE L'ÉLECTRICITÉ DE LA
CEDEAO**

ANNUAL REPORT OF ACTIVITIES 2012 / 2013

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CHAIRMAN'S MESSAGE



Energy problem is a well-known issue in West Africa. This is a region with enormous energy resources, where only a small portion is exploited and the rate of access to electricity is the lowest in the world, coupled with high prices.

Hence the need to meet the huge financing requirements for the development of energy infrastructure through the establishment of a governance framework for the sector to make it more attractive to investors.

In this regard, ERERA, being an important component of the institutional mechanism put in place by the ECOWAS Heads of State and Government for the creation of an efficient and sustainable regional electricity market, contributed to the development of regional regulatory activities during the period 2012-2013.

As part of the effective implementation of ERERA, staff recruitment was a critical area

in which much progress was made during the period under review. Apart from the position of Economist, activities for the recruitment of experts were concluded, and the recruited staff assumed duties in 2013.

ERERA also deepened its relations with other regulatory bodies and institutions, as well as operators with the establishment and operationalization of two Consultative Committees, one for Regulators and the other for Operators. The establishment of the Consultative Committee of Consumers is scheduled for 2014.

Furthermore, ERERA remained focus on the organization of the electricity market with the launch of the process for the recruitment of consultants to carry out regulatory studies namely, the development of the 2013-2017 strategic plan, the development of the regional capacity building plan, the review of WAPP operational manual - a set of regulations comprising the operating rules for the regional interconnected network, the harmonization of contractual practices, the access of eligible clients to the regional network and the development of a methodology for the calculation of transmission tariffs.

During the period, ERERA also provided assistance to the ECOWAS Commission in the formulation of the terms of reference for updating the regional energy policy,



as well as to Member States seeking to establish national regulatory bodies, in addition to supporting existing national regulators.

ERERA equally succeeded in creating a permanent discussion platform for all stakeholders, including regulators, operators, academia, researchers and consumers through the organization of its third and fourth Forum in November 2012 in Dakar, and November 2013 in Banjul respectively.

Many capacity building activities were undertaken including participation in seminars and training, as well as finalization of a training needs framework for staff.

ERERA actively participated in regional meetings at all levels. This enabled ERERA officials to better understand the issues

relating to regional integration.

This notwithstanding, the period 2012-2013 came with its own challenges; in particular, funding issues which contributed in slowing down ERERA's activities. However, the prospects are good. The institution is in the process of finalizing its internal rules and procedures, confirming its professional staff as well as establishing the Consultative Committee of Consumers.

In 2014, ERERA will complete the implementation of the regional benchmarking, the adoption of the regional electricity market model and rules, and carry out further studies on the wholesale market in the short-term, as well as capacity building and development of best regulatory practices.

El Hadj Ibrahima Thiam



1 INTRODUCTION

Today, more than ever, the fifteen ECOWAS Member States are facing the challenge of providing regular supply of clean, stable and affordable electricity at the regional level. It is therefore imperative that they honour the commitment made in 1999 by the Authority of Heads of State and Governments to interconnect national electricity networks in order to pool electricity and ensure optimal sharing of regional energy resources. However, the development of trans-border electricity interconnections is the first stage towards the creation of a true regional energy market. This should be accompanied by the institutional architecture for supervision and support for the stakeholders on the market which, more specifically, requires the establishment of an independent and efficient regulatory entity for the region.

This second stage is primarily based on the Supplementary Act A/SA.2/01/08 that created the ECOWAS Regional Electricity Regulatory Authority (ERERA) in 2008, as well as the Regulation of 15 December 2007 (C/REG.27/12/07) stipulating ERERA's composition, organization, functions and operation.

One of the principal missions assigned to ERERA by the Authority of Heads of State and Government is to promote increased trans-border electricity exchanges in the region and to speed up the development of an open and competitive regional market. Regional regulation should govern the definition of the legal and contractual framework that will protect investments, as well as supervise transactions among the various stakeholders in the regional electricity market.

It is for these reasons that ERERA has focused its initial activities on the development and consolidation of the West African regional power market. This was the main objective underpinning activities undertaken in 2012 and 2013 essentially geared towards organising the regional power market.

This report of activities presents the activities carried out in 2012 and 2013, as follows:

- Status of implementation of activities under the 2009-2013 rolling programme
- Perspectives for 2014.

2 STATUS OF IMPLEMENTATION OF ACTIVITIES

The two years in focus were essentially devoted to the continuation of the following actions initiated during the previous fiscal year: development and adoption of the rules of internal procedures, staff recruitment, capacity building, launch of the main regulatory activities, participation in the meetings of the bodies and institutions of ECOWAS, as well as to high-level international meetings.

The Regulatory Council adopted ERERA 2012 and 2013 Programmes of Activities and Budgets, respectively, at its eleventh and twentieth sessions, and ensured their implementation according to an approved action plan as follows:

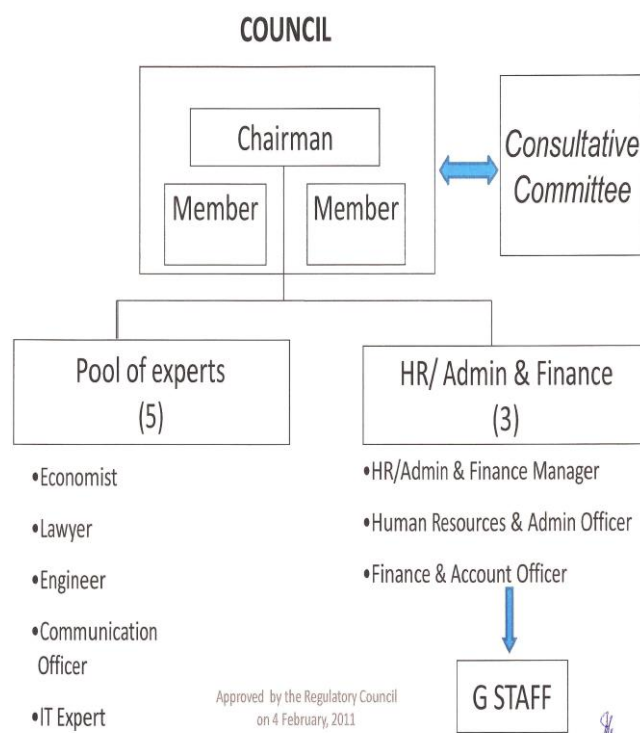
2.1 Activities Pertaining to the Establishment of ERERA

a. Finalization and adoption of the manual of internal procedures

A manual of human resources, administration and financial procedures was developed to ensure the efficient and smooth running of ERERA. The manual describes the internal organization of the functioning of ERERA and defines the procedures to be implemented by the entire ERERA staff.

b. Staff recruitment

Staff recruitment, which started in 2010, when positions were advertised, continued till 2013, based on the organizational chart adopted by the Regulatory Council.



However, the process was initially stalled following a decision by the 66th ECOWAS Council of Ministers to freeze recruitments in all ECOWAS institutions.

Eight (8) vacancies were declared thus:

- A Power Expert
- A Legal Expert ,
- An Economist Expert,
- Head of Human Resources, Administration and Finance,
- An Information Technology Expert,
- A Communications Officer,
- An Accountant,
- An Administrative Officer.



On the advice of the recruitment consultancy firm and in agreement with the ECOWAS Commission, ERERA drew up a shortlist of candidates for the Expert positions. The recruitment process for the position of Expert Economist proved unsuccessful.

After the initial delay, interviews were finally conducted in February 2013 and most of the selected candidates assumed duties in June and July 2013, respectively.

c. Cooperation Agreements with other regional institutions

ERERA previously signed a Memorandum of Understanding (MOU) with the African Forum for Utility Regulators (AFUR), the Organization of Caribbean Utility Regulators (OOCUR) and the University of Cape Town Graduate School of Business (UCGSB).

ERERA also became an affiliate member of the Energy Regulators Regional Association (ERRA) and the National Association of Regulatory Utilities Commissioners (NARUC).

Preliminary discussions were held with other regional institutions to which a draft cooperation agreement was presented. It includes the following institutions:

- Regional Electricity Regulators Association of Southern Africa (RERA)
- South Asia Forum for Infrastructure Regulation (SAFIR)

- Association of the Mediterranean Regulators for Electricity and Gas (MEDREG).

ERERA entered into cooperative agreements with other regulatory authorities at the national level, outside of ECOWAS, such as the Regulatory Authority of Mauritania, which is a shareholder with Mali and Senegal in the interconnected Senegal River Basin Development Authority. For this purpose, an ERERA delegation carried out a study visit to the Regulatory Authority of the Islamic Republic of Mauritania (ARE) from 18th to 20th March 2013. Following on visits to the various stakeholders in Mauritania, the Presidents of both institutions - ERERA and ARE - proceeded to sign a Memorandum of Understanding binding both institutions.

d. Establishment of Consultative Committees

In November 2011, the Regulatory Council implemented, the Committee of Regulators and the Committee of Operators at the second Regulatory Forum. These committees held their first meeting on 22th and 23rd March 2012 in Accra.

Participants held discussions on the following points:

- the status of implementation of ERERA roadmap;
- the terms of reference of the Committee of Regulators and Operators;



Members of the Consultative Committees of Regulators and Operators meeting in Dakar, Senegal.

- support to Member States engaged in the establishment of a regulatory body and;
- the preparation for the third forum on regulation.

The second meeting of the Consultative Committees of Regulators and Operators of ERERA took place in Dakar on 22nd November, 2012.

The meeting focused on the presentation of the methodology and the work plan for the implementation of regulatory studies, as well as on the status of the implementation of the programme of support to Member States which are in the process of establishing their own regulatory bodies.

Both meetings brought together representatives of the ministries in charge of energy, national electricity regulatory

authorities and electricity companies of Member States.

Participants were informed of the launch of regulatory studies, their methodology and work plan. The participants were asked to give their support for the collection of data as well as to the Consultants hired by ERERA for the studies. They were also informed on the progress of the implementation of the programme of support for the creation of regulatory bodies in the States which do not have any.

e. Third and Fourth Regional Forum on Regulation

To promote cooperation, the exchange of information and assistance between regulators of ECOWAS Member States, ERERA created a permanent discussion platform for regulators and all stakeholders in the energy sector within the region, and named it ERERA's Regulatory Forum.

The forum brings together, on an annual basis, more than a hundred participants from the ministries in charge of energy and finance, regulators and operators within the ECOWAS electricity sector, electricity companies and organizations and regional and international institutions. It is also attended by academics, researchers, civil society organizations, consumer associations and employers, donors and other development partners, as well as energy specialists, and stakeholders from different regions of the world.

The Third Regional Forum was held on 20th and 21st November 2012 in Dakar, Senegal with the theme, Bridging the Gap between Electricity Demand and Sustainable Supply in West Africa: The Regulatory Imperatives. This forum, chaired by Aminata Tall, Secretary General of the Presidency of the Republic the forum enabled discussions to focus on current topic related to improving the economies of the region through the provision of sustainable energy.

Participants had fruitful exchanges and authentic dialogue was established among all stakeholders in the regional electricity market. The forum also discussed the review of reforms of the electricity sector of national and regional electricity markets, and considered the conditions for attracting investments to the region. Participants exchanged views on technological innovations and the development of renewable energies; and also discussed tariff issues and monitoring of performance.

The Fourth Regional Forum on the Regulation of the Power Sector was held in Banjul, The Gambia on 20th and 21st November 2013, within the framework of setting up an ECOWAS regional power market.

H.E. Dr Ajaratou Isatou Njie-Saidy, Vice President of the Republic of The Gambia presided over this international forum. The main theme of the conference was Fast-



Participants on the high table at a session during the third forum in Dakar.



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(L-R): Ambassador Jonathan Oluwole Olu Coker, representing the President of the ECOWAS Commission; Mr. Abdoulie Jobe, Director General of the Public Utilities Regulatory Authority (PURA) of The Gambia; The Gambia's Minister of Energy, Mrs. Teneng Mba Jaiteh; Dr. Ajaratou Njie-Saidy, Vice President of The Gambia and El Hadj Ibrahima Thiam, ERERA's Chairman, at the opening of the 4th ERERA Forum in Banjul.



Participants at the 4th ERERA Forum on regional electricity regulation in Banjul, The Gambia.



tracking the regional electricity market: the regulatory issues .

There were several sessions which made it possible to discuss the following thematic areas:

- Pre-requisites for establishing a regional power market through, in particular, the development of electricity generation and distribution infrastructure;
- Market design and the regional power market Rules;
- The specificities of the national markets and convergence towards a harmonised regional power market;
- The major and key principle of the organization and functioning of the regional power market on the basis of open access to the regional transmission network;
- The necessity of opening up national electricity markets, on the basis of lessons learned from national power markets in the West Africa region;
- Opportunities and barriers to be overcome in order to speed up energy integration at the regional level;
- Criteria for the design and operation of an electricity exchange system, as well as the validity criteria for the security of network operations,
- Tariff-setting methodology for regional power transmission in West Africa.

The main points that emerged from the discussions and debates were the need to strengthen solidarity

in regional power issues through developing power interconnections and trans-border exchanges. In addition, emphasis was placed on building the necessary capacity for the development of exchanges in areas such as transmission tariff-setting.

Preceding the fourth forum was the fourth meeting of ERERA's Advisory Committees of Regulators and Operators, which took place on 19th November 2013 at the same venue.

The purpose of the meeting was to present the ERERA road map activities, the Directive on the organization and operations of the regional power market, implementation modalities for the establishment of an Advisory Committee of Consumers, as well as the methodology and collection mechanism for benchmarking data.

2.2 Organization of the market

The tasks under this second phase of activities aim to improve on the way the market is currently operating and improve bilateral agreements for the development of a regional electricity market.

2.2.1 Regulatory Studies

Some of the tasks under this heading as specified in the activities programme and budget for 2012 adopted by the Regulatory Council could not be fully carried out primarily due to the delay in the recruitment of professional staff.

The Regulatory Council launched a procurement process to select consultants and/or firms to assist in the implementation of the following key activities.



LOT I:

1. Development of a five-year Strategic Plan
2. Development of a regional capacity building plan

LOT II:

3. Definition of access rules for eligible customers to the regional network
4. Definition of a tariff methodology for determining transmission costs and tariffs
5. Development of contractual best practices
6. Regional benchmarking

LOT III:

7. Review of WAPP's Operations Manual

Following the conclusion of the procurement process, Lots I and II of the studies were awarded to PPA Energy Group and ARTELIA, while Lot 3 was awarded to Tractebel Group Eng.-ELIA-RTE. The studies, which began on 10th December 2012 for lots I and II, and 22nd November 2012 for Lot 3, according to a work schedule agreed between the Consultants and ERERA, have been concluded.

The first study involved national regulatory authorities and various stakeholders in the preparation of a strategy on regional regulation for 2013-2017. It defined a plan to roll-out the regulatory instruments in tandem with the setting up of the regional market, at both national and regional levels. The plan itself, in essence, provides clear guidelines on ERERA's objectives

and relationships with stakeholders as well as on ERERA's performance-based management. It specifically includes an evaluation of financing requirements for ERERA's activities over the period, as well as a funding plan.

The second study provided ERERA with a capacity building plan extending to national regulatory authorities and ministries, where required, as well as for WAPP and national utilities.

The third study on the definition of rules of eligibility for customer access to the regional network will make it possible for ERERA to establish a consensus on regional rules and criteria acceptable to all for access to the interconnected regional network. These rules shall, at the end of the process, form components of the Regional Network Code. A national strategy to open up the power sector, incorporating regional perspectives, was drawn up by ECOWAS Member States; an inventory of required actions was formulated to prepare open access for eligible customers to join the interconnected regional network, within the framework of a national or sub-regional bulk market.

The fourth study was on the definition of tariff-setting methodology to determine transmission costs and tariffs. This study has made it possible to begin the process for creating harmonised rules to calculate costs for access to the networks, transit, auxiliary services including cost-sharing rules for transmission between generators and consumers. This is a necessary preliminary for institutional harmonisation. This activity will lead to the adoption by the ECOWAS Council of Ministers of a Regulation on the computation of regulatory levies payable



to ERERA for the interconnected regional network.

Study 5 on the preparation of contractual best practices was aimed at reformulating existing bilateral contracts used for cross-border power exchanges and transforming them into contracts denominated for wholesale markets in order to facilitate contracts structuring and sharing amongst several stakeholders. The completed studies identified critical aspects of the electricity power exchange agreements and related best practices. ERERA plans to propose model contractual provisions for cross-border trade and to solidify a consensus on a strategy for adapting existing contracts. To this effect, a Community Directive on the Organization of the Regional Power Market was drawn up by ERERA and adopted by the ECOWAS Council of Ministers. One of its main components is the harmonisation of cross border power contracts in the region.

Study 6 is a regional benchmarking exercise on existing regulatory practice, examining public service and national regulatory authority performance. It uses key indicators such as the contractual rules in force, sector and operators' technical and financial performance, or more targeted ones (transmission and generation reliability, transaction costs, effective implementation of regulatory mechanisms, etc.) The study findings were presented as detailed and comprehensive reports, including a comparative analysis of several indicators used by national regulators and electricity utilities.

Finally, the seventh study is on the review the WAPP Operations Manual with the

aim of examining all the provisions in the Manual. All stakeholders will be consulted and their responses analysed. The study has contributed towards identifying implementing measures to harmonise rules of operation and shall recommend approval procedures for the WAPP Operational Manual to the ERERA Regulatory Council. The outcome of this activity shall also be the adopted by the ECOWAS Council of Ministers through a Regulation on the operating rules for the regional interconnected network.

It should be pointed out that all these study reports, with the exception of the seventh, were submitted to the national regulatory authorities and power utilities in the region, for review and comments. The ERERA Regulatory Council adopted them during its 23rd session convened on 17th May 2013.

2.2.2 Organization of the Regional Market

a. Capacity building

This activity conducted in 2012 is part of on-going regulatory studies, and should lead to the development of a plan to develop regional capacity building.

However, it should be noted that internally, several capacity building activities were undertaken including the 3rd Workshop on "Foundations of Regulation." This was organized within the framework of the technical assistance programme of NARUC/ USAID to ERERA and the West African Gas Pipeline Authority (WAGPA)

This workshop was held from 24th to 6th April 2012 in Lomé, Togo. The workshop was attended by staff of ERERA and WAGPA, as well as national regulators who were invited



by ERERA (Burkina Faso, Ghana, Nigeria and Togo).

The topics covered gas metering, safety valves of gas transmission network, losses in electrical networks, promotion of investment in transmission networks, planning for appropriate transmission of electricity and regional markets trends.

b. Study on the organization of the market ; definition of Short Term and Bulk market, approval of market rules

The conclusions and recommendations of the Regional Power Market design studies prepared by the WAPP Secretary-General were conveyed to ERERA, for approval. They include inter alia:

- A roadmap for the establishment of the market.
- The design of the regional power market.
- Market rules.

ERERA invited all stakeholders in the sector to make their comments and went on to organise a consultative meeting to discuss the conclusions and recommendations of the Regional Power Market design study.

This meeting took place from 6th - 12th May 2013 during the third meeting of the Consultative Committees of Regulators and Operators..

The meeting examined the market study and the draft Regional Market Rules. The document was reviewed, article by article, in order to incorporate suggested amendments and to improve on it. The changes were incorporated into the final draft to be submitted for a final reading by the Advisory Committees, prior to

submission for adoption by the ERERA Regulatory Council.

c. Market Directives

Based on the findings of the regulation studies referred to above, ERERA drafted a Community Directive on the organization of the regional power market. This Directive was approved by the 10th meeting of ECOWAS Energy Ministers and adopted by the 70th session of the ECOWAS Council of Ministers held on 20th and 21st June 2013 in Abidjan, Côte d'Ivoire.

The Directive aims to ensure that all national power markets adhere to the same basic rules in order to work together within the future regional power market. It plans for the gradual establishment of this market so that national power systems may adapt to it in a flexible and rational manner, taking into account the existing state of organisational diversity. It defines the major principles governing the Regional Power market within the framework of the ECOWAS Energy Protocol.

The Directive consists of 14 articles on:

- Regional Market design and its various stages;
- Open access to the regional transport network and access for eligible customers;
- Harmonisation of contractual provisions on cross-border power exchanges for importing and exporting electricity; and,
- Strengthening of national regulatory authorities.

Of special mention is that alongside the review of this Directive, regional



energy experts examined and validated the draft rules on payment of regional trans-border electricity regulatory fees with a view to establishing a regional financing mechanism for ERERA to enable it to function like any autonomous and independent regulatory entity. The experts suggested that electricity sector operators in each Member State contribute up to 30 per cent of the ERERA budget during the transition period. The draft Regulations thus formulated shall be submitted for validation at the next Energy Ministers' meeting, and on to the ECOWAS Council of Ministers, for adoption.

2.2.3 Harmonization of rules and institutions

The activities under this section in 2012 focused on the aspect relating to the establishment of regulatory bodies.

Within the context of support to ECOWAS Member States for the establishment of independent regulatory bodies, and following the request of Guinea, ERERA initiated assistance in this Member State intended to help towards the establishment of a regulatory authority for its electricity sector. Similar support was extended to Sierra Leone, which was in the process of creating a regulatory authority for water and electricity utilities.

To this end, ERERA organized a national awareness workshop in Conakry, Guinea on 26th and 27th September 2012 which was attended by about fifty participants, representing all national institutions and other stakeholders.

Another workshop was held in Freetown, Sierra Leone on 8th and 9th October 2012

where 120 participants, representing all national stakeholders, took part. Experts of national regulatory authorities in the region also attended these workshops.

The objective of these workshops was mainly to explain the need for specific regulation of the electricity sector and also discuss the need for harmonization of national regulatory procedures with those of other States in the region. The issues were discussed within five sessions viz:

Session 1: Introduction to regulation: theory, principles, concepts and institutions

Session 2: Status of regulation in West Africa

Session 3: Mandate, missions, composition, organization and functioning of a regulator (best practices)

Session 4: Regulatory experiences with case studies from Senegal, Mali, Niger, Ghana, Nigeria, Gambia and Côte d'Ivoire (historical and current organizational reforms in the energy sector; regulation: role, responsibilities and organization mode of the regulatory authority; assessment: success stakeholders and pitfalls to avoid).

Session 5: Discussions and exchange of ideas on the case of each of the countries concerned, reforms and the current organization of the energy sector, the potential roles and responsibilities for the regulator, the model organization, success factors and pitfalls to avoid, etc.

The workshops were concluded with recommendations made by the participants, which are summarized below:

- Development of a clear roadmap



and accurate implementation of the plan for the establishment of the regulator;

- The establishment of a Committee for the development and monitoring of the enactment of the required legislation;
- The creation of a focal point at the national level for monitoring the process;
- Rigorous monitoring of the process by all stakeholders.

2.3 Audit

ERERA completed an audit of its financial statements in 2011 and 2012. This audit was conducted by KPMG Ghana, an accounting firm recruited by the ECOWAS Commission to audit the books of its specialised agencies and institutions.

2.4 Other activities

ERERA participated in several international meetings including meetings of ECOWAS institutions and statutory bodies, high-level international conferences and events. They are as follows:

a) Staff capacity building

In order to lay a good foundation for internal capacity building of ERERA, the following measures were taken:

- A framework of training needs based on job descriptions for all staff of General Services was created in May / June 2012. This was the basis for the design and development of a “self-assessment questionnaire” asking staff their areas of expertise which need to be strengthened.
- The answers to the questionnaire, as well as information on capacity

building requirements obtained from the evaluation conducted by the Members of the Regulatory Council and the Human Resources Manager will serve as recommendations for strengthening staff capacity in 2013.

- A number of potential training institutions, which have a good track record in training, including the United Nations and the Inter-Services Forum (OFIS) in Burkina Faso, Ghana Institute of Management & Public Administration (GIMPA) and Management, Development & Productivity Institute (MDPI), both based in Accra, as well as the budget Conferences in South Africa were identified and recommended for capacity building in 2013.

ERERA's staff participated in several other workshops and seminars, stated below:

- Training on the development of water and electricity Tariffs (Bamako , 19th to 25th February 2012)
- NARUC Regulatory Training (Washington, 11th to 15th May 2012)
- Electricity Law Seminar (Washington, 9th to 13th October 2012)
- Workshop on the Development of an Electricity Law and Renewable Energy Strategy for the Gambia (Banjul, 5th to 9th December 2012)
- ERRA Tariff / Pricing Committee meeting
- Training of all General Service staff on Microsoft Office application software (Accra, 14th to 18th May 2012)
- Workshop for staff of ECOWAS on the computerization of institutions (Abuja, 19th to 23rd March 2012)



- Workshop for Professional Staff of ECOWAS on the use of electronic tracking system tasks-TAMOSYS- (Abuja, February 2012)
- Training of Finance Officer on the use of a new accounting software-TOMPRO (Accra, 11th to 15th June 2012)
- Training in Office Administration by Budget Conferences in South Africa. (Cape Town, 13 to 18 August 2012).

b) Statutory ECOWAS meetings

- The 40th Ordinary Session of the Assembly of Heads of State and Government of ECOWAS held on 16th and 17th February 2012 in Abuja (Nigeria).
- The 41st Ordinary Session of the Assembly of Heads of State and Government of ECOWAS held on 28th and 29th June 2012 in Yamoussoukro (Côte d'Ivoire).
- The 68th and 69th sessions, respectively, of the Council of Ministers of ECOWAS, held in Abidjan, Côte

d'Ivoire on 11th and 12th June 2012 and from 30th November to 2nd December 2012.

- 42nd Ordinary Session of the ECOWAS Authority of Heads of State and Government (Abidjan, 25th February - 1st March 2013)
- 43rd Ordinary Session of the ECOWAS Authority of Heads of State and Government (Abuja, 17th - 18th July 2013)
- Extraordinary Summit of ECOWAS Heads of State and Government (Dakar, 24th - 25th October 2013)
- 10th Meeting of ECOWAS Energy Ministers held on 24th May 2013 in Yamoussoukro.
- 70th session of the ECOWAS Council of Ministers, held in Abidjan, 20th and 21st June 2013)
- Extraordinary Meeting of ECOWAS Council of Ministers held from 30th



Some staff in brainstorming sessions.



September - 2nd October 2013 in Abidjan

- 71st Ordinary session of the ECOWAS Council of Ministers (Abidjan, 16th - 17th December 2013)
- 14th Meeting of the ECOWAS Administration and Finance Committee (Abuja, 4th - 8th November 2013).

c) High-level conferences and other international events

- Forum on International Francophone Electric Power (Cotonou, January 16th - 22nd 2012).
- The Gambia National Forum on Renewable Energy Regulation (Banjul, 29th January - 2nd February 2012).
- Meeting of National regulators of the electricity sector in Central Africa (Brazzaville, 31st January - 3rd February 2012).
- UNCTAD Multi-year Expert Meeting on Services, Development and Trade: The Regulatory and Institutional Dimension (Geneva, 21st to 25th February 2012).
- Transmission Interconnection Project Bolgatanga, Ghana - Ouagadougou, Burkina Faso, 20th to 22nd February 2012).
- ERRA Training Course on Energy Regulation for Emerging Countries (Istanbul, 24th to 31st February 2012).
- Meeting of Experts on the Development of Rural Electrification (Niamey, 26th March - 3rd April 2012).
- ECREE Board meeting (Praia, 7th to 14th April 2012).
- Annual General Assembly of AFUR and Training Programme (Centurion, 14th to 20th April 2012).
- Partnership Forum of the Africa-EU Energy Partnership (Cape Town, 7th to 10th May 2012).
- Fifth World Forum on Energy Regulation (Quebec, 11th to 19th May 2012).
- 17th Congress of UPDEA (Tunis, 26th May - 1st June 2012).
- Reunion of UNECA (Lome, 6th to 9th June 2012).
- Meeting of the Market taskforce and the Technical Committee Operations (CTE) of the WAPP (Cotonou, 10th to 13th June 2012).
- Board of ABREC (Lomé, 21st -23rd June 2012).
- 21st WAPP Donors Coordination Meeting (Cotonou 21st to 23rd June, 2012).
- CIGRE SESSION 2012 (Paris, 24th August - 1st September, 2012).
- Board Meeting ECREEE and Investment Forum in Renewable wEnergy, ECREEE (Praia, 23rd - 30th September 2012).
- Energy and tariff: regulation (Paris, 10th - 13th October 2012).
- 11th Energy Investment and Regulation Conference (Izmir, 14th - 19th October 2012).
- Regional Meeting of Ministers Sector Action Plan on Infrastructure Development and the PIDA programme in the ECOWAS region (Yamoussoukro, 6th - 9th November 2012).
- Provision of Sustainable and Affordable Energy for the Socio-Economic Development of the ECOWAS Region. (Banjul 4th - 9th December 2012)
- Meeting of ERRA Chairmen (Abu

Dhabi 4th - 10th February 2013)

- Meeting of Heads of Administration and Finance in ECOWAS institutions (Abuja, 3rd - 9th February 2013)
- UNCTAD Multi-year Experts meeting on trade, services and development (Geneva 23rd - 27th February 2013)
- Study visit to the Mauritanian Regulatory Authority (Nouaktchott, 16th - 28th March 2013)
- National Policy Forum on renewable energy (Banjul, 18th - 28th March, 2013)

- Inaugural meeting on preparations for the Fourth ERERA Forum (Banjul, 23rd - 28th March 2013)
- Participation in the ECOWAS awareness-raising workshop in Conakry (Guinea, 25th - 29th March 2013)
- 9th annual coordination meeting of ECOWAS development partners (Abuja, 6th - 9th April 2013)
- High-Level Round Table of representatives of regulatory entities



ERERA hopes to make a greater impact in the coming years through stakeholder engagement.





of emerging economies (Istanbul, 6th - 11th April 2013)

- Seventh Meeting of the Board of Directors of the African Society of Biofuels and Renewable Energy Corporation (ABREC) (Lomé, 24th - 25th April 2013)
- Meeting of the Technical Committee on the computerisation of ECOWAS institutions (Abuja, 27th April - 3rd May 2013)
- 3rd ERERA Consultative Committee meeting (Lomé, 4th - 12th May 2013)
- 23rd Coordination meeting of WAPP donors (Cotonou, 13th - 16th May 2013)
- USAID / West Africa / NARUC workshop on regional partnerships for clean energy (Praia, 19th - 24th May 2013)
- Meeting of Energy Ministers (Abidjan, 19th - 25th May 2013)
- Meeting of ERRA Competition Committee (Budapest, 8th - 12th June 2013)
- ECOWAS Audit Committee meeting (Abidjan, 13th - 15th June 2013)
- Meeting of ECOWAS Energy experts

(Dakar, 22nd - 23rd July 2013).

- ECOWAS Regional workshop on Sustainable Energy for All, Guinea Bissau, 11th - 13th September 2013)
- 12th ERRA Annual Conference (Tallinn, 16th - 19th September 2013)
- 9th WAPP CTE meeting (Ouagadougou, 23rd - 25th September 2013)
- ECOWAS Budget arbitration meeting (Abuja, 24th - 26th September 2013)
- 7th Meeting of the Strategic Planning and Coordination Committee (SPCC) (Lagos, 8th - 11th October 2013)
- ABREC-SABER Executive Council Meeting (Lomé, 22nd October 2103)
- 2nd ECREEE Technical Committee meeting (Praia, 25th - 29th November 2013)
- European Summit on Energy Generation Strategies (Vienna, 27th - 29th November 2013)
- ABREC Board of Directors Meeting (Lomé, 10th December 2013)
- APUA/ASEA annual meeting (Abidjan, 11th - 12th December 2013)



3 PERSPECTIVES

In 2014, ERERA will be fully operational with its full staffing complement in place. The 2014 activities will primarily focus on two areas of intervention, relating to:

1. Establishment of ERERA

Five years after the commencement of its activities, ERERA still has no permanent headquarters building. The year 2014 will be a critical one for ERERA to finally be installed in permanent facilities that are conducive to the success of the missions assigned to it.

Furthermore, ERERA will undertake several activities that are aimed at finalizing the adoption of the internal rules and procedures for its operations.

2. Regulatory Actions

ERERA will continue to implement measures planned for the organization and development of the regional power market, within the framework of the 2013 programme of activities. These measures, in particular, are:

- Support for the organization of the national and regional power market through, specifically:
- Finalising the approvals process for the WAPP Operations Manual
- Approval of the Regional Market Rules
- Developing model contracts for cross-border electricity trading

and approval of standard contracts regional transmission interconnection

- Adoption of ECOWAS regulations on the determination of tariff-setting methodology for regional transmission and the payment of fees for regional regulation
- Development and Dissemination of best regulatory practice (establishment of regulatory bodies, harmonisation of rules and regulations for cross border exchanges).
- Assistance to Member States towards the establishment of national regulatory authorities and support to existing national regulators.

CHALLENGES

The challenges facing ERERA may be summed up as follows:

- The different stages of evolution of national markets in the various ECOWAS Member States, with differing levels of reform in the power sector and weak regulatory governance;
- The need to coordinate the agendas of the different stakeholders involved in the development of the ECOWAS power sector, with a view of implementing a holistic regional strategy towards bringing about the desired changes ;
- Finalization of ERERA technical staff recruitments and more, specifically,



the need for the urgent recruitment of an Expert Economist ;

- Need for capacity building both internally and within the region.
- Implementation of a sustainable financing mechanism for ERERA's activities as they are presently financed by donors and the ECOWAS

Commission. In the medium term to long term, funding must be guaranteed by electricity operators, and this will depend on the market development.

In the meantime, the ECOWAS Commission must continue to increase its contributions while technical and financial partners provide necessary support.



4 ANNEX

DIRECTIVE ON THE ORGANISATION OF THE REGIONAL ELECTRICITY MARKET

SEVENTIETH ORDINARY SESSION OF THE COUNCIL OF MINISTERS OF ECOWAS

DIRECTIVE C/DIR.1/06/13 ON THE ORGANIZATION OF THE REGIONAL ELECTRICITY MARKET

THE COUNCIL OF MINISTERS,

MINDFUL of Articles 10, 11 and 12 of the ECOWAS Treaty, as amended establishing the Council of Ministers and defining its composition and functions;

MINDFUL of Articles 28, and 55 of the said ECOWAS Treaty relating to the promotion, cooperation, integration and development of energy projects and energy sectors of the Member States of the Community within the framework of creating a customs union and an economic and monetary union;

MINDFUL of Protocol A/P.1/7/91 as amended, relating to the Court of Justice of the Community;

MINDFUL of Protocol A/P.2/8/94 as amended, relating to the Parliament of the community;

MINDFUL of Protocol A/P.4/1/03 hereinafter referred to as the "ECOWAS Energy Protocol", establishing the legal framework to promote long term cooperation in the ECOWAS energy sector based on complementarities and mutual benefit with a view to achieving increased investment in the energy sector and increased energy trade in the West African sub region;

MINDFUL of the Supplementary Act A/SA.2/01/08 establishing the ECOWAS Regional Electricity Regulatory Authority (ERERA);

MINDFUL of Regulation C/REG.27/12/07 as amended, concerning the Composition, Organization, Functions and Operations of the ECOWAS Regional Electricity Regulatory Authority (ERERA);

MINDFUL of Decision A/DEC.5/12/99 relating to the establishment of a West African Power Pool (WAPP);

CONSIDERING the fact that currently, because of the structural differences in national electricity sector within ECOWAS Member States, there are different structures for the regulation of the electricity sector;

ACKNOWLEDGING the need to set up a regional regulatory body with the principal objective of

developing an attractive investment climate for investors and for the development of cross-border trade within the ECOWAS electricity sector;

CONVINCED that regional electricity regulation and open access to regional transmission network are imperative for the efficient operation and monitoring of cross-border electricity trade and constitute a necessary condition for the development of the regional electricity market;

NOTING that the regional electricity market must be developed gradually to enable national electricity sectors adapt in a gradual and rational manner the current diversity in the way they are organized;

DESIRING to promote a regional approach to cross-border electricity trade and to ensure the harmonization of institutions and rules within ECOWAS, with a view to organizing the regional electricity market and creating favorable conditions for the development of investment and capacity within the member States of ECOWAS;

UPON THE RECOMMENDATION of the Tenth Meeting of Ministers of Energy of the Member States of ECOWAS, held in Yamoussoukro, Côte d'Ivoire on 24th May 2013;

ADOPTS:

Article 1: Definitions

For the purposes of this directive, the under-listed definitions are applicable:

CROSS-BORDER ELECTRICITY TRADE AGREEMENT

Agreement made, within the framework of the regional electricity market, between a seller and a buyer, for the delivery of electricity, using a Transmission Network and cross-border interconnection by which the seller is committed to transfer the volume of electricity agreed to the buyer within the prescribed interval or intervals and at an agreed price;

CROSS BORDER INTERCONNECTION

The lines that connect two or more national transmission networks and connecting the power systems of at least two ECOWAS Member States, including metering equipment placed on the Regional Transmission Network nodes located in each of the participating Member States.



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DE L'ÉLECTRICITÉ DE LA CEDEAO**

ELECTRICITY EXPORT

Sale or supply agreement for electricity to a State other than that in which electricity is produced and whose delivery requires the use of a Cross-Border interconnection;

ELECTRICITY IMPORT

Purchase agreement of electricity from a State other than that in which the electricity is produced and whose delivery requires the use of a cross-border interconnection;

ELECTRICITY SECTOR

All the activities of generation, transmission, import, export, distribution and marketing of electricity, as well as all the stakeholders involved in these activities in any given Member State or through ECOWAS, including national and regional institutions, utilities and consumers;

ERERA

ECOWAS Regional Electricity Regulatory Authority the body mandated to regulate the regional electricity market, as defined by Regulation C/REG.27/12/07 on the Composition, Organization, Functions, and Operations of the ECOWAS Regional Electricity Regulatory Authority;

REGIONAL ELECTRICITY MARKET

All cross-border electricity trading and related services made through the regional interconnected transmission networks within the ECOWAS sub-region;

REGIONAL MARKET RULES

Rules made by competent authorities of ECOWAS governing the regional electricity market;

REGIONAL TRANSMISSION NETWORK

All lines and transmission substations duly declared by WAPP as constituting the Regional Transmission Network; These lines include specially regional interconnections, regional lines owned by Specific Purpose Companies of the WAPP and lines of national systems being part of the Regional Transmission System.

THIRD STATE

Any State other than the Member States of ECOWAS.

TRANSMISSION NETWORK

All high voltage lines and related equipment for the transmission of electricity, which facilitate delivery to

eligible customers or to distributors, in the context of cross-border electricity exchanges;

TRANSMISSION OPERATOR

The company responsible for maintaining the assets of the transmission network, operating and conducting Transmission System.

WAPP

West African Power Pool, a specialized institution of ECOWAS established by Decision A/DEC.20/01/06 of January 12, 2006, by the Conference of Heads of State and Governments, with a responsibility to develop electricity infrastructure and establish a unified electricity market.

Article 2: Objective

The aim of this directive is to provide the general principles to govern the Regional Electricity Market within the framework of the ECOWAS Energy Protocol.

Article 3: Scope

This Directive relates to the general organization and operation of the regional electricity market principles specified below:

- (1) Regional Market Design and Market Phases;
- (2) Open Access to the Regional Transmission Network and access by Eligible Customers;
- (3) Harmonization of cross-border contractual arrangements relating to:
 - (a) Cross-border electricity trade between a buyer and a seller within ECOWAS Member States, for import and export of electricity.
 - (b) Access, interconnection and use of the Regional Transmission Network.

Article 4: Market Design

In line with the principles of the ECOWAS Energy Protocol, the development and establishment of the regional electricity markets shall evolve according to the WAPP Market Design approved by ERERA.

Article 5: Conditions Precedent for evolution of Market Design

ERERA shall in consultation with stakeholders determine the conditions precedent for the evolution of the market from one phase to the next. Member States shall be duly notified of these conditions to allow for the adaption of national markets and regulatory frameworks required to give effect to the realization of the regional market.



Article 6 : Tariff methodology

The cross border transmission of electricity tariffs are settled according to a methodology published by ERERA in accordance with its procedures after consultation of the stakeholders.

Article 7: Regional Transmission Network Open Access

(1) In accordance with Article 7 of the Energy Protocol which provides for freedom of transit (open access) for electric power, Member States are obliged to ensure the development and implementation of the legal and operational framework to give effect to this principle.

(2) Accordingly, Member States shall ensure that the following conditions deemed necessary for open access to the regional transmission network are met within the period specified by this directive:

(a) Generation, transmission and distribution functions are at least functionally and financially independent allowing for separation of costs.

(b) The existing Electricity Acts and relevant Regulations of Member States must be adapted to provide for open access to regional transmission network Conditions of eligibility for major consumers shall be defined by Regulation.

(c) The licensing conditions and procedures for new Independent Power Provider (IPP) should be made simpler and more attractive.

(3) ERERA shall specify by way of Regulation, specific conditions for third party access to the Regional Transmission Network after due consultations with Stakeholders.

Article 8: Harmonization of Contracts

(1) Model bi-lateral Contracts

(a) ERERA shall provide stakeholders in the Regional Market, model long-term and medium term bi-lateral contracts after consultation with key stakeholders. The Model Agreements shall serve as the basic framework that shall guide contracting parties. The parties to the contract shall however be at liberty to negotiate the specific terms of their agreement.

(b) Where parties fail to reach an agreement on specific clauses of their Agreement, the relevant clause of the Model Agreement shall be adopted by the parties.

(2) Connection and Use of Network Agreements

(a) WAPP shall in consultation with the transmission system operators of Member States develop a standard Connection and Use of Network Agreement for access to the Regional Transmission Network.

(b) ERERA shall approve the standard connection and Use of Network Agreement after consultation with the national regulatory authorities.

(3) Approval

(a) All such Contracts entered into between parties shall be submitted to ERERA for approval for such Agreements to be effective.

(b) ERERA shall within a period of sixty (60) calendar days take a decision on the contracts submitted for approval. After this period, any other act notwithstanding, without any decision of ERERA, the contract is deemed approved.

(c) ERERA may, following the review of the contacts make recommendations for the deletion, modification or addition of one or more terms of the contract.

(d) Parties within the Regional Electricity Market are required to inform ERERA of any contract, agreement or protocol in force on cross-border exchanges in electricity. Parties are also required to notify ERERA of any proposed contract for cross-border electricity exchanges.

Article 9: Sanctions

(1) All cross-border electricity trade agreements in violation of the Rules of the Regional Market and the provisions of this Directive shall be void.

(2) Failure by the Regional Market participants to respect the provisions of this Directive shall result in penalties in line with Regulation C/ REG.27/12/07, adopted by the ECOWAS Council of Ministers on December 15, 2007, which are applicable in accordance with the terms and conditions specified by Article 30 of the Regulation, without prejudice to the remedies indicated particularly in Article 31 thereof.

Article 10: Strengthening of National Regulatory Authorities

(1) In order to ensure the smooth operation of the regional market, Member States are mandated to establish an independent regulatory authority where none exists.



(2) The powers of the national regulators shall be expanded to include market monitoring and tariffs setting.

(3) To protect the independence of the regulatory authority, Member States shall in particular provide the regulatory authority with legal personality, budgetary autonomy and adequate human and financial resources to carry out its duties.

(4) The national regulatory authorities shall give full support to ERERA for the implementation of the provisions of this Directive by ensuring the efficient functioning of their national markets and the regional market to promote effective competition.

Article 11: Obligations of Member States

(1) Member States shall take all measures necessary to comply with this Directive and bring into force the laws, regulations and administrative provisions required to give effect to this Directive not later than twenty-four (24) months after the directive comes into force.

(2) Member States are required to remove or adapt any legislative or regulatory provision barring the application of this Directive, particularly to do with ERERA's powers as provided by Supplementary Act A/SA.2/01/08 adopted by the Conference of Heads of State and Governments and Regulation C/REG.27/12/07 adopted by the Council of Ministers of ECOWAS.

(3) Any legislation or Regulation of Member States in relation to the application of this Directive should include a specific reference or a copy annexed thereto in the official publication.

(4) Member States shall notify ERERA of the provisions or measures taken to comply with this Directive.

Article 12: Challenges in implementation

(1) Member States shall notify ERERA of any challenges encountered in the implementation of this Directive.

(2) ERERA shall submit these challenges to the next session of the Council of Ministers.

Article 13: Publication

1. This Directive shall be published in the Official Journal of the Community within thirty (30) days from the date of its signature by the Council of Ministers.

2. It shall also be published by each Member State in its Official Journal within the same period.

Article 14: Transitional period

Cross-Border electricity trade agreements which are effective on the date of publication of this Directive, as well as contracts in transition or associated with it, shall continue to be in effect until the end of the term originally agreed by the parties.

However, in the event of any review of such contracts, the parties shall endeavor to comply with the provisions of this Directive.

**DONE IN ABIDJAN, THIS 21ST DAY OF JUNE 2013
SIGNED**

**H.E. CHARLES KOFFI DIBY
CHAIRMAN
FOR THE COUNCIL**



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