

The Role of Electricity Regulatory Commission in Regulation

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context

- The regulatory objectives to electricity regulatory commission.
- ERC Independence.
- Regulatory instruments owned by ERC:
 - * Licenses.
 - * Directives and orders
- Conclusion – Good Regulation?

The regulatory objectives to electricity regulatory commission

A. The **social regulation** such as:

- To ensure the provision of safe, secure, reliable and high quality services in all electric sector fields.
- To ensure the compliance of the activities in the sector with applicable environment protection standards and general public safety conditions enforced in the Kingdom.
- To ensure sufficient supply of electric power is being provided to customers and to protect the interests of consumers.

The regulatory objectives to electricity regulatory commission

B. The **Economic regulation** such as:

- Safeguard and maintain an efficient structure for the sector as well as to guarantee its economic feasibility.
- Encourage investment in the sector in addition to improving the operational efficiency and sale of electric power at reasonable prices.

ERC independence

- The Law promotes independence for the commission through:
 - Earmarked funding for the commission. Article 25
 - Fixed and staggered terms of appointment for regulators. Article 12-A
 - Restrictions on removal of a regulator from office without cause. Article 17
 - Court reviews for commission's decisions . Article 19

Regulatory instruments owned by the commission "Licence"

- No person is allowed to construct, own or operate an undertaking or in any way engage in the business of generation, transmission, system operation, supply or distribution, except in accordance with a license issued by the commission.
- The license is a “**contract**” between the Regulator and the investor or operator and this contract set the regulatory framework.

"Licence"

The **objectives** of the license:

- The legal framework makes it obligatory to have a license to participate in an activity to make sure that the regulatory framework is applicable and enforceable to all participants.
- Create a binding contractual instrument to implement, monitor and enforce the Law.
- Establish a predictable and non discriminatory framework for all industry participants.

”Licence”

- The license allows for the application of the same conditions on both the investor, whether public or private sector.
- The license allows reasonable earnings for efficient operation and investment, Protect consumers interests and ensure safety, security, reliability and quality

”Licence”

- Hence the licence helps ERC to implement economic and social regulation.

”Licence”

- The disadvantages:
 - put the commission on an equal footing with the investor in applying the terms or conditions of the licence, in other words, it does not give privilege or preference to the Commission as the regulator of the electricity sector.
 - The licence is considered as an **Ex –ante regulation**, and it may cause a delay of investments ,because it require long procedures to obtain and such procedures might not be very clear. (put clear procedures)

Regulatory instruments owned by the commission

Directives and Orders:

It is well known that the regulation process consists of three stages:

- 1- enactment of enabling legislation "the electricity law".
- 2- The creation of a regulatory administration and rules: "directives and orders".
- 3- and enforcement of those rules.

Electricity law has delegated the commission to issue a number of directives that are considered as important tools to regulate the sector

Directives and Orders

- The directives of electrical clearance safety.
- The directives of connection charges.
- The directives of stealing electricity and tampering with the electric system.
- Dispute resolution directives.

Directives and Orders

The Directives of Electrical Clearance Safety :

- Clearance safety is the minimum distance between the nearest electrical installations and the nearby building, so that it does not affect the electricity supply of this building.
- The aim of this regulation is to protect people from the effects of electric currents "**social regulation**".

But ERC need employees to monitor the companies' commitment.(costly)

Directives and Orders

The Directives of Connection Charges:

It regulates the cost of electricity supply from companies to consumers, which paid by consumers, the purpose of these directives is to **protect the consumer**, as it guarantees not to impose fees on consumer more than the real cost.

Directives and Orders

The Directives of Stealing Electricity and Tampering with the Electric System:

- Styles of enforcement based on deterrence, since the directives include penalties imposed on violators.
- The objective of these instructions is to maintain the continuity of electricity supply, by ensuring that companies will get a return and profits from the electricity services (prevention of stealing).
- protection of property companies from tampering and damage.

Directives and Orders

- It aims to achieve the **public interest**, noting that the legal texts to the penalty doubled if the prohibited actions threaten the public interest.
- The **problem** here is that when the companies esteem the damage or the robbery, they might harm the consumer before the incident is confirmed. Therefore, the directives explain to the consumers that he can complaint to the commission if the incident is not true.

Directives and Orders

Dispute Resolution Directives:

- The electricity law grants the council of Commission to resolve disputes that arise between the Licensees , if the contracts signed between them permit the same or if they agree to refer such disputes to the Commission and between licensees and consumers involving matters of connection and supply of electric power, quality of service and electric tariffs.
- It should be noted that the decision of the Council subject to **judicial review.** (High Court of Justice)

Directives and Orders

- The law also granted the commission to issue directives defining the procedure of submission Complaint to the commission; the amount of fees; the evidence submitted by the litigants; the organization of hearings, dates and a quorum .

But :

- The law did not give the Commission the authority to decide on all disputes.(restricting the competent of Commission)
- The courts and the other arbitrators would have no sufficient experience with the electricity sector affairs.

Conclusion:

The commission did important steps to achieve the regulatory **transparency principle**:

- The decisions and regulations that issued from the commission via the official Gazette or the commission web site.
- Let the public participate , consumers and companies, in the regulation process via receiving their opinions, comments and recommendations .
- The commission guarantees law- drafting the directives, regulations, and decisions in a clear and understandable way to assure its validity .

Conclusion:

To check if the good regulation is applied on the electricity sector regulation in Jordan:

The legislative Mandate

The Electricity Law No. 64 / 2002 which was issued by legal procedure granted the commission the authority of regulating and controlling the sector, and also the law guaranteed the commission the regulating tools to manage the sector, as issuing regulations, directives, licenses and decisions. So the commission validity in managing the sector is assured .

Conclusion:

Accountability or Control:

- The electricity law didn't indicate that there is a supervision authority from parliament on the commission, so the parliament cant check up and evaluate commission performance **in a direct way**.
- But the parliament has the right to check up and observe the council of ministers , so the commission performance can be observed in **an indirect way** through the council of ministers .
- judicial supervision (High Court of Justice).

Conclusion:

Due Process:

We can notice that this criteria is connected with the transparency term, and it was explained how the commission apply transparency, in a way which it guarantees that all of its decisions are clear, fair and accessible.

Expertise:

The expertise criteria is applied in a clear way on the commission for the following reasons:

Conclusion:

- A. The law defined the conditions which have to be available in the council of commissioners , and they are:-
- Holding at least a bachelors degree in the subjects of law, accounts, administration, economics, engineering, or general finance and having minimum fifteen years experience in the profession related to the degree he possesses;
 - or possesses at least a bachelor's degree and having minimum ten years experience in public or private sector in the field of generation, transmission, system operation, supply and distribution.
- B. the employment criteria stipulated to have capability, experience and skills.
- C. Training programs for the employers to increase their experiences.

Conclusion:

D .The Council may decide to call experts or consultants to deliver their opinions and suggestions on matters submitted to them, and shall be entitled to form technical and consultative committee or committees to render them advice.

Efficiency:

- Urges support on the basis that the legislative mandate is being implemented at the least possible level of inputs and there is a productive efficiency.
- the ERC tries to use the tools and the guaranteed regulated authorities in applying the regulation in high competency, as these regulation tools were designed and formed in an efficient way while using it.

Thank you