

# RES-E Regulatory Principles and Selected Findings

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1. Background of the project to create the RES-E Regulatory Principles document
2. Process for drafting the Principles
3. Selected findings
4. Practical use and application of the RES Principles in the work of energy stakeholders and policymakers

# 1. Objectives of the project

- Improve regulatory cooperation and harmonization across the participants of the Black Sea Regional Regulatory Initiative (BSRRI) in order to help a more regionally coordinated and harmonized utilization of renewable energy resources (RES)
- Expectation: better harmonization of RES related regulations, including harmonized licensing practices could help mobilizing private and public investments at the regional level that could be justified by the resources themselves

- BSRRI partner countries are well endowed with RES resources of different kind
  - In particular, hydro (Armenia, Azerbaijan, Georgia), biomass (Moldova, Ukraine) and wind (Turkey, Ukraine) resources are abundant
- RES resources are often complementary in the region (hydro, wind, biomass)
- Reducing gas import dependence is an important motivation for deploying RES in Armenia, Moldova, Turkey and Ukraine
- Green growth is a recognized opportunity by many

- Some BSRRI countries have already succeeded in establishing policies and regulations to promote RES
  - E.g. feed-in tariff schemes in Armenia, Azerbaijan, Turkey and Ukraine
- Investor interest is significant
  - Pressure on transmission operators to connect RES generators is increasing. Their knowledge needs to be expanded in managing queues, establishing grid connection requirements and improving their balancing regimes
- Affordability of massive deployment of RES is questionable in some countries
  - Fear from associated rate increases

- Principles document discussing the essence of RES-E regulatory experiences to date + Appendix to provide case examples
  - a non-binding document created through voluntary cooperation but approved unequivocally
  - process might promote the commitment and the willingness of the partners to institute new regulatory practices in promoting RES integration
- Improvement of understanding of and cooperation in RES-E regulatory issues by subsequent drafting sessions
- Identification of needs for further regulatory assistance and harmonization opportunities

1. Context of the Principles
2. The definition of RES
3. General principles to guide regulatory action in promoting RES penetration
4. The relationship between policy making and regulation promoting RES-E
5. RES-E support schemes
6. Grid access and integration
7. Licensing and monitoring of the RES-E market
8. Certifying renewable electricity
9. Cross-border cooperation in RES-E utilization

## 2. Nature of the project process

- Project started with Istanbul workshop in March, 2011, followed by two subsequent workshops in October and December, 2011
- Sequential and engaged consultative process
- Lessons from the consensus-building and regional regulatory cooperation in the U.S. Midwest region represented by the Organization of MISO States (OMS) utilized
- The OMS partners were consulted throughout the Regulatory Principles drafting process to use their experience to the maximum
- Process also mimic EU drafting sessions



### 3. Selected findings

# RES-E development should benefit the development of local economy

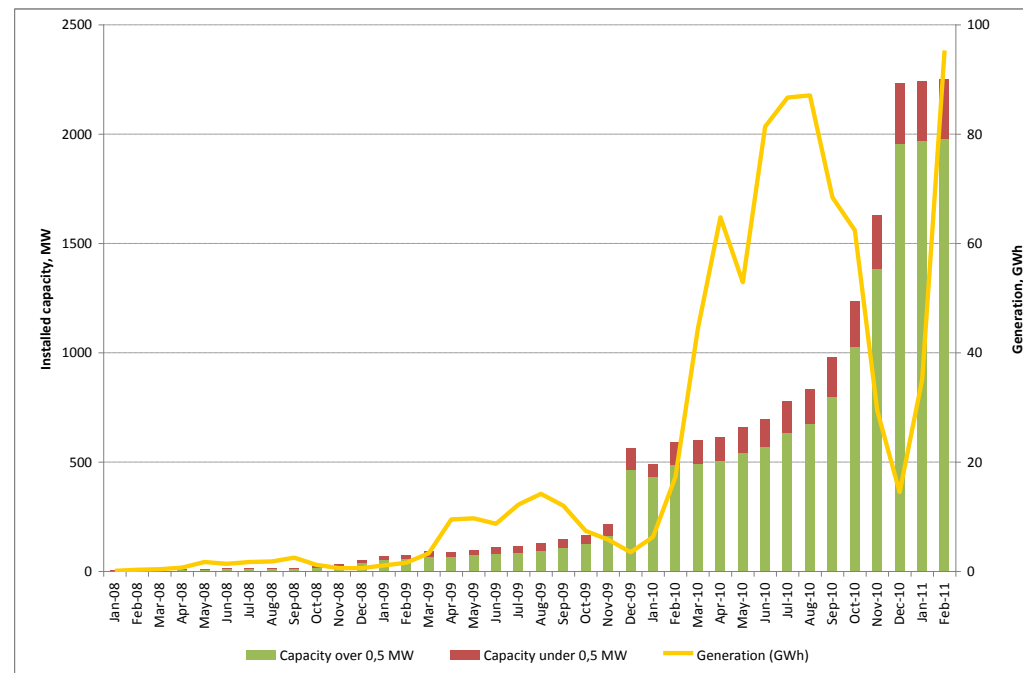
- Multiple benefits from RES-E development:
  - Promoting local industry
  - Improving energy supply security
  - Combating climate change
- Measures to make support conditional on a pre-defined share of 'domestic' manufacturing input for RES-E projects are spreading (e.g. Ukraine, Turkey)
- Care has to be taken that such regulatory measures do not become counter productive

# There are just a few general regulatory principles to follow

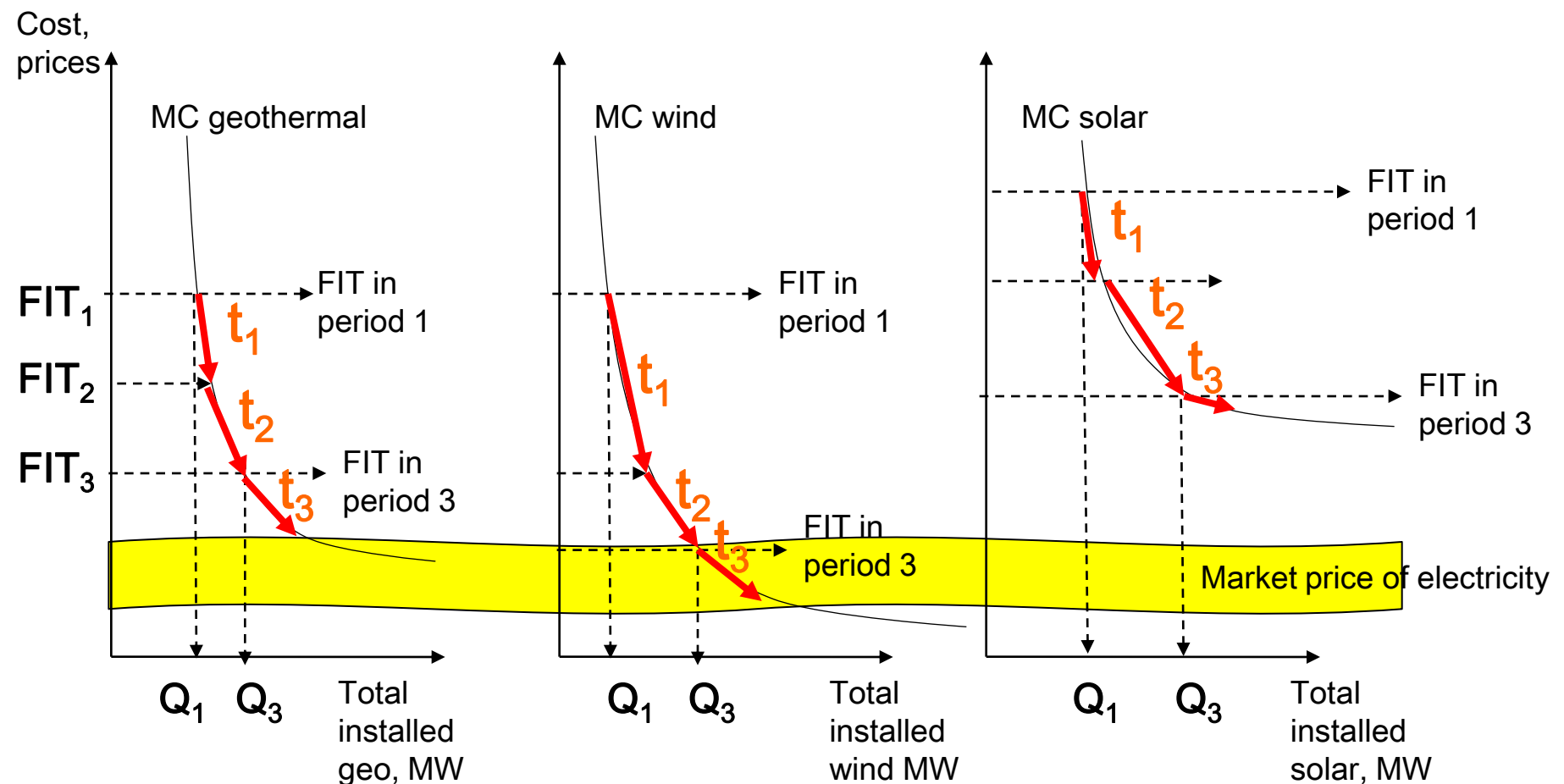
- **Effectiveness** – to meet policy objectives
- **Cost efficiency** – to provide least cost solutions for end customers
- **Transparency, consistency, credibility** - to promote a proper RES-E investment climate and prevent corruption
- **A certain level of flexibility** – to reserve regulatory ability to adjust support levels to changing technology costs
- **Easy and inexpensive authorisation** – to promote easy entry

# Poor RES-E support design might create undesirable investment cycles

- Stress on support budget
- Excess demand for grid connection licenses
- Might prompt an unplanned change of regulation that undermines credibility



# Smart design is needed: learning curves and adjustment of feed-in tariffs (FIT)



# Asymmetric incentives for RES-E generation versus network to be balanced

- RES-E generation: fast; sexy; simple incentives
- Network upgrade: slow; complicated; counter-incentives
- Queue management
- Integrated resource and network planning
- Sufficient incentives for transmission and distribution upgrade is key



- The promotion of RES-E is a relatively new competence for energy regulators
- Considerable regulatory knowledge and human resources are still to be developed
- A requisite organizational solution can also help the Regulator meet the new expectations in this regard
  - RES certification, licensing and market monitoring
- Fast feedback of market information into the rulemaking process
  - Regular consultations with ministry and stakeholders

- BSRRI could enhance regional RES-E cross border trade by
  - Promoting ongoing transmission projects
  - Promoting wider electricity market building process for the region
  - Developing harmonized rules for third party access to local transmission grids and cross border transmission capacities
  - Establishing a harmonized green certification system, allowing the transfer of GCs across the region
  - Establishing a permanent body to facilitate regional regulatory cooperation



- Checking the smartness of existing regulatory schemes
- Encourage stakeholder discussions about future RES-E objectives
- Identifying gaps in RES-E promotion policy
- Inviting assistance to bridge gaps
- Using the Principles for capacity building back home