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# **Regional Energy Markets: Experience from Europe and Eurasia**

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## Outline

1. Potential Benefits of a Regional Energy Market Approach
2. National Building Blocks and Regional Harmonization
3. Infrastructure Issues
4. Regulatory Issues
5. Trade Issues
6. Investment Issues
7. Organizing the Project
8. Donor Collaboration



## **1. Potential Benefits of a Regional Energy Market Approach**

- Expanded Trade and Transparent Commercial Relations
- Supply Diversification and Energy Security
- Emergency Response and Reserves/Storage
- Ancillary Services and Reliability
- Investment Coordination and Larger Market
- Environmental Improvement
- Lower Prices?



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## **2. National Building Blocks and Regional Harmonization**

- Sound Legal and Regulatory Framework
- Sector Restructuring and Unbundling
- Commercial Performance Improvement and Reduced Losses
- Clear Market Design and Market Rules/Codes
- Financial Settlements and Accounting Systems
- Social Safety Net and Low Income Energy Assistance
- Privatization and Private Investments/PPPs



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### **3. Infrastructure Issues**

- Developing and Strengthening the Transmission Grid
- Modernizing Telecommunication Links – Electronic Highway
- Ensuring System Security: Standards Development, Storage/Reserve Capacities and Frequency Regulation
- Improving TSOs and National Dispatch Centers
- Establishing Regional Accounting Centers



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## 4. Regulatory Issues

- Competency of Regulators and Their Authorities
- Cross-border Tariffs
- Harmonization of Market Designs and Rules
- Reporting, Transparency, Monitoring
- Traders and Licenses
- Governance of Regional Exchanges
- Creation of Regional Regulatory Board



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## 5. Trade Issues

- Net Transfer and Available Capacity
- Allocation of Transmission Capacity
- Auctions and Coordination
- Third Party Access and Metering
- Procurement Systems and Corruption
- Balancing, Day-Ahead, and Futures Markets



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## 6. Investment Issues

- Least Cost Approaches
- System Mix and Reliability
- Environmental Impacts
- Long-term PPA and Merchant Approaches
- Renewables and Green Approaches





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## **7. Designing and Organizing Regional Activities**

- Policy/Institutional Framework/Umbrella
- Technical Cooperation
- Regulatory Forum
- MOUs and Formal Structures
- Treaties and Legally-binding Commitments
- Standards and Security Concerns
- Regional Market Institutions
- Role of Private Companies and Industry Associations



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## 8. Donor Collaboration

- Focus on Investment Priorities and Investment Climate Issues
- Regional Investment Studies and Planning Groups
- IFI role – Regional APLs – Balkans
- Central –South Asia CASA-1000 Example
- Institutional and Regulatory Conditionalities in Infrastructure Loans