

Interactions between the Gas Industry & Regulators: international experiences

Session CS7 .3 Corporate strategy and regulation
The search for Smart solutions

Francisco Salazar, Chair of CRE/Chair of ARIAE
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The Comisión Reguladora de Energía or CRE: Mexico's energy regulator

- CRE has its origins back in 1992 when Mexico opened the electricity sector to private investment.
- It was created as a consulting body in charge of supporting the Energy Ministry in issuing the new regulatory framework.
- In 1995, Mexico also opened downstream activities in the gas sector to private investment.
- That same year, CRE was transformed into an agency of the Ministry with full technical and operational autonomy to regulate the electricity and gas sectors.
- CRE is in charge of:
 - Regulating Pemex (the State owned O&G producer) sales of gas by setting the price formula and approving terms & conditions;
 - Regulating transport, distribution and storage of gas through approving rates as well as terms & conditions;
 - Setting the technical standards for regulated activities.
- Through conferences, meetings and a consulting body, CRE maintains a continuous dialogue with the industry aimed to permanently improve regulation.



ARIAE: Asociación Iberoamericana de Entidades Reguladoras de Energía



- ARIAE is the Ibero-American Association of Energy Regulators.
- It was founded back in 2000 in Buenos Aires, Argentina.
- It is constituted by energy regulatory agencies from 19 countries and the Central American electricity market regulator.
- Its main objectives include:
 - Promoting the exchange of information, knowledge and best practices between its members.
 - Training and educating regulators' staff.
- During the last years, ARIAE has been promoting the dialogue at the regional level between the energy industry and the regulators during its annual meetings and through specific workshops.

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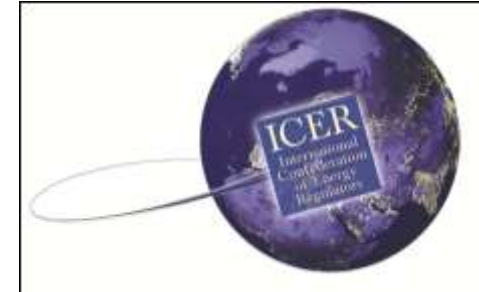


*asociación iberoamericana de entidades
reguladoras de la energía*

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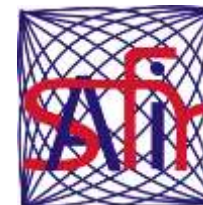
ICER: The international Confederation of Energy Regulators

- The International Confederation of Energy Regulators was launched on October 2009 at the WFER IV in Athens.
- It is a voluntary framework for cooperation between energy regulators from around the globe.
- ICER has 5 main objectives:
 - Raise the awareness of the work of national energy regulators around the world;
 - Provide an open platform for energy regulators to pursue joint goals;
 - Recognize and reconcile market forces with the achievement of public policy objectives at regional, national and international level;
 - Identify and spread good practice for all regulators around the globe, who are at very different levels of experience, expertise and independence, and
 - Help to make a significant contribution of many national governments or international organizations towards a sustainable planet.
- ICER's is governed by a Steering Committee with a Chair, a Vice-Chair and a Secretariat.



Members of ICER

- ICER is constituted by the following 12 regional energy regulators associations:



ICER actions and links with other organizations

- The day to day work of ICER is carried out mainly through Virtual Working Groups that publish reports sharing good regulatory practice.
- During its first 3 years, ICER had the following VWG:
 - Security of Supply
 - Climate Change
 - Affordability and Competitiveness
 - Education, Training and Best Practice
- Currently, the 4 VWG are as follows:
 - Opening of Markets
 - Technological Change and Renewables
 - Small Consumers
 - Regulatory Best Practice
- ICER has also started to establish closer links with the following international organizations:
 - European Bank for Reconstruction and Development (EBRD)
 - Very Large Power Grid Operators Association (VLPGO)
 - International Gas Union (IGU)

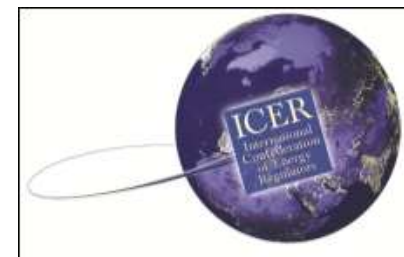


ICER relationship with IGU

- ICER and IGU have organized so far two joint workshops on *Regulatory Issues of Global Significance for the Gas Industry*

- 8th March 2011, Washington DC, USA
 - Interaction between regulators and operators
 - Regulatory influences on international investments
 - Regulation and gas price formation
 - Environmental aspects of natural gas

- 16th February 2012, Brussels, Belgium
 - The role of gas in a carbon constrained world
 - Regulation and investment in international gas infrastructure
 - Regulation and best practices in gas business



ICER-IGU conclusions of the workshops

- Globalization of the gas market requires enhanced communication between regulators across national and regional boundaries. It will be important to identify best practice in consultation processes and to encourage the use of such standards.
- By sharing and implementing these best practices, certainty is improved and risk is reduced (this is more important during periods of regulatory change).
- The interests of gas consumers is protected by establishing competition where possible, along with a stable, transparent and independent regulatory framework for investments.
- Dialogue helps to achieve a greater understanding of the challenges facing the world's gas markets and to bring the investment necessary to increase worldwide energy security by increasing the diversity of gas supplies.
- It is important to achieve a common perspective on how to ensure secure investment and supplies of gas in both developed and developing markets.
- Information given by industry is required to foster efficient regulation.
- Streamlined authorizations encourage infrastructure necessary for security of supply.
- Efficient investment is one sign of regulatory success.

Conclusions of the first Workshop

- Regulated gas prices continue in many countries but the proportion of gas that is priced through traded markets has been steadily increasing.
- Liquid and transparent markets are fundamental to achieving energy policy goals relating to competitiveness, sustainability and security.
- Retail price controls can often distort or suppress market signals in competitive markets.
- Effective regulation is an important factor in achieving efficient gas price formation.
- Natural gas should not be inhibited from contributing to the future low-carbon, global economy.
- There is an important role for gas as a partner for renewables, so natural gas plays a central role in moving to a decarbonized world.
- Action is needed to promote research on the sustainable use of energy, and to develop regulatory mechanisms and incentives that enable to implement efficiency programs.
- It is important to assess and minimize the environmental impact of activities like shale gas extraction and encourage the continued development of gas industry technologies.



25th world gas conference
"Gas: Sustaining Future Global Growth"

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