



## PHASE 1 FSR TRAINING REPORT

### ANNUAL TRAINING ON THE REGULATION OF ENERGY UTILITIES IN FLORENCE ITALY AND ONLINE 01 OCTOBER 2018 - 7 JUNE 2019

#### A. INTRODUCTION

The Project on Enhancement of a Sustainable Regional Energy Market in Eastern Africa, Southern Africa, and Indian Ocean Region (ESREM) and with funding from the 11<sup>th</sup> European Development Fund is facilitating the participation of 3 members of staff from newly established regulatory bodies in the region in the Annual Training Course on Regulation of Energy Utilities offered by the Florence School of Regulation. The training course was selected after review of its content which align well with identified gaps from self-commissioned studies by some national/regional regulators and RRAs in the region. The course which is being offered in Florence, Italy and online, commenced on 1<sup>st</sup> October 2018 and will run till 7 June 2019.

The training will enable participants to provide necessary knowledge and skills to their respective institutions so that they can drive the process of regional regulatory and policy harmonisation, as well as the development of the regional energy market.

#### B. OVERVIEW OF THE FSR ANNUAL TRAINING PROGRAM

##### Introduction

The Florence School of Regulation (FSR) was established by the Council of European Energy Regulators (CEER) as a centre of excellence for the independent discussion and dissemination of knowledge on Energy and Climate regulation and policy. Institutionally, the FSR sits as a program of the Robert Schuman Centre for Advanced Studies of the European University Institute in Florence, Europe's intergovernmental institution for doctoral and postdoctoral studies and research.

The FSR Annual Training on Regulation of Energy Utilities is a comprehensive program on the regulation of the power and gas sectors. Its objective is to provide those working for regulatory authorities, market operators, market monitoring agencies and regulatory divisions of energy companies with knowledge of key energy regulatory principles needed in their professional practice. The course aims at enabling participants to understand the principles of regulation and the regulatory structure of the energy industry through theory and practice.

The Training was developed by renowned energy regulators and brings together an exclusive line-up of speakers made up of European leaders, former regulators, leading academics and industry specialists and practitioners.

### **Structure of the Training**

The FSR Annual Training provides an exclusive program over a nine-month learning period under three major blocks as follows:

**Block I:** 1 - 5 October 2018: This block entails a residential training week in Florence that will involve a week-long introductory course in Florence covering in detail the fundamental principles of regulation, markets, networks and the regulatory institutional framework.

**Block II:** October 2018 – June 2019: Block II will involve 15 two-week online modules spanning a period of seven months during which energy regulatory principles and case studies are studied together in-depth in a well-structured, flexible e-learning environment that features interactive discussion and virtual activities.

**Block III:** 3 - 7 June 2019: This phase is composed of a second residential training week in Florence where trainees will participate a week-long discussion of applied case studies and hands-on individual and group practice. The final day of the Annual Training is devoted to a workshop where top industry specialists will be invited to discuss with participants the issue of energy and sustainability.

### **C. OBJECTIVES**

The main objective of this training course is to strengthen the capacities of regulatory authorities so that they can continue playing their role in developing a stable, predictable, transparent and harmonised energy regulatory environment, and bolstering good governance in the regional power sector in order to improve the investment climate and develop an efficient as well as sustainable energy market.

### **D. DISCUSSIONS AND TRAINING ACTIVITIES**

The first part of the training course was a five-day residential program held in Florence between 01-05 October 2018. This session included introductory tutorial and workshop sessions that covered all major regulatory topics that were going to be studied in detail in the second online program and also created networking opportunities among the course participants to enable further learning from the experiences of peers from different geographical locations globally.

The residential program started by welcoming all participants to Italy and to the training program in particular followed by introduction of the course instructors and participants. After the introduction the following lessons were presented and discussed over the course of the 5-day residential program:

- Gas systems: Structure, organization & functioning
- National Markets and Competition Commission (CNMC)
- Electric power systems: Structure, organization & functioning

- Legal issues in energy regulatory commissions
- Regulation and competition: History, theory and the regulator's function
- Regulatory economics: Monopolistic activities. Approaches to price control
- Models of regulation. Restructuring of the electric power industry. Basic policies
- Traditional regulation of electric utilities
- Electricity markets. The wholesale electricity market
- Electricity transmission, distribution
- Electricity markets. The retail markets
- Gas markets. The wholesale markets
- Gas markets. The retail markets
- Gas networks
- Quality of service in electricity and gas
- Electricity tariff design
- Environmental issues in energy systems

The lecturers covered the following;

- Introduction to the organization, structure and operation of energy systems whose content is mainly focused on the physical description of the network, the segments of production of electrical energy from various sources, the management of supply and the demand;
- The restructuring approaches of the electricity industries in the world;
- Regulatory framework for the regulation of the energy market in Europe;
- The types of markets at energy industry level: the regulation of the monopoly market with respect to the deregulation observable in a system of pure and perfect competition;
- Economic regulation of the electricity market: Economic and financial balance of the operator and modeling function of the balance;
- Analysis of the energy transmission network and the implication of energy transport costs at the retail rate;
- The distribution network and the implication of the distribution costs on the retail tariff;
- Introduction to the e-learning platform which is a distance learning platform with a continuous evaluation system for a period of seven months.

On conclusion of the residential program, an E-learning platform developed by the FSR program administrators was introduced to all the participants and instructions given on how the platform was to be utilized. All participants were instructed to utilize this platform for interaction with their course tutors and fellow participants on issues related to the online tuition that was to commence immediately on return to the participants countries of origin. The online tutorial phase was to commence from October 2018 – June 2019 and would involve interactions between different tutors who would be administering the courses online, and the participants.

The participants were also encouraged to share and interact widely amongst themselves on issues related to the course using the platform.

## **E. RECOMMENDATIONS BASED ON THE EVALUATION OF THE TRAINING**

The Training Program is an important program because;

- Currently the Independent Regulatory Board (IRB) Secretariat is trying to build the capacity of the staff and operationalizing the institution. This particular program will help the staff to learn about the wholesale and retail energy markets, electric power transmission, and quality of supply, fundamental legal procedures, tariff design, etc.
- As newly established national regulators, ZURA and AREEN will benefit by having knowledgeable and skilled staff that can share knowledge on international regulatory best practices besides applying principles learned in their day-to-day work
- The training program also builds three institutions' capacities to provide efficient market oversight and will enable them to contrast and balance the different views and interests that normally arise in a regulatory decision-making process involving different stakeholders

## **F. FOLLOW-UP ACTION**

The participants will proceed to the second phase of the training which entails online tuition and interaction with FSR tutors for a period of 8 months and will seek guidance wherever required from the tutors, course administrators and the ESREM project team.

In summary;

- Participants will continue training on the in e-learning module
- The second residential program will be organized by FSR administrators and funded by RAERESA through the ESREM program in 2019
- The introductory modules of the training course plus any training material obtained by participants in the e-learning module will be shared with their respective institutions and discussed at meetings with managers in order to capitalize on the achievements and enhance wider learning

## **G. CONCLUSION**

The Annual Training will provide staff from regional and national regulatory authorities from the EA-SA-IO region with broad knowledge of key energy regulatory principles needed in the enforcement of their mandates and in the development of the regional energy market. Staff from newly established regulators particularly, will understand the principles of regulation and the regulatory structure of the energy industry through theory and practice. In the long term, knowledge gained by participants will result in significant benefits for the regional energy market.

**ANNEX 1: TRAINING PROGRAM FOR THE VISIT**

<b>Date</b>	<b>Activity</b>	<b>Remarks</b>
1 - 5 October 2018	<ul style="list-style-type: none"><li>Residential training week in Florence, Italy</li></ul>	Completed
October 2018 – June 2019	<ul style="list-style-type: none"><li>Seven-month online course on regulation</li><li>This phase will consist of 15 two-week online modules</li></ul>	Course underway
3 - 7 June 2018	<ul style="list-style-type: none"><li>Residential training week in Florence, Italy</li></ul>	Flight to Florence on 1 June 2019; Return flight on 8 June 201

## **ANNEX 2: SPONSORED TRAINING PARTICIPANTS**

### **Participants from the Energy Regulators Association of East Africa (AREEM/EREA)**

1. Mr. Donat Niyonzima – Director General, Burundi Regulatory Authority for Water and Energy (AREEN)
2. Ms. Rabia Zuhura – Director of Economic Regulation from Zanzibar Utilities Regulatory Authority (ZURA)

### **Participant from the Independent Regulatory Board (IRB) of the Eastern African Power Pool (EAPP)**

3. Mr. Ephrem Tesfaye – Lead Coordinator, Independent Regulatory Board (IRB) of the EAPP