

CLOSING STATEMENT OF THE PROGRAMME COMMITTEE OF THE SECOND WORLD FORUM ON ENERGY REGULATION

October 8, 2003

On 5-9 October 2003, nearly 900 participants from over 90 countries, including representatives from more than 80 state and national energy regulatory authorities, gathered in Rome, Italy, to attend the second edition of the World Forum on Energy Regulation. Their main goal was to discuss regional and global developments affecting the energy market liberalisation and regulation.

The World Forum on Energy Regulation was organised and hosted by the Regulatory Authority for Electricity and Gas of Italy, under the patronage of Council of European Energy Regulators (CEER) and the European Commission. The Forum's promoters included the world's leading energy regulatory associations: the Asociación Iberoamericana de Entidades Reguladoras de Energía (ARIAE), the Energy Regulators Regional Association (representing Eastern Europe and Central Asia), the US National Association of Regulatory Utility Commissioners (NARUC), the Canadian Association of Members of Public Utility Tribunals (CAMPUT), and the African Forum for Utility Regulation (AFUR). Other Promoters included the International Energy Agency, the United Nations Economic Commission for Latin America and the Caribbean (UN-ECLAC), the World Bank and its Energy Sector Management Assistance Programme (ESMAP), and the World Energy Council.

The World Forum received financial support from a number of leading energy companies, including Enel and Eni, as well as Acea-Electrabel and Hydro-Québec and many others.

The Forum's main focus was on reforms and regulatory tools aimed at strengthening competition, energy security, regional network integration, investment in new electricity and gas infrastructure, stakeholder rights, consumer choice, and sustainable development.

Participants included energy regulators from all five continents, government representatives, policy-makers and experts, high-level energy industry executives, consumer associations, environmental groups and development agencies.

Participants reflected upon the events which had affected the energy scene since the first edition of the World Forum took place in May 2000 in Montreal. These included: the power outages and black-outs which hit the US, Italy and other parts of the world; the economic recession and its impact on liberalisation and privatisation processes; the collapse of Enron and of other energy companies; the accelerating convergence of electricity and gas markets; the birth of new energy regulatory associations, market players and fora; the build-up of new regional markets and regional realities, especially in the European Union with the development of the internal electricity and gas market where all customers will be free to choose their supplier since July 1, 2007; as well as the range of phenomena pointing towards a continuing need for energy investment in emerging markets and developing countries.

Such events have made it clearer than ever that electricity and gas regulators from different countries face similar issues with regard to energy market liberalisation, and that they can greatly benefit from sharing and analysing each other's successes and failures. This is true for developed countries; it is even truer for developing countries, many of which have only recently started to deal with market restructuring and face a series of additional issues which make restructuring all the more complex. Rural electrification is one of these issues, according to estimates by the International Energy Agency, some 1.6 billion people in the developing world have no access to electricity at all.

Participants agreed that the chances of achieving competition, and the means used to do so, depend to a large extent on the special circumstances affecting each state, national or regional energy market. The size of each market, its local history, as well as its presiding economic system and political institutions, all have an impact. Despite these differences, Forum participants, particularly energy regulators and their regional associations, broadly agreed on the need to work together to:

- Implement energy regulatory policies adapted to each nation and region;
- Insure that regulatory independence combine with government policies and public service obligations, and create a synergistic effect in fostering competition and guiding market forces;
- Promote new energy investments, improve the level of co-ordination between key players in the energy system and define their operational responsibilities, review load management practice, so as to respond to the security of supply challenge, prevent supply outages and other emergencies;
- Maintain synchronism in market reforms and unbundling of integrated energy utilities, so as to avoid discriminations between companies already operating in liberalising markets and new entrants;
- Identify effective means to regulate and monitor wholesale power markets and gas trading hubs, so as to contain market power, increase price efficiency and manage financial risk;
- Streamline and reinforce the interaction of energy regulators and energy regulation with competition authorities and securities regulators;
- Design and implement dynamic and harmonised regulatory approaches to regional energy market integration through regulation of access, cross-border trade and transits, so as to insure a co-ordinated expansion of transmission networks and interconnections;
- Define criteria for regulatory governance of regional integrated markets and networks, while evaluating changes in energy industry structure and their impact;
- Supervise the organisation of the retail market so as to provide customers with effective choice and quality of energy supply, as well as accessibility, with a particular emphasis on the energy needs of low-income and isolated consumers; insure efficient energy end-use in line with public service goals and other governmental policies;
- Adopt and develop market-based incentives and mechanisms, including tradable certificates aimed at reducing the environmental impact of the energy system, stimulating technology progress and the use of renewable energy sources;
- Assist and support institution building and accountable, independent energy regulation in emerging economies and developing countries, so as to facilitate investment and

privatisation processes, and ultimately ensure the delivery of cost-reflective energy services on a global scale, in accordance with the principles of sustainable development;

- Benchmark and assess regulatory performance and institutions.

Forum participants welcomed the steps taken by the Forum's organisers to:

- Define Draft Guidelines for Energy Regulation and Regulatory Practice to foster efficient and effective regulatory institutions;
- Promote the establishment of an International Energy Regulation Network facilitating internet-based information exchange;
- Lay the foundations for the organisation of a Third World Forum on Energy Regulation to continue the dialogue and collaboration on energy regulation.

Recognizing their different circumstances, origins and charters, as well as their common interests, Forum participants identified a range of voluntary activities to promote their goals, including:

- Strengthening efforts at regional co-ordination through associations of energy regulators and of other key market players;
- Identifying regulatory "best practices" that could be considered by regulatory authorities or by governments, while adjusting energy regulation approaches to specific problem areas and realities;
- Making available professional training facilities and institution-building support towards sustainable development;
- Promoting co-operative arrangements and new partnership between energy regulators from developed and developing countries;
- Exploring opportunities for co-operation between international development agencies and the associations of energy regulators.

Forum participants supported efforts to work together to advance these activities, and encouraged others to consider and support them as well.

The Chairs