



Transparency, Accountability, and Credibility in Regulation *-The Case of Turkey-*

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Main Topics

- **Development of Turkish Electricity Market**
- **Energy Market Regulatory Authority of Turkey**
- **Transparency, Accountability and Credibility**



Historical Development of Turkish Electricity Market

State Monopoly

Until 1984 in all segments of electricity market state had monopoly rights. (production, transmission, distribution, trade)

Hybrid Model

Starting with 1984 the first steps of abolishing state monopoly were taken (private sector-majority in public entities), transition to hybrid model

Build- Operate-Transfer, Build-Operate, Transfer of Operating Rights (Concession agreements in Generation and Distribution- Public Sector)

Permit Regime

With the entry into force of Electricity Market Law no:4628 dated 3/3/2001 drastic reform is made in electricity market.

(with the exception of transmission state monopoly was abolished)
On 19 November 2001 Energy Market Regulatory Authority started its operations

With the law no: 6446 dated 14 March 2013 some amendments were introduced to the system



Why was the regulation necessary?

- **Compliance with world practice**
- EU directives – 1996, 2003 and 2009,
- **Insufficiency of the current model,**
- Need for investment
- **Need for competition and liberalization in market**

The Board Regulating Turkish Energy Sector Energy Market Regulatory Authority

- Regulation of electricity, natural gas, petroleum,

LPG markets

- Financial and administrative independence

- Monitoring, surveillance of the market and issuing

finances if necessary

- Approval of tariffs

- Main purpose of regulation:

- Financially strong, stable, competitive energy market
- Sustainable, environmentally friendly energy supply in good quality and low cost





The Scope of Board's Regulatory Powers

Technical
Regulations
(Standard setting)

Economical
Regulation
(Price)

Entry and exit to
the market
(Licensing)

Regulation of the
market activities

Characteristics of Regulatory Board (1)



- Representation and decision making body 'the Board' + Authority as secretariat Board decisions are taken on the basis of voting
- Board is composed of one president, one vice president, seven board members in total nine members. Council of ministers appoint the Board, term of office is six years.
- Board members work full time. They can be re-elected. They can only be withdrawn from office in exceptional circumstances defined the law

Characteristics of Regulatory Board (2)



- - Administratively independent (No other organ can give orders or directions)
- - Functionally independent (No other organ approves, postpones the effectiveness of the decisions, or amends the decisions)
- However in accordance with -the rule of integrity of the government- EMRA is under the executive branch of the government.

Judicial, legislative and under minimum administrative supervision

Transparency, Accountability, and Credibility of EMRA Regulation

WHY??

**In order to avoid
unwanted effects of
regulations**

**Because of the
importance and
sensitivity of regulated
ares**

It is necessary while regulating the market;

- To well design the policies
- To be transparent, accountable, credible
- To be objective
- And independent from all interest groups

Transparency

“ ethical obligation” and “ necessity of good governance”

- 1) There are several provisions in our Law enabling third parties to participate in the regulation process by giving their oppinions.**
- 2) Regulations effecting the majority of the market are published in our offical journal and the EMRA web site. (In line with a decission of the Council of State)
- 3) The status of application processes can be traced in our web site.**
- 4) All of the official documents of EMRA are filed electronically
- 5) Sector is imformed by publications, web site and meetings held by EMRA**
- 6) Sectoral meetings held by EMRA with different stakeholders has became a tradition

Transparency

“weaknesses” and “problems”

Our main weaknesses

- 1) Not all of the Board decisions and their reasonings are published. Studies are ongoing to change the structure.
- 2) Oral defence is not a tool which is used in our investigations
- 3) The NGO's are not represented adequately

Our problems

- 1) High costs
- 2) Inadequate infrastructure
- 3) Fear of revealing the weaknesses
- 4) The risk of intervention by the stakeholders unless the balance of transparency is achieved

Accountability

Concerning fair and equitable treatment, use of power, performance, finance and law

1) JUDICIAL REVIEW

- Being a part of the administration, in line with the constitution, all of the decisions of EMRA can be challenged in courts.
- Against the EMRA decisions that will be applicable throughout Turkey legal actions should be taken to Council of State, for other EMRA decisions to administrative courts.

Problems

1- The courts' judicial review is at maximum level sometimes encompassing «suitability».

2- There is the necessity for specialised courts since the one's who are making the maximum review also has to have technical, economical and regulatory knowledge.

Accountability

2) ADMINISTRATIVE AND FINANCIAL AUDIT

Subject to audit of the Court of Audits and the Parliament.

Prime Ministry High Inspection Board, State Inspection Board and Prime Ministry Surveillance Committee also has powers.

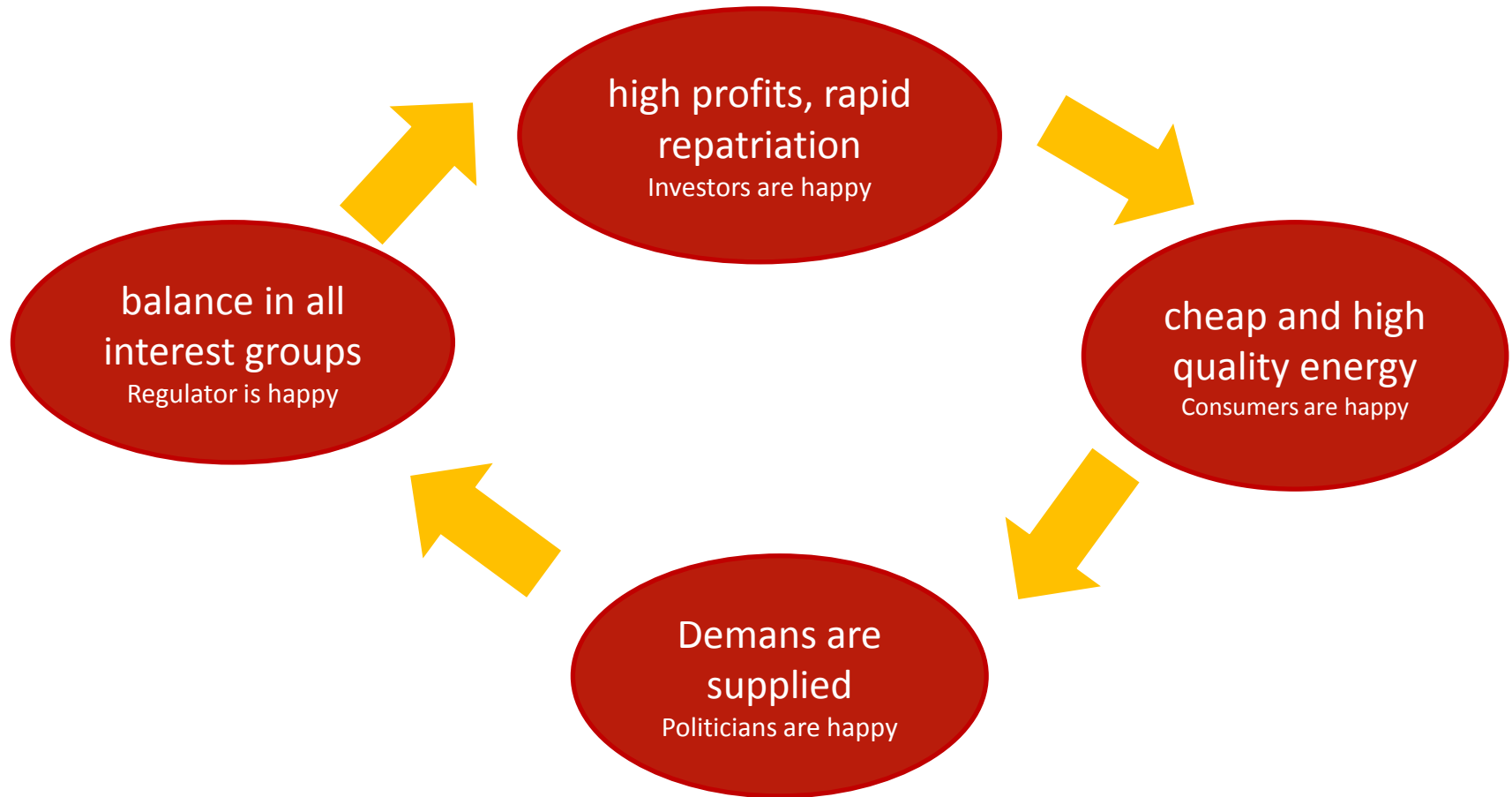


Problems

- 1- In time administrative and financial audits increased.
- 2- The criteria for administrative and financial audits are not defined (balance of independence and inspection- caos)
- 3- Especially under financial audit, the decisions concerning regulated segments are reviewed under performance standards.
- 4- The risk of audits which are triggered by political motives.

Reliability

Fair Service , impartiality , consistency, superior holding of public interest , applications accepted by consumers and market players



RESULTS

Effects of Regulatory Authority in Turkey

- 1) Total investment in the energy sector is 60 billion dollars since the foundation of EMRA. It is expected to reach 120 billion dollars until 2023**
- 2) The share of the private energy sector has reached to % 70 from % 30. At the same period total installed capacity of Turkey has been doubled (70.000 MW)
- 3) Eligible consumer limit decreased to 4.000 kWh annually**
- 4) Renewable energy capacity has reached to %28 of the total production capacity
- 5) Privatization of distribution companies has been completed in all regions.**

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QUESTIONS ?



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