



Balancing Stakeholder Interest During Regulatory Reform: *Developing Countries Perspective*

Hasan KOKTAS

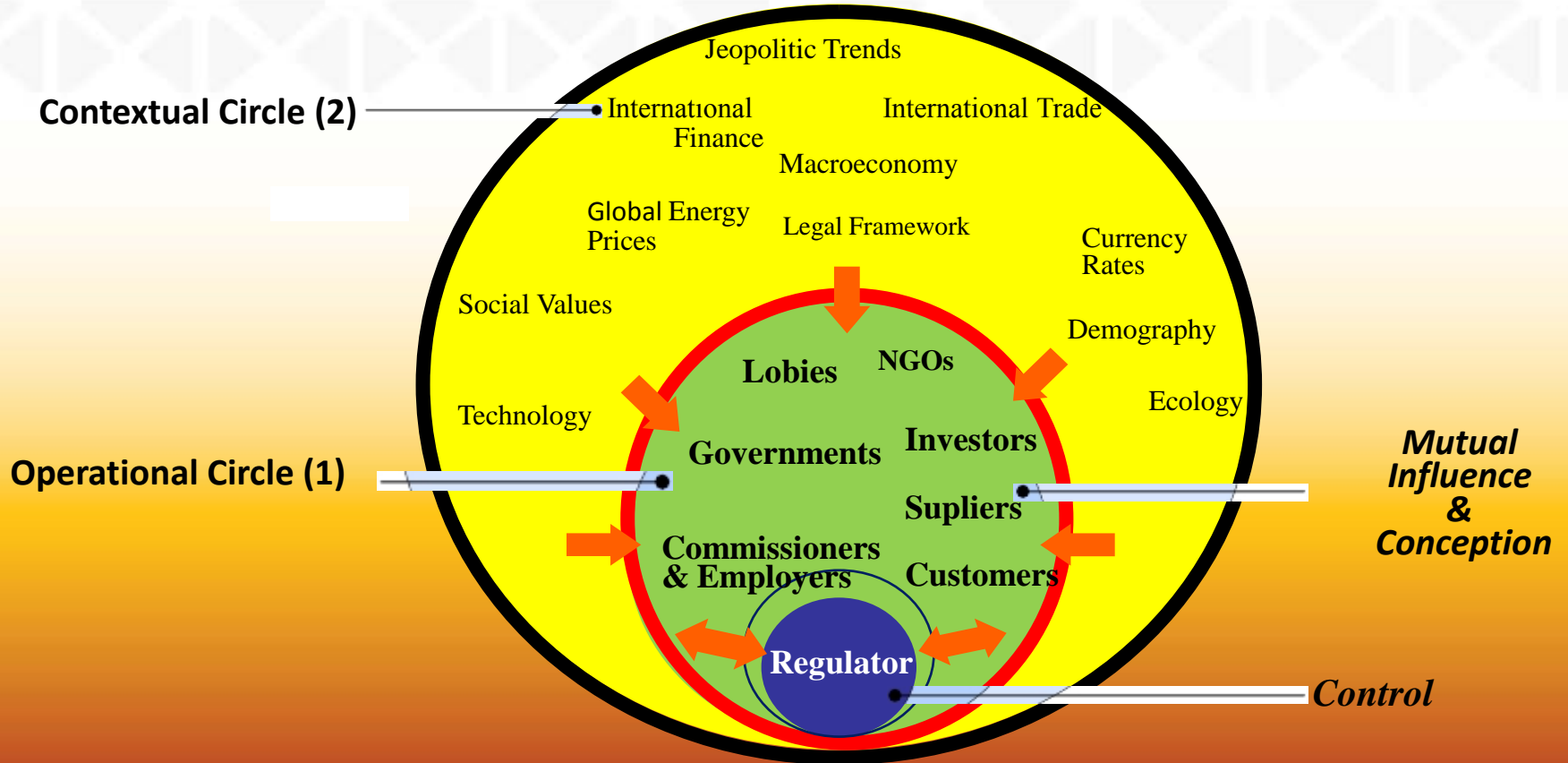
Chairman, Turkish Energy Foundation

&

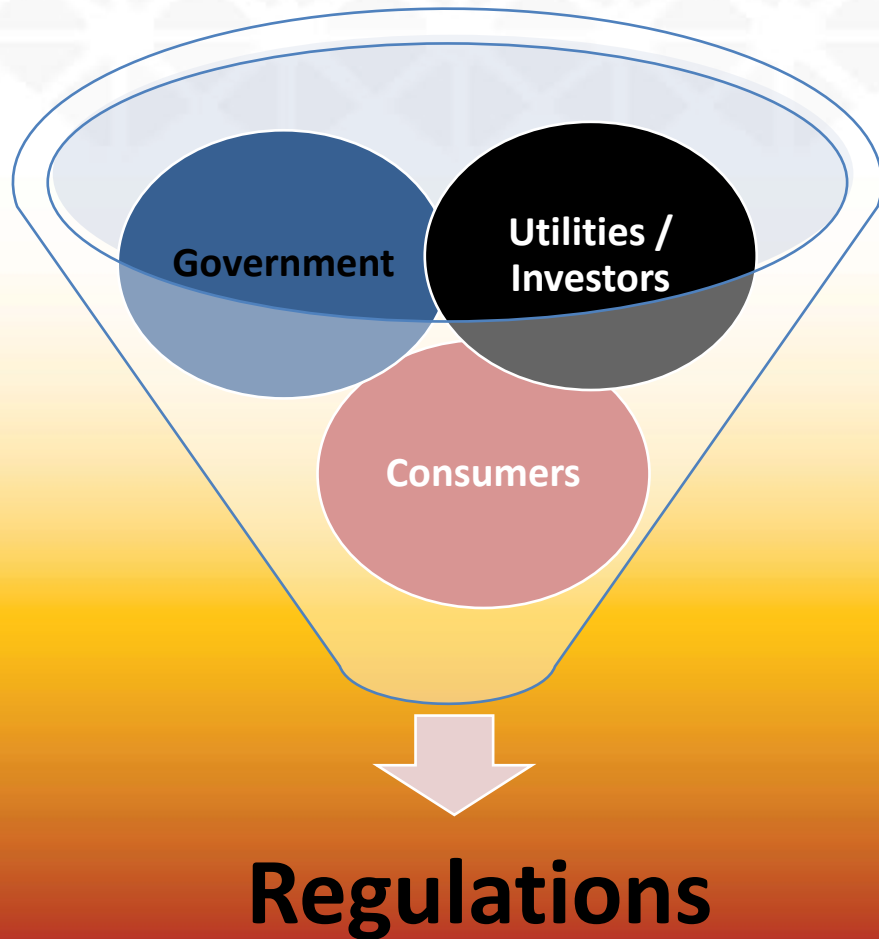
Former Chairman Of Turkish Energy Regulatory Agency

www.tenva.org

Stakeholders of Regulators



The Purpose of Regulators



- Protect consumers from abuse
- Support investments
- Promote economic efficiency for development

What effective regulation requires?

Independent and **Accountable**

Independence from...

- Industry / Suppliers
- Political control

Independence in...

- Budget
- Appointment
- Decision making procedure

Accountable to...

- Downwards → consumers
- Upwards → government

... leading to...

- Increased legitimacy
- Avoiding implementation problems
- Increased public trust



Major Challenges During Regulatory Reform in Developing Countries

- Establishing an independent regulator (Theoretically & Practically)
- Public and governmental acceptance of independent regulators
- Market Building
- Priority differences

Other Challenges to Consider

Problem

- Differences between regions and consumer groups
- High technical & non-technical losses
- Fast increasing demand & high investment requirement
- Lack of competition in market activities
- Reliance on imported fuels in the fuel-mix

Remedy

- *Price equalization mechanism for a smooth transition*
- *Loss targets and incentive-based regulation*
- *Enhanced trade opportunities for generators, long-term tariff setting with satisfactory returns for network investors*
- *Unbundled market activities, privatization & enabling supplier switching*
- *Encouraging diversity via incentives, increasing utilization of renewables and distributed generation*

Differences in Priorities

Main Priorities of Liberalization Process

- Privatization
- Market building
- Capacity building
- Attracting investment
- Regulatory infrastructure setting



Mainly focusing on
interest of private entities
&
Interest of Government



Missing Piece
Interest of
Consumers₇

Why imbalance?

- Political, economical and social differences in developing countries,
- The theoretical balance between the stakeholders inevitably shift away from the balance against consumer side,

To Achieve Consumer Interest

Seeking consumer interest is mainly the result not a driving factor of regulatory reform process.



Filling the Gap or Re-Balance

The regulator should;

- be aware of this natural weakness of consumer side in the equation,
- incorporate consumers into the system through various channels,
- keep in mind to re-balance the imbalance,



Final Remarks

- Sustainable economic growth requires attracting energy investments
- Investors are sensitive to signals
 - Predictability (i.e. reliable market rules)
 - Investment comfort (i.e. returns)
- Changes never happen overnight. There is no magic wand!
 - Appropriate legal framework
 - Credible regulator
 - Promising market conditions
- **Major challenge: Balancing Interests and Performing Regulatory Mission by considering the specific conditions of countries and markets.**



Thank you for your kind attention...

Hasan KÖKTAŞ
Chairman, Turkish Energy Foundation
www.tenva.org

www.wfer2015.net
www.wfer2015.org

Address: Alternatif Plaza Kızılırmak Mah. 1442 Sok. No: 4 / 37
Çukurambar / Ankara / TURKEY