



Ministry of Electricity and Renewable Energy
Egyptian Holding Electricity company

Electricity Market Restructure In Egypt

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INTRODUCTION ... Worldwide prospective

- Since the establishment of the electricity system in the century before, it was believed that the electricity sector is managed by governments, this situation has persisted for several decades. Over time, this principle has changed as a result of policy intervention in that direction. In 1950s and 1960s, the global trend has become that the electricity system must be managed by the private sector, which managed more efficiently.
- The lack of electric power supply and the need for more generated and distributed power in the electric system to satisfy the demand at acceptable prices have become a tremendous problem worldwide.
- Electricity deregulation provided a solution to overcoming this problem by removing the governmental regulations on the electricity industry in order for the free market to take over.



CHALLENGES OF POWER SECTOR IN EGYPT

It is important to mention that the electricity sector faced big challenges during the period from year 2011- 2014 due to:

- (i) political and economic instability resulted from the two revolutions.
- (ii) declining of natural gas (NG) productions led to shortage in the NG supply to generators.
- (iii) delay in the construction of the new power plants.
- (iv) unexpected high growth in demand.
- (v) low collection rate and increase of commercial losses.
- (vi) load shedding which reached more than 4000Mw.
- (vii) low electricity tariffs (less than 40% of the cost).
- (viii) high liabilities and weak financial ratios.



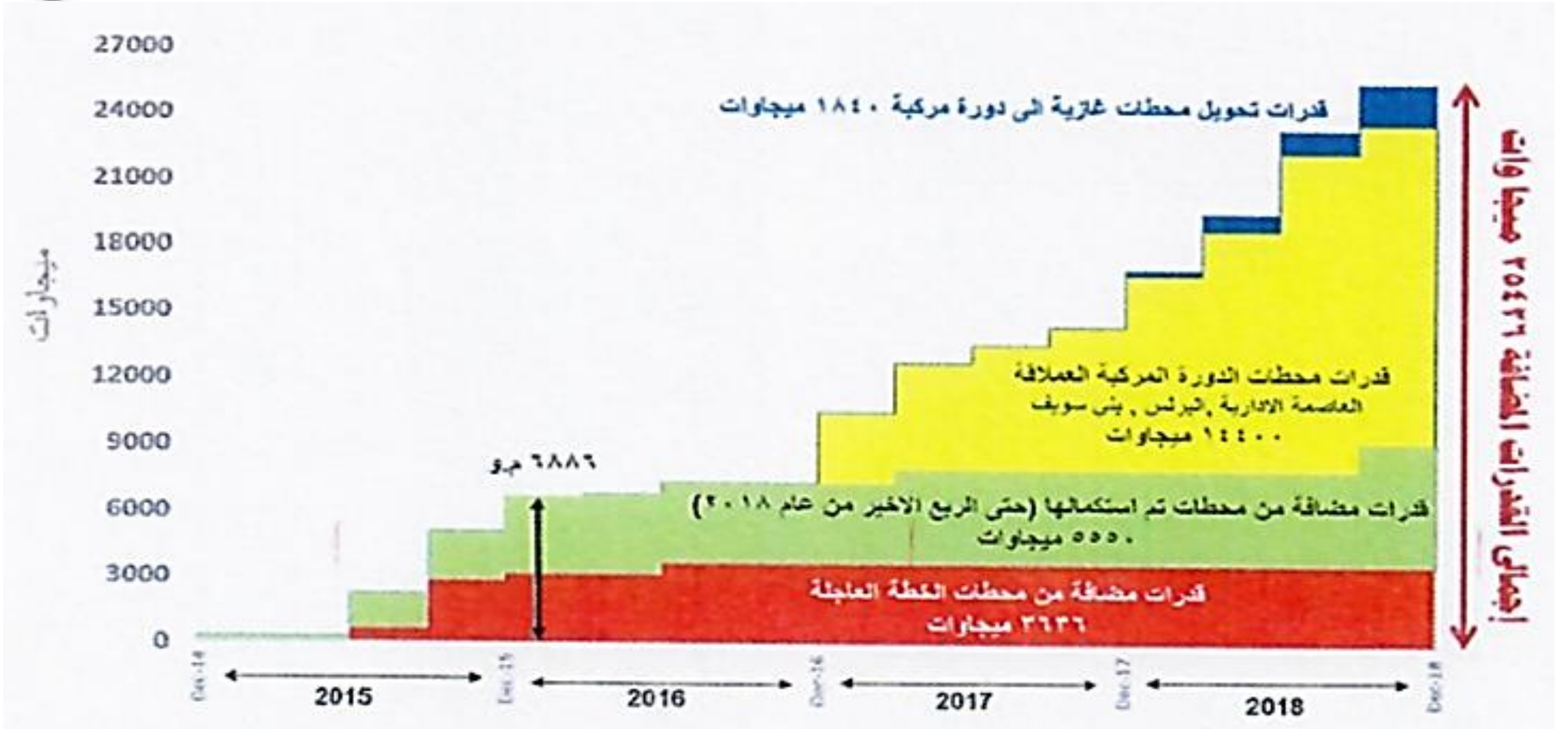
Actions Taken....

Ministry of Electricity and Renewable Energy (MoERE) supported by the Government of Egypt (GOE) set a quick recovery plan to overcome these challenges and achieve sector security, sustainability and governance as follows:

1. Set a price trajectory plan which has been approved by Cabinet and publicly announced with the July 2014 energy subsidy reforms. The price trajectory incorporated differentiated peak and off-peak prices that will help to stimulate energy efficiency. By 2022, the electricity sector was expected to be self-sustaining although financially neutral cross-subsidies will remain across customer groups.
2. Adopting a fast track plan to meet the demand by using simple cycle gas turbine, of 3636 MW which are planned to be converted into combined cycle plan in the future.
3. Executed a first-class Contract based on EPC+ finance for 14.4 GW Combined cycle Power Plants with Siemens Company to be commissioned 2016-2018.



Actions Taken....





Actions Taken....

Generation performance during the period from 2014 – Jun 2018



سيصل إجمالي القدرات المضافة بنهاية هذا العام إلى ما يزيد عن ٢٥ ألف ميغا وات من الطاقة التقليدية والطاقات المتجددة وهو ما يزيد عن القدرات المتاحة عام ٢٠١٣/٢٠١٤ وتكافئ حوالي ١٢ ضعف قدرة السد العالي.



Actions Taken

4. Supreme Energy Council approved the participation of RE of 20% of electricity generation by 2022, to be executed by both public (NREA) and private sector through merchant projects, BOO and FIT already 250MW BOO wind project and 1500MW FIT tariff PV projects secured financing and under construction
5. EEHC prepared a long-term plan which includes diversified generation technology Gas, coal, nuclear, renewable and energy efficiency.
6. EEHC started to implement corporate governance measures in EEHC and the affiliated companies, internal audit charter approved by EEHC board and internal audit board committee, internal audit & Compliance departments formed in EEHC and all affiliated companies and the draft electricity sector governance code is under review to be issued once approved.
7. Several legislations issued, renewable energy law No 203 for the year 2014, Investment law, Fit regulations and **Law 87, 2015 for restructuring electricity sector.**



POWER MARKET REFORM IN EGYPT

Why market segmentation?

- Need to maintain favorable economic conditions, (subsidies) which may not comply with cost reflectiveness, for parts of the consumption due to social and economic policies.
- Have also to protect fair competition conditions and efficient market operation for all “eligible customers”.
- Create economic viability conditions for private investors, who take decisions under long-term horizon and pure techno-economic criteria.
- Re-organize institutions and functions within the existing system, capable to operate efficiently and transparently.



Power market reform in Egypt....

Principles characterizing market opening

- **Promotion of simplicity of rules and structures**, especially within the functions of the competitive segment of the market, thus the traditional organizations like the TSO and the large HV consumers will gradually develop the required new capacities and adapt to the new conditions of electricity supply competition.
- **Unbundling and separate commercial treatment of the competitive segment from the tariff regulated segment**, as far as it is technically allowed, thus reduction of distortions to the competition and strengthening of reliability of regulated tariff system will be achieved for captive consumers.
- **Capacity building to new market conditions** that takes time regarding personnel developed under the mentality of state utility and monopolistic activity; a gradual approach and a transitional period.
- **Experience transfer is necessary**, since similar electricity market restructuring and opening has taken place in many European countries, especially those coming from central economy planning, and should be exploited as far it is adaptable to the Egyptian case.

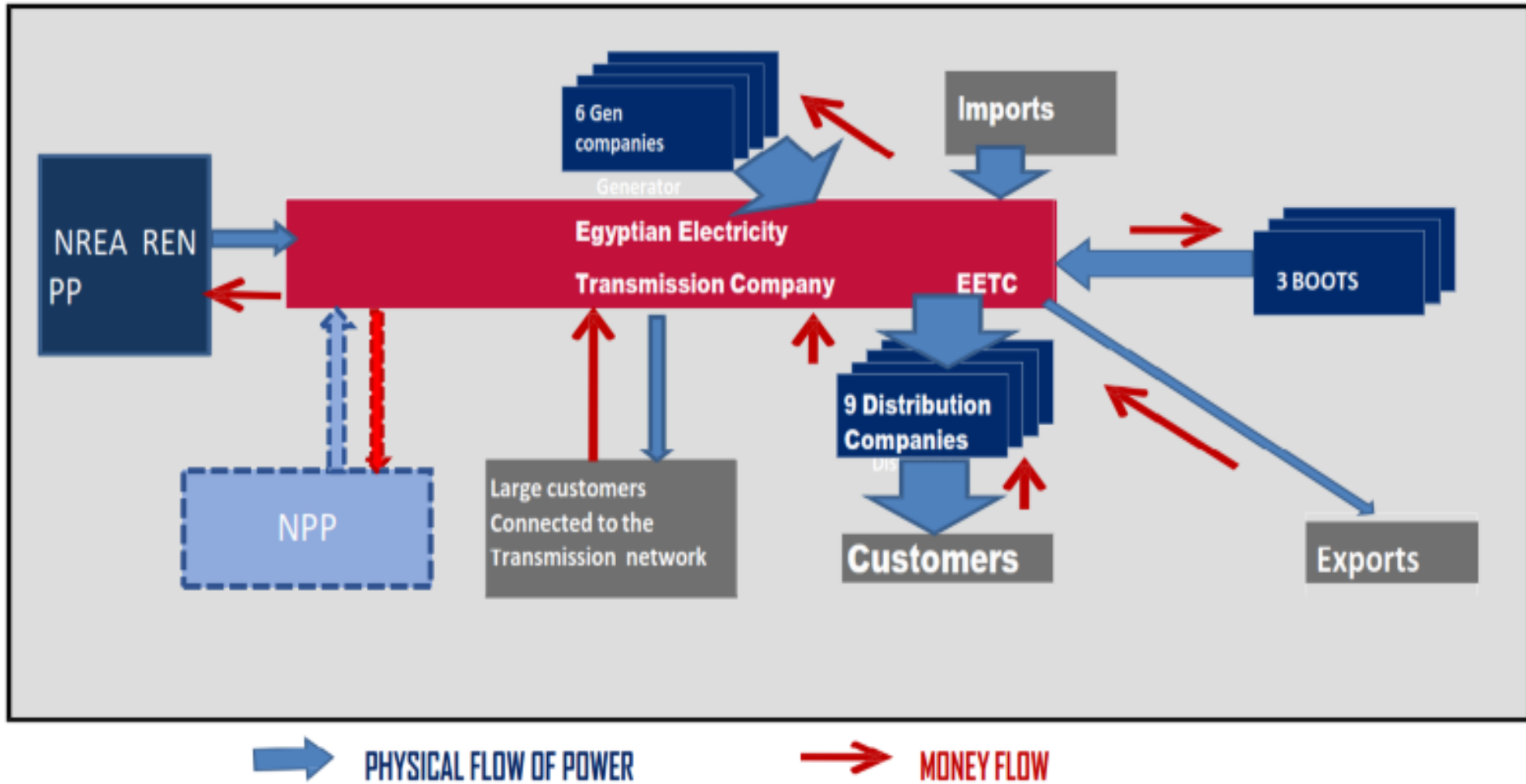


Power market reform in Egypt....

- The Egyptian electricity sector is being restructured:
(legal – technical – financial -)
- Electricity law No. 87 of 2015 was issued with the aim of operating the electricity system in accordance with economic and environmental standards that equal opportunities in a manner that preserves the interests of electricity producers and consumers.
- Restructuring of EETC to become a TSO and MO in preparation for the stage of gradual opening of the Egyptian electricity market to be a competitive market for eligible customers and regulated one for un-eligible customers.
- EEHC to adopt its conditions according to the new expected market era.

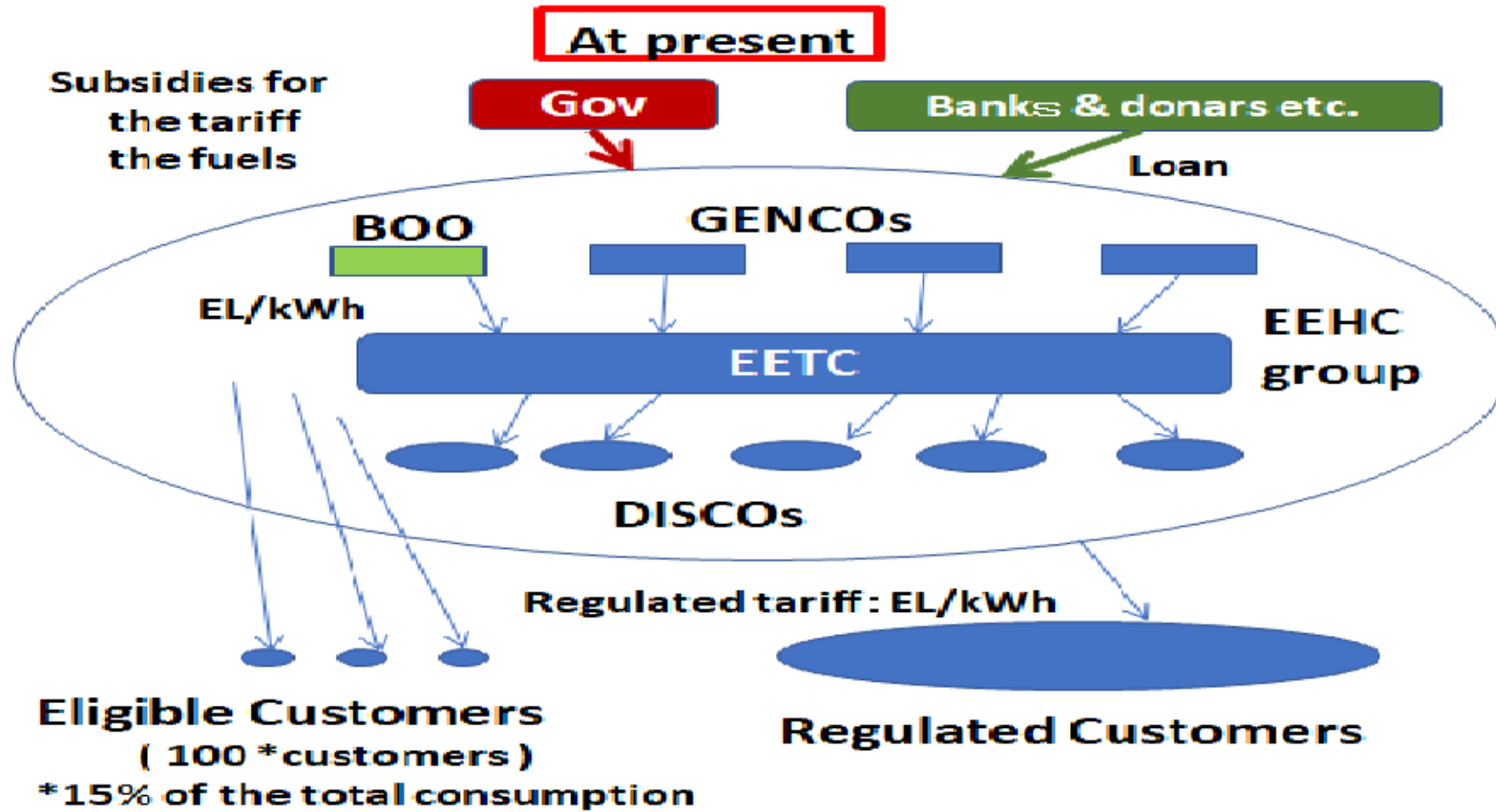


PRESENT EGYPTIAN ELECTRICITY UTILITIES STRUCTURE





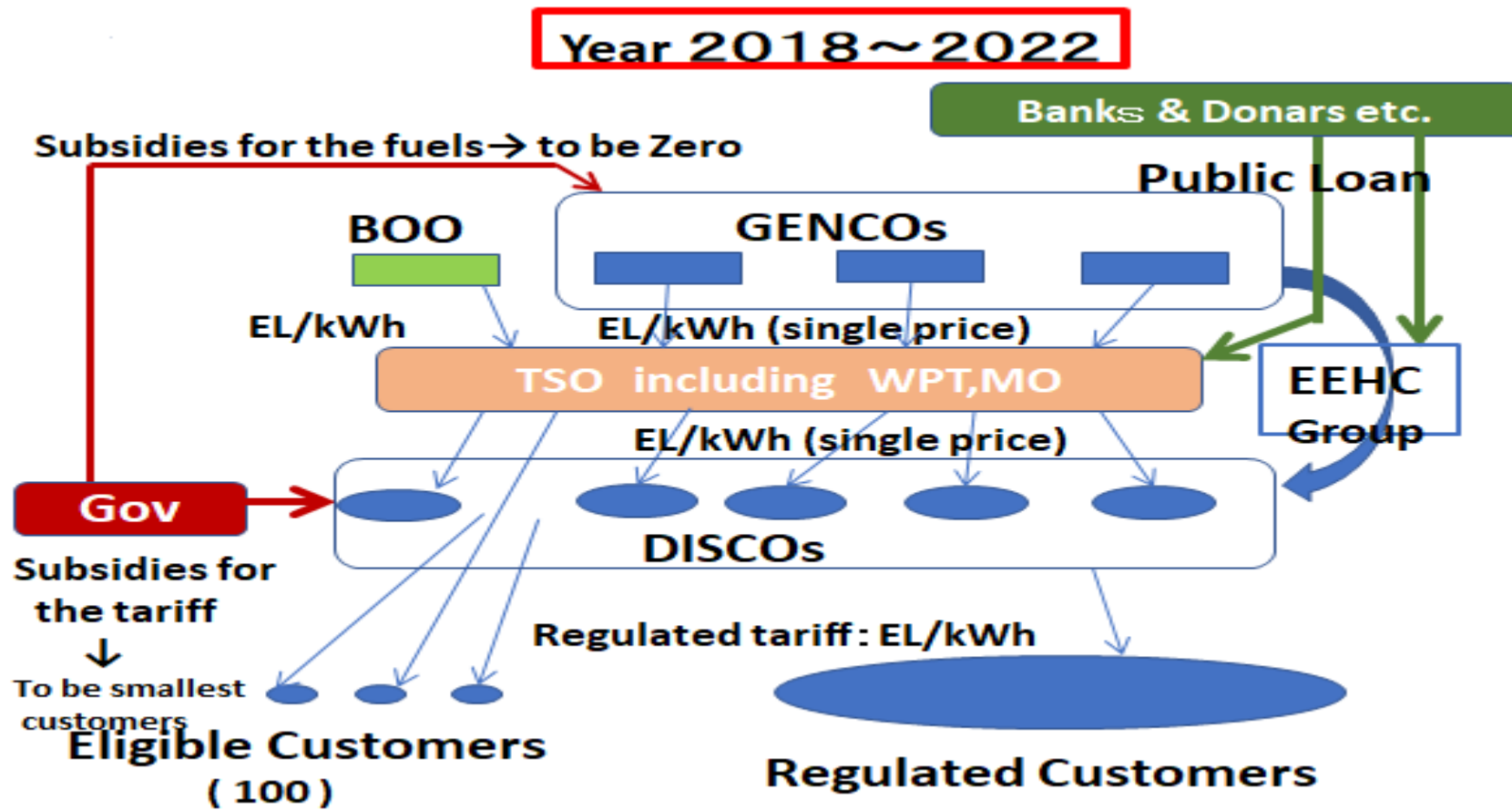
Present Egyptian electricity utilities structure....





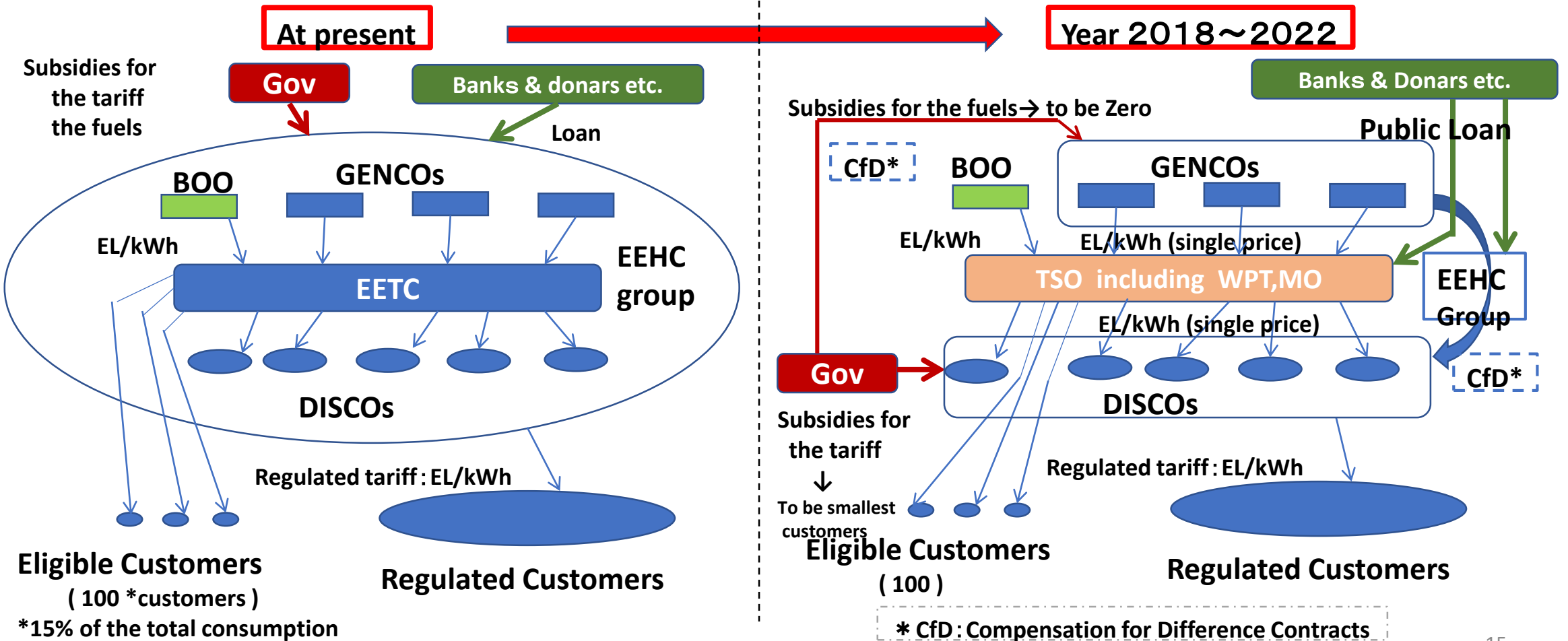
EEHC ADAPTATION

EEHC took relevant steps through the consultancy services in order to reach the expected targets initially by 2022 (removal of subsidies):-





EEHC Adaptation....





PROPOSED REFORM OF ELECTRICITY MARKET IN EGYPT

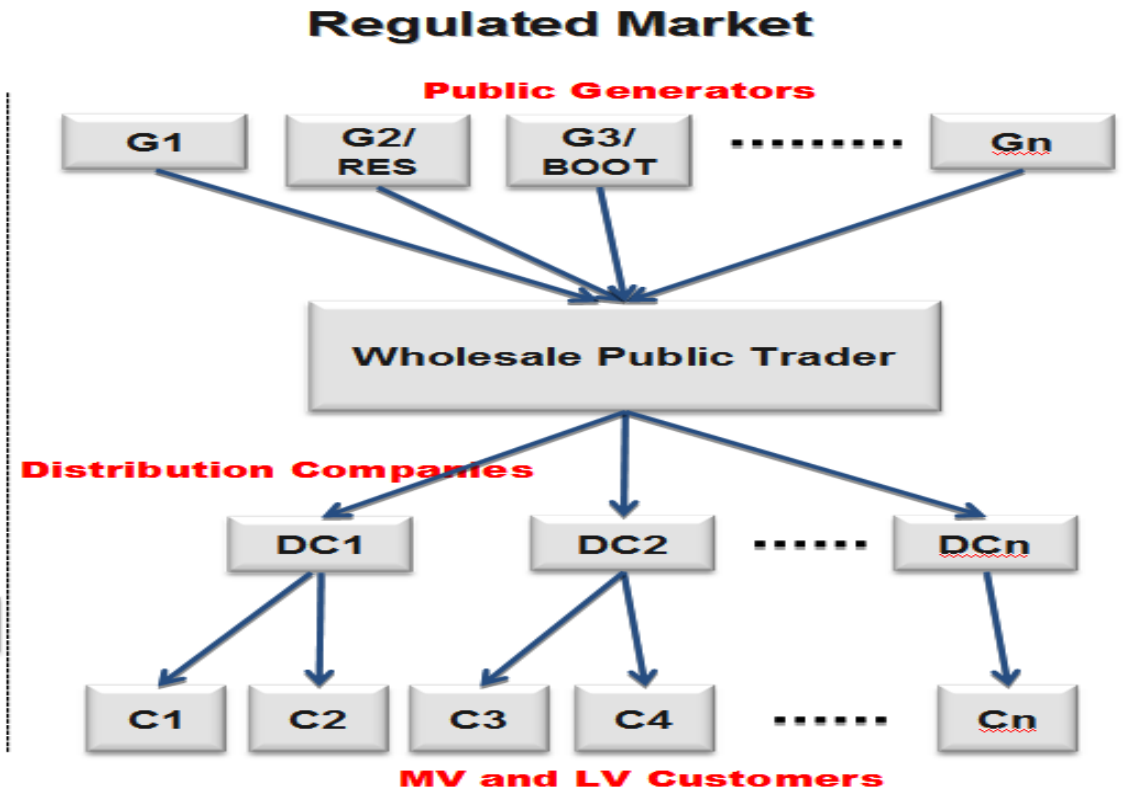
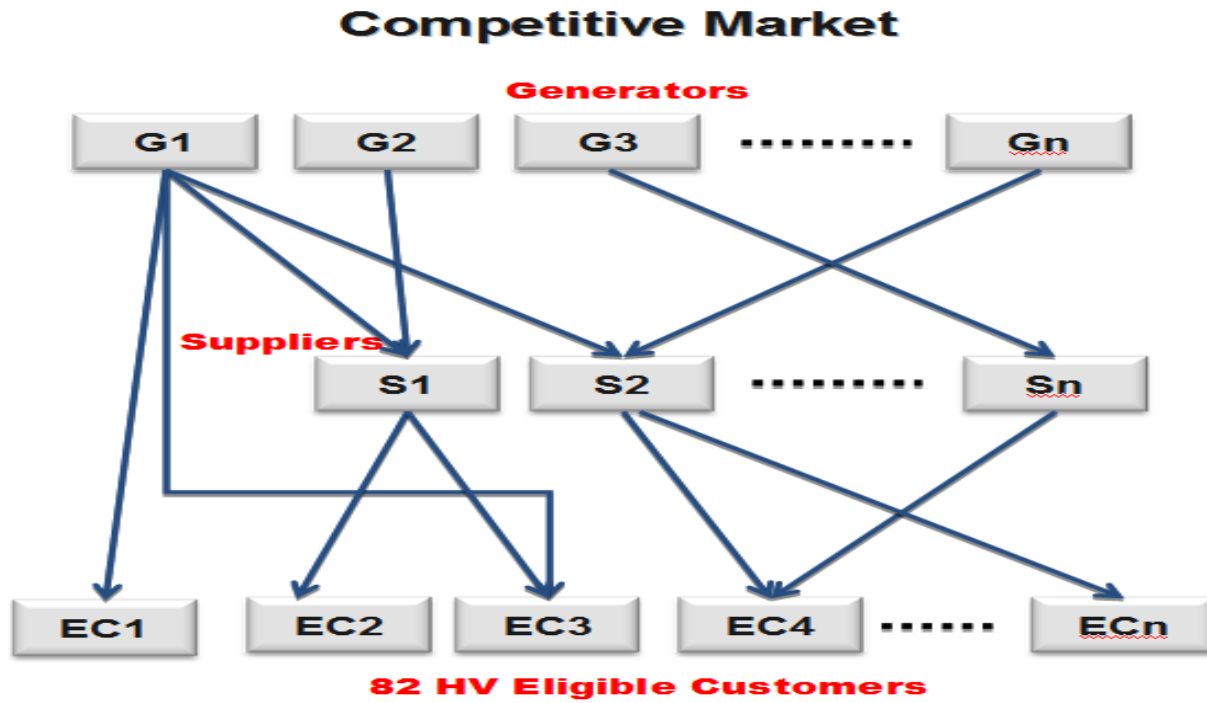
Egypt will create a two-tiered electricity markets

- **First tier of the market will be competitive**
 - It will comprise the eligible customers , who will freely choose electricity generator suppliers based on a bilateral contract and negotiated electricity prices .
- **The second tier of the market will be regulated**
 - It will comprise the non-eligible customers who will purchase electricity from a single Wholesale Public Trader (WPT) at regulated prices.
 - The WPT will purchase electricity from the generators and sell it to the distribution companies at regulated prices and will pay use of network charges to EETC.
- **The Market will be developed in phases .**



PROPOSED REFORM OF ELECTRICITY MARKET IN EGYPT

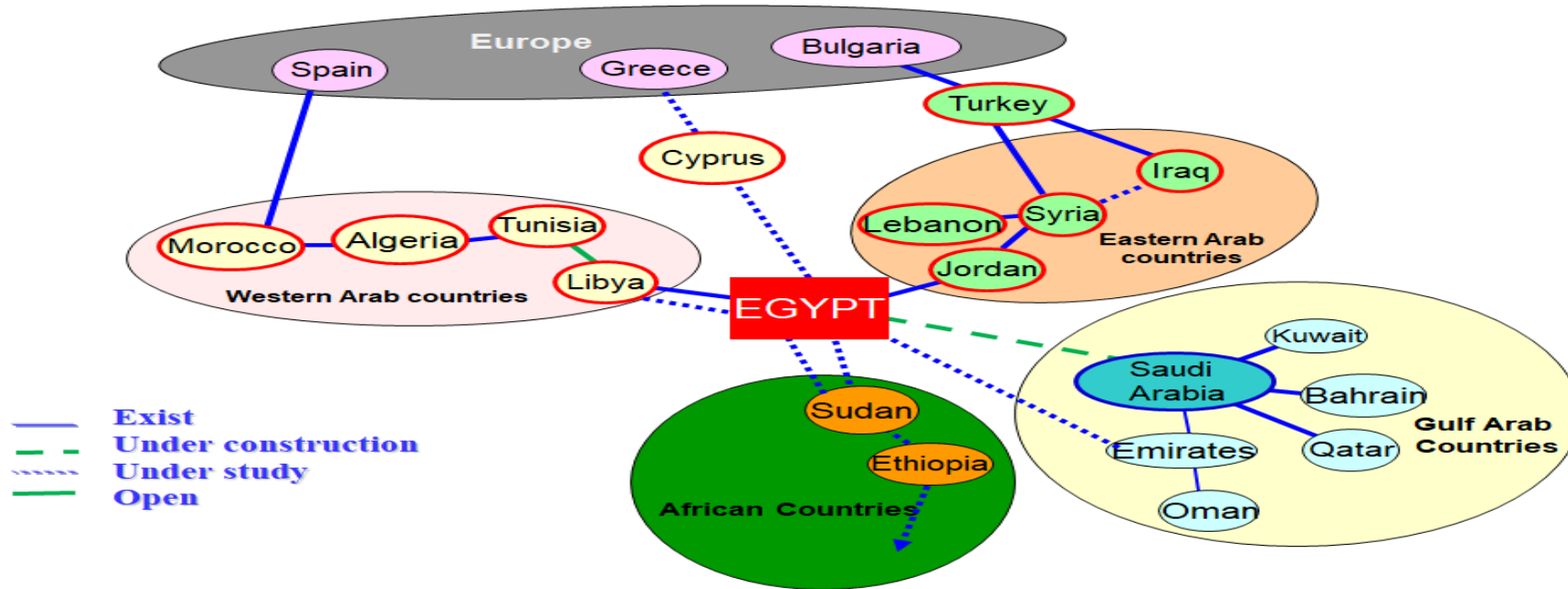
TWO-TIERED ELECTRICITY MARKETS (phase I)





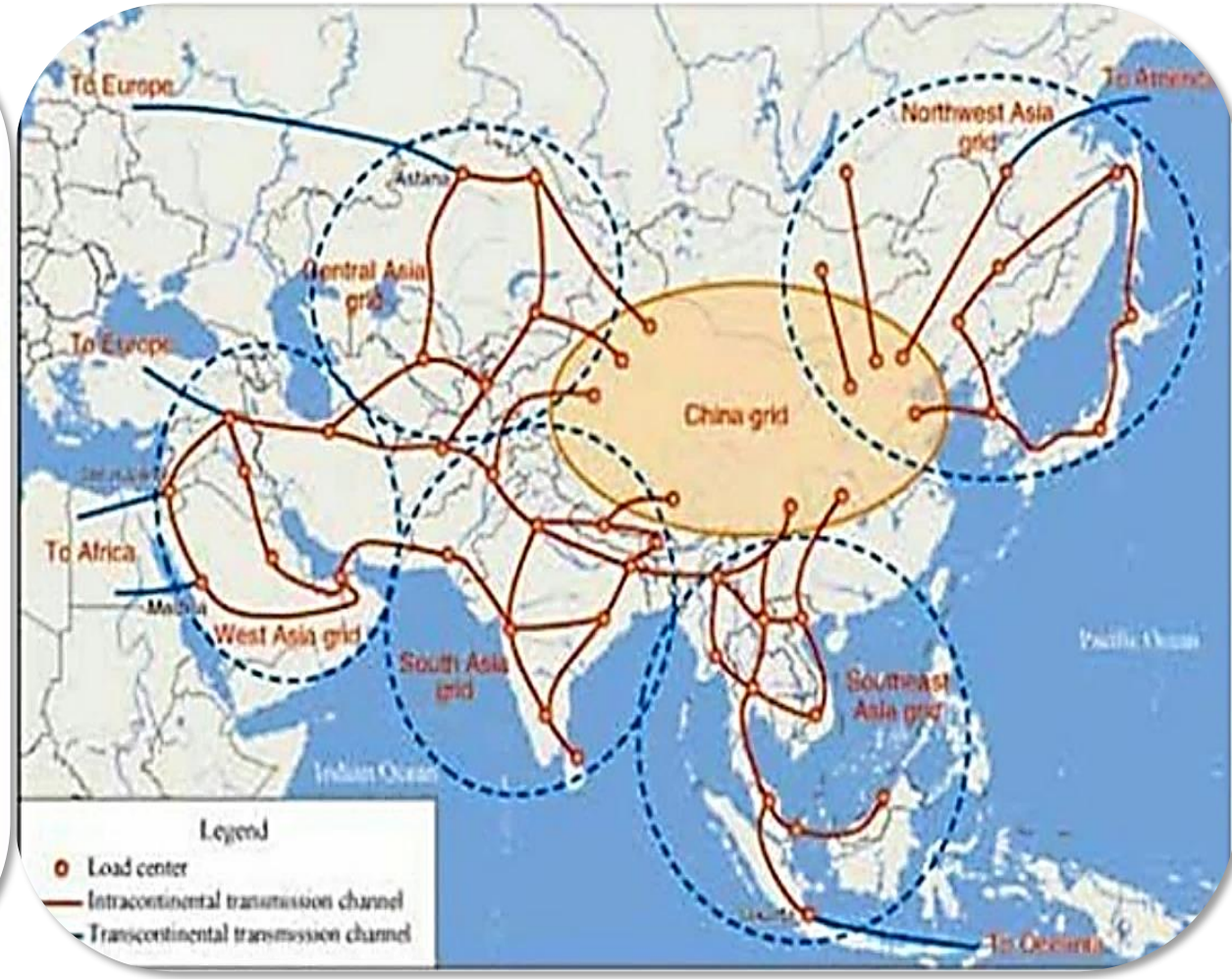
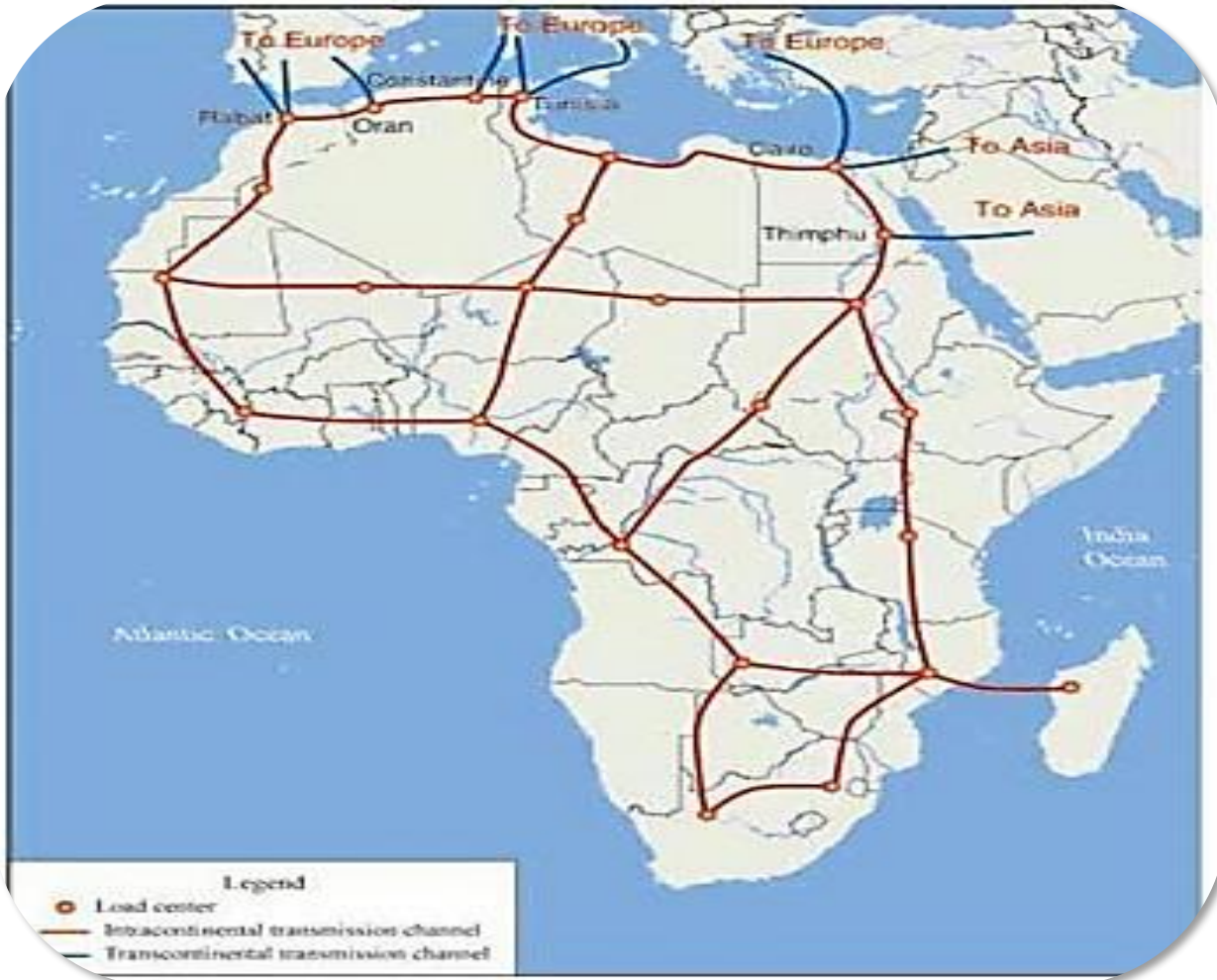
EGYPT AS A REGIONAL HUB

Egypt has a distinctive location between the three continents of Africa, Asia and Europe





EGYPT AS A REGIONAL HUB





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THANK YOU

