

The New Electricity Law

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Egyptian Electricity Law, issued by law no. 87 for year 2015 last July, (the “Electricity law”) along with its executive regulation, which is expected to be issued before the end of the year, will represent the general legal framework for the electricity sector for decades to come. The Electricity Law, a long awaited reform, paved the way to move from a state monopoly into a free market for electricity.

The law provided for open market for electricity generation and distribution, while maintaining transmission under state control through the ownership and monopoly of the national electricity transmission grid through the Egyptian Electricity Transmission Company (“EETC”).

A key ingredient of a free and fair electricity market is independent and neutral transmission network operator, which is essential to avoid conflict of interest between the owner/operator of the network and users of the network, in addition to ensuring impartial treatment of all players, producers and/or distributors. Hence, the Electricity Law mandated that EETC shall be restructured to become a Transmission System Operator independent from all of the electricity sector related parties within three years. The Ministry of Electricity and Energy has taken steps to achieve this in collaboration with the World Bank.

The second pillar of a competitive electricity market is the regulator. The Egyptian Electric Utility and Consumer Protection Regulatory Agency (“EgyptERA”) was founded in the year 2000 by virtue of a presidential decree and has been carrying the regulator rule since that date. Under the Electricity Law EgyptERA has been reorganised as an independent government agency established by law empowered with the necessary powers to regulate, supervise, and develop all aspects of electricity from generation to consumption, through transmission and distribution of electricity. Under the Electricity Law EgyptERA is responsible of ensuring the availability, quality, and stability of electric power supply at suitable prices.

Big part of EgyptERA’s role is promoting investment and free competition in the electricity sector. To that end, EgyptERA is entrusted with issuing rules and adopting policies that will achieve this goals and empowered to take actions against any market player who is involved in any anti-competitive behaviour.

In order for the competitive electricity market to function properly, there must be sufficient, if not surplus, of supply of electric power. In recent years, Egypt has witnessed record shortages of electric power. However, the Ministry of Electricity has adopted an emergency programme for the maintenance and renovation of existing power stations as well as building new stations with an aggressive plan of adding a total of 18,000 megawatts of installed capacity by year 2018 from conventional sources. In parallel, the New and Renewable Energy Authority embarked an ambitious renewable energy programme aiming to generate 20% of electricity from renewable sources by 2020. Under this programme, a Feed-in Tariffs scheme has been introduced by law 203/2014, and round-one of developers has been selected with a total capacity of 4300 megawatts expected to come into service by 2017. In addition to 950 megawatts wind and solar BOO projects that are currently being tendered at different stages.

Bottom line, while there is still a long way to transform electricity sector into a functioning free and competitive market, there some positives to be taken. Egypt has initiated the transformation with a fundamentally sound legal framework and is taking the steps toward restructuring the electricity state-

owned enterprises, building capacity of concerned authorities and taking steps to secure reliable and steady supply of electricity.

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