

Webinar

How can sector policy and regulation promote private investment in power transmission infrastructure in Africa?

(French Webinar Series)

Monday, November 27th, 2023

2.00pm to 3:30pm (Abidjan/GMT); 3pm to 4:30 pm (Paris/GMT+1)

Introduction to the ASR French Webinar Series

The African School of Regulation (ASR) has been hosting a series of webinars conducted in French (with simultaneous English translation). This is the second webinar in the series; in collaboration with the European Commission Global Technical Assistance Facility (GTAF).

The vision of the ASR is to reach the entire African continent in the dissemination of sound regulatory practices and principles in the energy sector, adapted from international best practices and tailored to the African context, while drawing on Africa's diverse, unique and innovative experiences. The series will address issues of relevance to Francophone African countries, as well as other issues of relevance to the wider African continent. The ASR aims to achieve inclusivity by communicating in all the main languages of the continent, with French being one of the key languages identified.

Context

Investment in electricity transmission infrastructure in Africa has relied mainly on public funding, and this trend continues. Looking at key parameters such as the number of kilometres of transmission lines per capita in sub-Saharan Africa, with the exception of South Africa, these countries rank among the lowest in the world. Improvements are therefore urgently needed, in particular by promoting cross-border interconnections between countries.

In contrast, other regions of the world have seen substantial private sector involvement in the development of power transmission infrastructure. The Independent Transmission Model (ITP), proposed by the World Bank (ESMAP) and other organisations¹, is based on the financial framework used by independent power producers (IPPs) for electricity generation. This model has already proved its worth in regions such as India, various Latin American countries, the US and Europe, but the experience with ITPs in Africa is practically non-existent.

¹ World Bank Group. 2017. Linking Up: Public-Private Partnerships in Power Transmission in Africa. © World Bank, Washington, DC. <http://hdl.handle.net/10986/26842>

Other more recent references are available:

Gridworks. 2023. Private investments in transmission.

<https://gridworkspartners.com/wp-content/uploads/2023/05/Investment-in-Transmission-Gridworks.pdf>

Power Africa. 2022. Understanding Power Transmission Financing.

https://cldp.doc.gov/sites/default/files/2021-10/Understanding_Transmission_Financing.pdf

There are a number of factors that can hinder the promotion of private investment in transmission infrastructure, some of which are essentially related to cross-border trade, for example within a regional organisation. It should be noted that transmission lines within a country may be essential for the economic distribution of production on the network:

1. The reluctance of governments to allow private sector participation in their national transmission networks, even if operation remains the responsibility of a national grid operator.
2. The general perception that private capital is more expensive than (typically scarce) public funding sources for the construction and operation of transmission lines. Effective regulation can mitigate the financial risk of private investors.
3. The absence of creditworthy off-takers, given the financial instability of most utilities in sub-Saharan Africa, particularly in the distribution segment.
4. A regional approach to cost allocation for cross-border transmission (and transit), entailing payments between countries, may face resistance in cases of insufficient trust among regional nations.
5. Inadequate regulation can create financial risks. The most frequent regulatory risks are:
 - Revenues linked to transaction volumes or usage rather than costs incurred, standards or auction results.
 - Regulatory updates of historical rate bases that are based on concepts such as "replacement costs" or "market value".
 - Failure to segregate transmission revenue requirements from end-customer tariffs.
 - Disputable cost allocation methods resulting in perceived unfair charges that generate opposition to the investments.
 - Frequent recalculations of network usage charges or changes in the calculation methodology.
 - Performance-based incentives that extend beyond the equipment's reliability history.
 - Uncertainty regarding remuneration beyond the economic life of the transmission system asset.

Objective

This webinar will identify and assess the underlying causes of barriers to private sector investment in power transmission infrastructure across Africa. It will also examine how sound policies and regulations can mitigate or remove these barriers, thereby fostering an environment conducive to private sector participation.

Webinar Structure

The webinar, which will be held on Zoom, will be in French with simultaneous English translation and will last one and a half hours.

There will be no formal PowerPoint presentations. The webinar will consist of a dialogue between the moderator and the panellists, followed by questions and a debate guided by the moderator. The moderator may also select questions that participants can post during the webinar in the chat/question and answer section of the Zoom platform.

Webinar Program/Agenda

Time	Content	Speakers
3:00pm to 3:05 pm	<i>Opening</i>	Prof. Ignacio Perez-Arriaga (African School of Regulation, ASR)
3:05pm to 3:10pm	<i>Webinar overview and introduction of the panellists</i>	Oumar Bangoura (Principal Legal Expert, ECOWAS Regional Electricity Regulatory Authority, ERERA)
3:10pm to 4:25pm	<i>How can sector policy and regulation promote private investment in power transmission infrastructure in Africa?</i>	<p>Moderator: Oumar Bangoura</p> <p>Panellists:</p> <ul style="list-style-type: none"> • Michel Caubet (Team Leader & Senior Sustainable Energy Expert, EU Global Technical Assistance Facility for Sustainable Energy, GTAF) • Abel Didier Tella (Director General, Association of Power Utilities of Africa) • Sergio Portatadino (Technical Lead for the Senior Advisors Group, Tony Blair Institute, TBI) • Moshood Abolade (Director Project Development, Africa 50)
4:25pm to 4:30pm	Closure	EU TAF / ASR