



Ministry of Electricity

Sector Restructuring



USAID-Funded Economic Governance II Project

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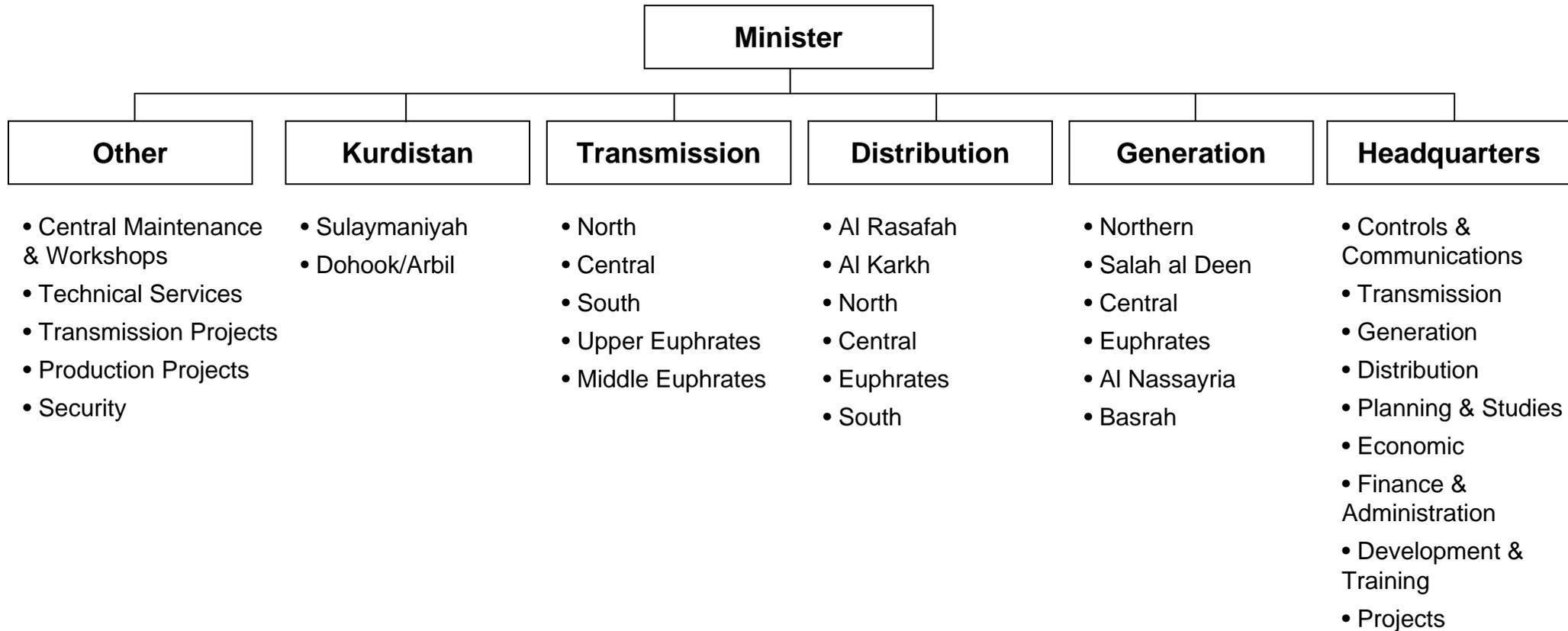
- **Background**
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- **Ministry**
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- **Iraq Transmission Corporation**
- **Iraq Distribution Corporation**

Background

Current Sector Organisation



The Ministry and the Sector are currently the same thing



The structure was put in place in October 2003

Objectives for the Restructuring

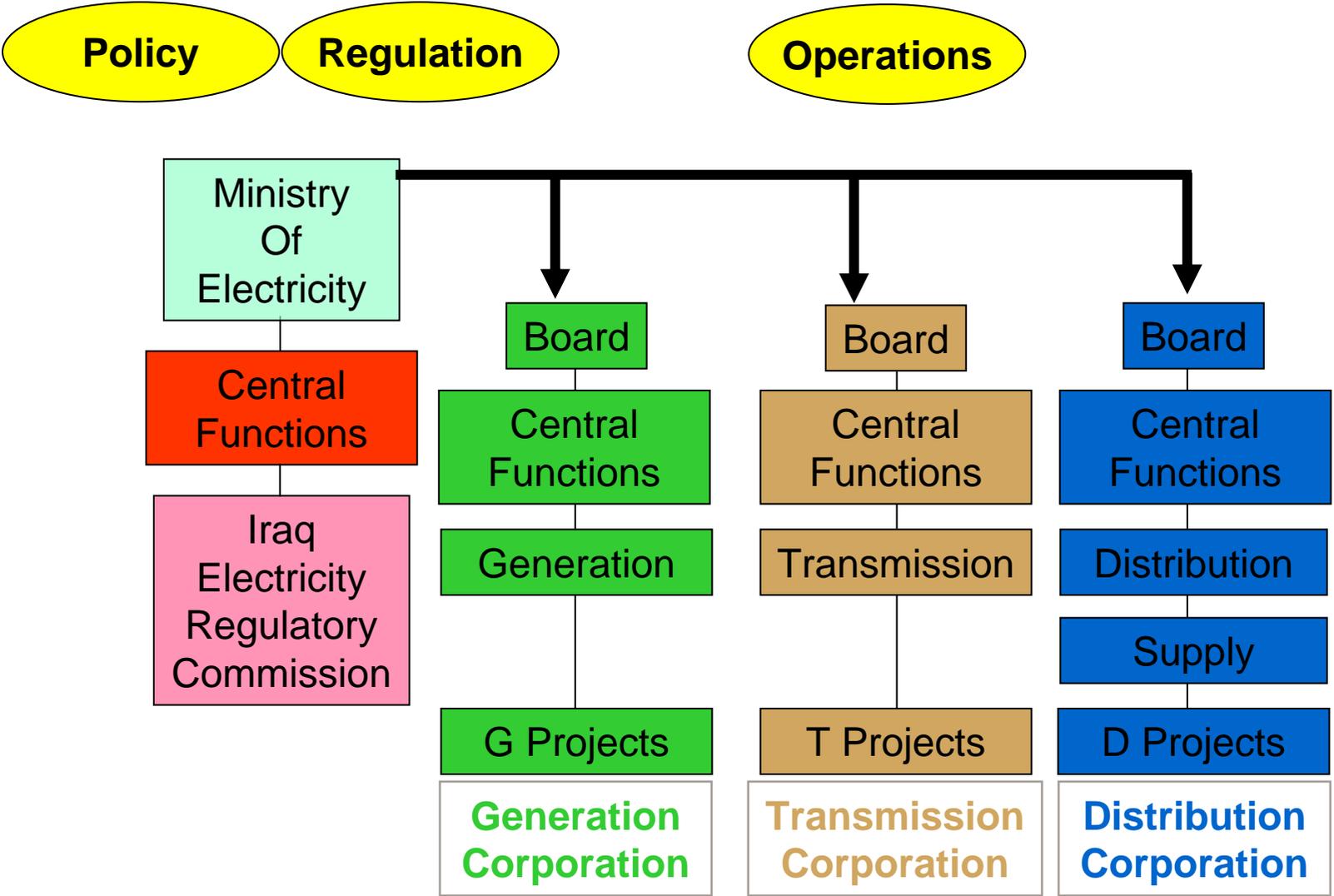


The objectives must be clear from the start to drive the recommendations

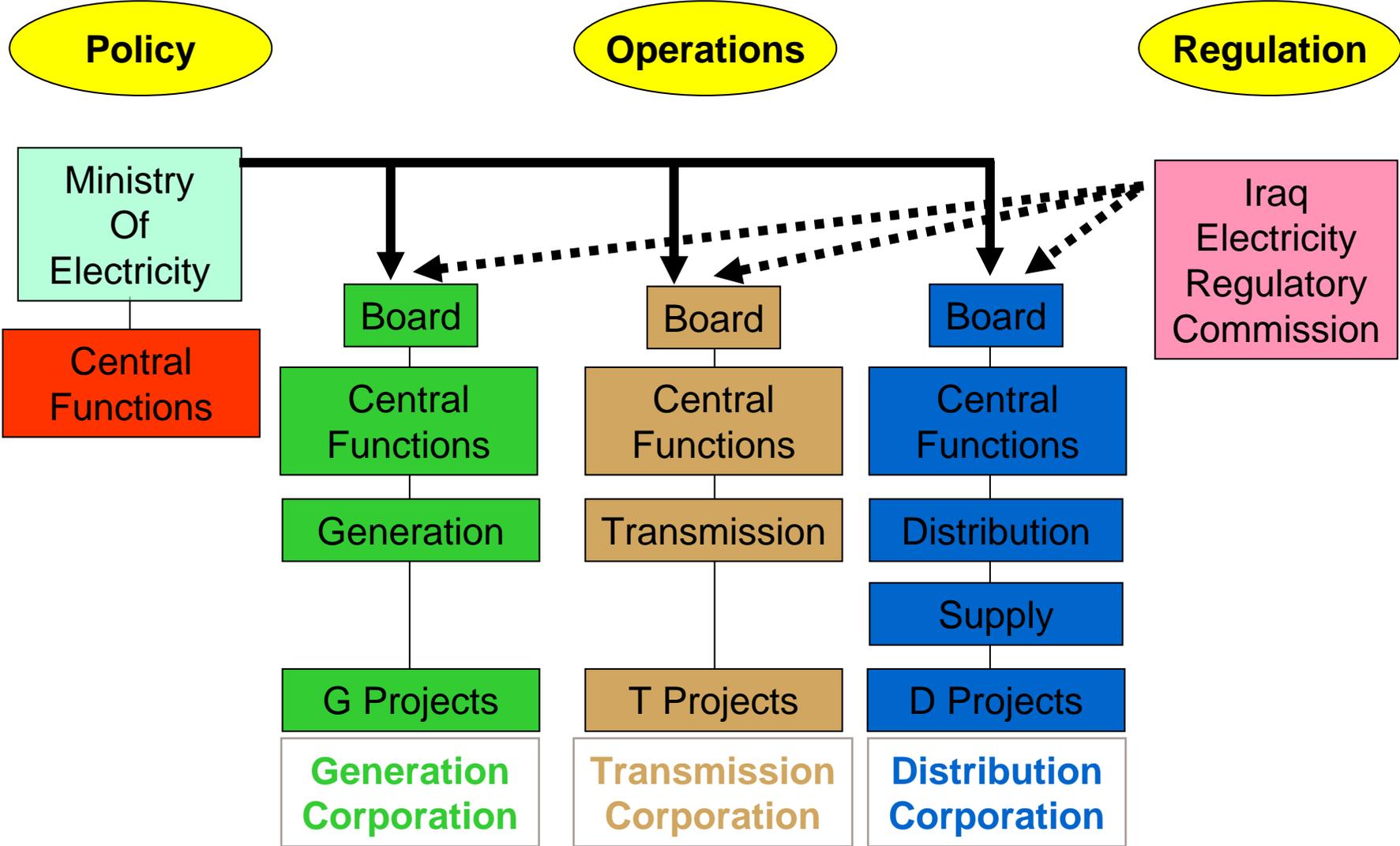
- Separate policy, operations and regulation
- Create a simpler, more efficient structure with clear reporting lines and separation of responsibilities
- Introduce commercial governance and management structures
- Be compatible with the proposed market model (eg, Single Buyer)
- Facilitate introduction of private sector investment in the electricity sector
- Allow the eventual privatisation of part or all of the sector if desired

The Restructuring Subcommittee recommended creation of three corporations: for generation, transmission and distribution/supply - initially 100% Government owned – as the best way to achieve these objectives

Recommended Structure: Semi-independent Regulator (transitional)



Recommended Structure: Independent Regulator (end position)

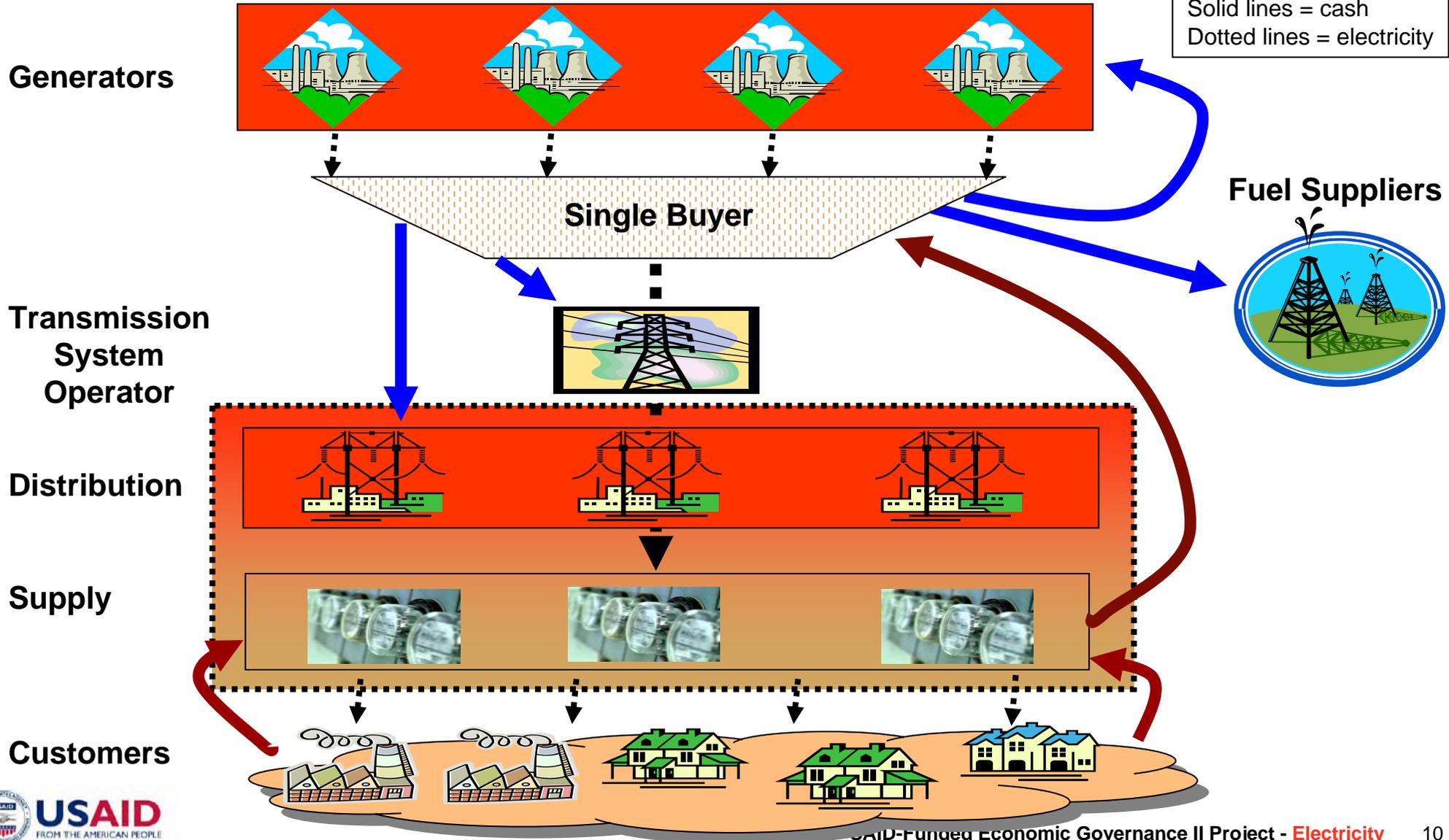


Possible Market Model

The Single Buyer Model



Solid lines = cash
Dotted lines = electricity



The Single Buyer Model



The Steering Committee prefers the Single Buyer model

Advantages

- ✓Facilitates private investment in new generation plant
- ✓Simple, transparent structure
- ✓Suppliers pay one price for electricity
- ✓Facilitates mix of fuel types
- ✓Market stability
- ✓Works well even when there is a shortage of generating capacity (other models do not)
- ✓The most common model in the Middle East – availability of precedents, experience
- ✓Can be a transition to a more competitive approach later

The Single Buyer Model



Disadvantages

- × Limited scope for competition (for generation capacity only)
- × Difficult to regulate the Single Buyer
- × All market power concentrated in a single entity
- × Hence **strong regulation is crucial**

The Ministry

Future Role of the Ministry

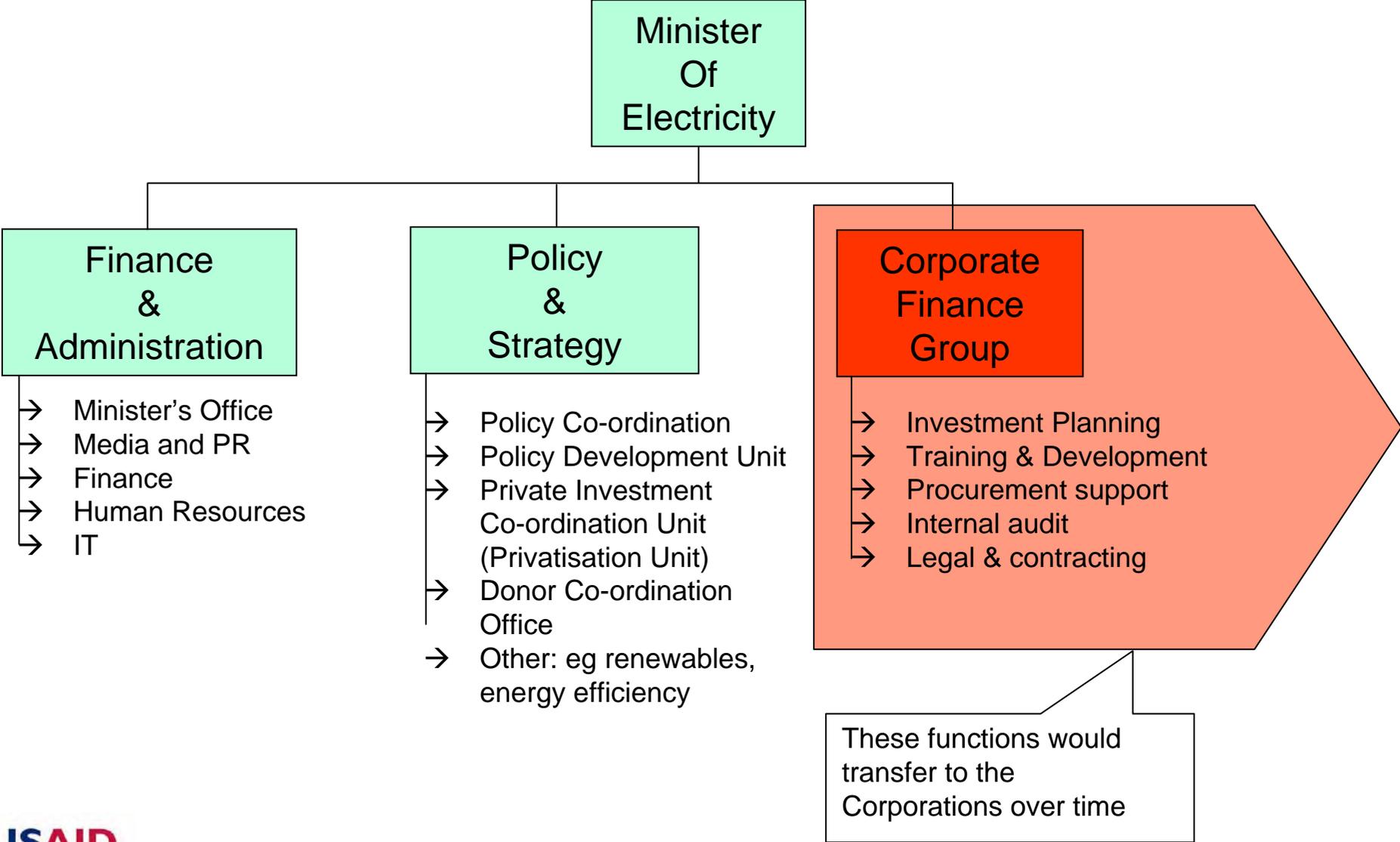


MoE will have a key role in the future development of the sector by setting electricity strategy and policy:

- Overall direction of sectoral development
- Policy co-ordination with the rest of Government (Ministry of Oil, Finance...)
- Tariff and subsidy policy
- Competition policy
- Private Sector Participation
- Co-ordination of donor assistance and funding
- Ownership of assets, provision of some central services (transitional)
- International connectivity, regional markets
- Investor incentives
- Renewable energy policy

It will be a much more focused organisation

Ministry – High Level Organisation



Generation Corporation (GC)

Future Role of the GC



The GC will own, build, operate and maintain Government generation assets

Core Functions

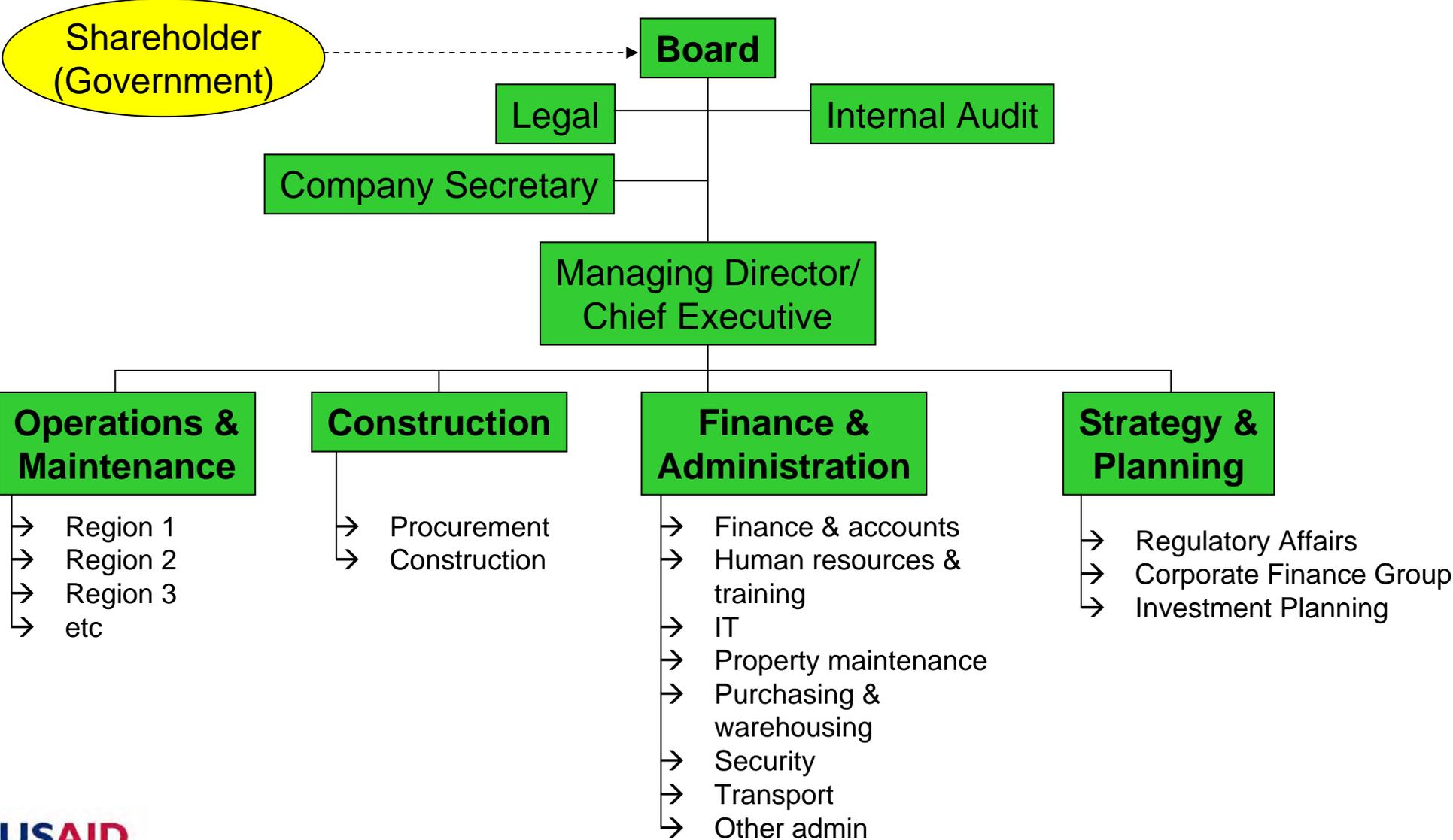
- Operation of existing generation plant
- Maintenance and rehabilitation of existing generation plant
- Construction of new plant
- Provision of ancillary services

Support Functions

- Strategy, business planning, investment planning, Corporate Finance Group*
- Regulatory Affairs
- Finance/accounting, costing, receipts
- Company Secretary
- Legal & contracts*
- Human resources & training*
- IT
- Purchases & warehousing*
- Internal Audit*
- Property maintenance
- Security
- Other (transport, cleaning, etc)

* Services initially supported by the Ministry

IGC High Level Organisation



Transmission Corporation (TC)

Future Role of the TC



The TC will own, operate, maintain and expand the national transmission network, carry out despatching and will act as the Single Buyer

Transmission Functions

- Operate transmission network^o
- Maintain and rehabilitate network
- Expand transmission network
- Connect large customers directly
- Transmission System Operator^o (despatching, system balancing...)
- Sale of transmission services to the Single Buyer

Single Buyer^o

- Purchase all electricity from licensed generators
- Purchase fuel, deliver to generators
- Sell electricity to licensed supply companies at the Bulk Supply Tariff
- Operate Spot Market
- Purchase transmission & distribution services

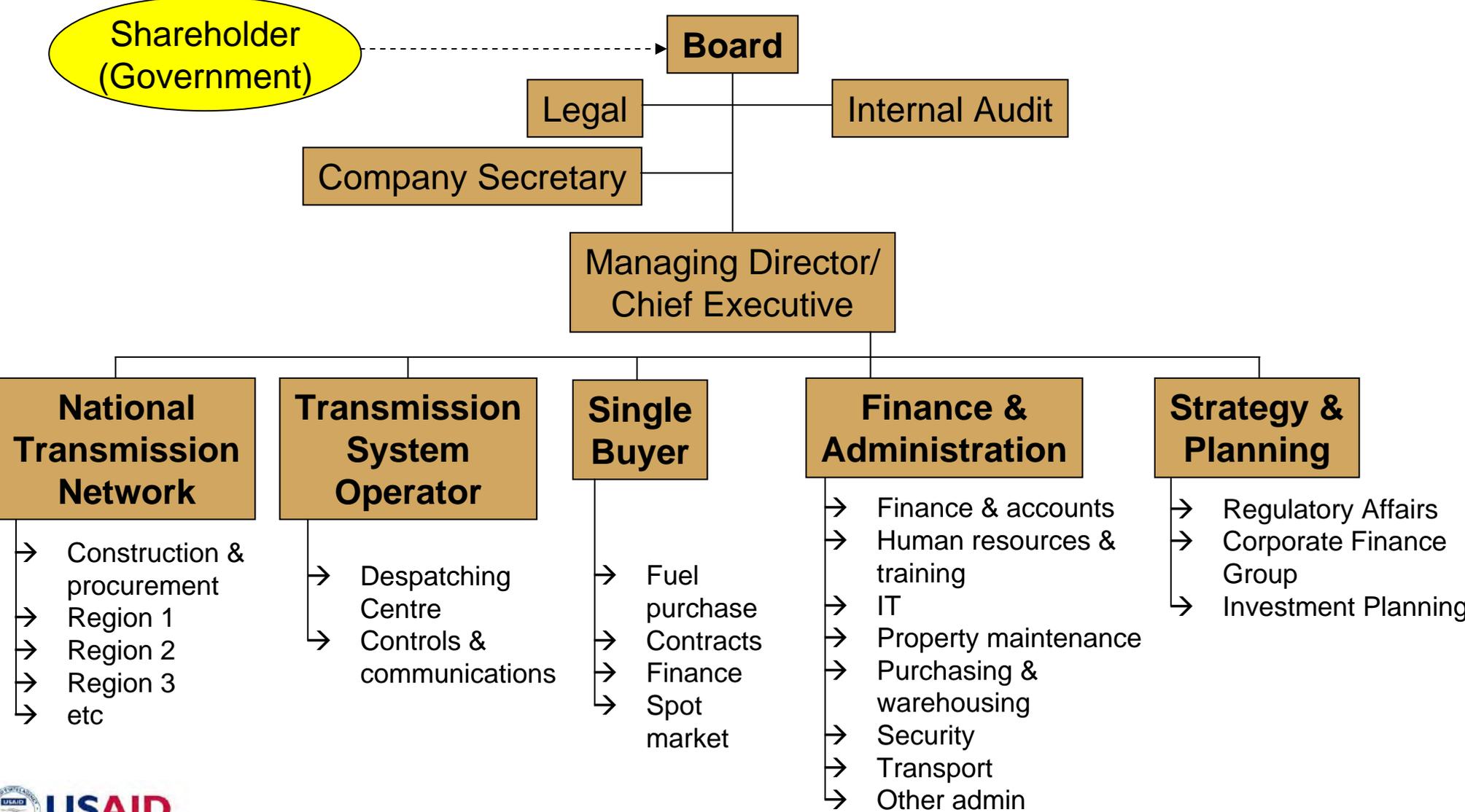
Support Functions

[As for IGC]

Or the supply company

^o The Single Buyer, Transmission System Operator and Transmission Network Operator will be licensed separately

ITC High Level Organisation



Distribution Corporation (DC)

Future Role of the DC



The DC will own, build, operate and maintain the existing distribution network and supply electricity to retail customers

Distribution Functions[^]

- Operate distribution network
- Maintain and rehabilitate network
- Expand network/connect new customers (construction)
- Sale of distribution services to the Single Buyer

Or the supply company

Or the distribution company

Supply Functions[^]

- Meter reading
- Billing and collections
- Purchase bulk electricity from the Single Buyer
- Retail sale of electricity to customers
- Install and maintain meters

[^] Distribution and supply would require separate licenses

Support Functions
[As for IGC]

IDC High Level Organisation

