

**MEMORANDUM OF UNDERSTANDING BETWEEN THE NATIONAL ELECTRICITY REGULATORY
AUTHORITY OF THE KINGDOM OF MOROCCO//AUTORITÉ NATIONALE DE L'ÉLECTRICITÉ
(ANRE) AND THE SPANISH AUTHORITY FOR MARKETS AND COMPETITION (CNMC)**

One-Year Cooperation program 2024

Specific Topic Focus: "Electricity Distribution Networks Tariff Setting."

Background

CNMC (Comisión Nacional de los Mercados y la Competencia) and ANRE (Autorité Nationale de Régulation de l'Électricité) propose a one-year collaboration, focusing on a specific area of mutual interest. This approach allows for a concentrated effort and efficient allocation of resources.

CNMC and ANRE, are represented by their respective presidents, with full legal capacity to exercise their functions. The Kingdom of Morocco and the Kingdom of Spain, situated on opposite sides of the Mediterranean, share not only geographical proximity but also a long history of cultural and economic ties. In recent years, both nations have made substantial strides in their energy sectors, prioritizing the transition towards cleaner, more sustainable energy sources and regulatory frameworks. This shared vision for a greener future and a resilient energy market has led to a growing synergy between the two countries.

At the helm of this bilateral energy collaboration are visionary leaders who recognize the immense potential for mutually beneficial cooperation. It is within this context of close relations, shared goals, and strong leadership that CNMC and ANRE are embarking on a journey of regulatory cooperation.

This collaboration is expected to not only strengthen the energy sectors of both countries but also contribute to the broader objectives of regional energy integration and sustainability.

In this spirit, CNMC and ANRE have identified a first specific area of mutual interest- **"Electricity Distribution Networks Tariff Setting."** This topic holds great relevance within the context of the Electricity Market Design in Europe and the unique challenges faced by Morocco in its energy market evolution.

The ultimate goal of this one-year cooperation program is to lay the foundation for a comprehensive and enduring partnership. In this regard, CNMC and ANRE aspire to sign a formal Memorandum of Understanding (MoU) that will further solidify their commitment to regulatory cooperation and chart the course for future collaborative endeavours in the energy sector. This Memorandum of Understanding will not only symbolize the achievements of the collaboration but also serve as a roadmap for continued cooperation in the years to come.

Together, CNMC and ANRE aim to set the stage for a fruitful collaboration that will benefit most of the key stakeholders mainly investors and consumers, promote regulatory excellence, and foster innovation in the energy sectors of Spain and Morocco.

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Scope

The initial cooperation will revolve around "Electricity Distribution Networks Tariff Setting" with a particular emphasis on tariff design and cost allocation. This topic is of utmost importance within the context of the Electricity Market Design in Europe and the evolving energy market in the Kingdom of Morocco, especially after the recent overhaul of the legal and regulatory framework governing the electricity sector in general and that of renewable energies in particular. Collaborative endeavours in this domain aim to effectively communicate the right signals to investors and consumers in both countries and establish uniform tariff-setting practices.

That said, the methodologies concerning network tariff design and cost allocation, subject to this collaboration, will need to be considered in the specific context of both countries and align fully with the provisions and principles of the legal framework implemented in each of these two countries.

Staff Resources and Availability

CNMC anticipates a reorganization process in 2024, which may impact its resource allocation and staff availability. Flexibility will be key during this period to ensure the success of the collaboration.

ANRE acknowledges this situation and is open to adjusting cooperation activities accordingly.

Budgetary Resources

Both organizations recognize the budgetary constraints related to travel and in-person meetings. Therefore, a flexible approach involving virtual meetings and remote collaboration will be adopted to accommodate these limitations effectively.

In any case, the expenses arising from the signature of this Memorandum of Understanding are conditioned to the availability of annual budgetary funding, in accordance with laws and regulations in force in each country.

The signature of this Memorandum of Understanding shall not involve any costs other than those related to the travels, transport, and accommodation of the representatives designated by each party when cooperation activities require travelling to the other State. In this case, all expenses shall be borne by the party sending the representatives, subject to the availability of sufficient budgetary resources, and shall be covered by the available budget of each party, and in accordance with the provisions of the applicable regulations.

Types of Collaboration Activities

- Joint Workshops and Webinars
 - Alternating between CNMC and ANRE locations (virtual or in-person as feasible).
 - Detailed topics to be defined after technical teams meet and may include distribution network tariff methodologies concerning issues such as:
 - Regarding setting the regulated remuneration for distribution activities, it may include setting the remuneration for investment in assets (including the definition of the Regulatory Asset Base or RAB, and its indexation during the regulatory period) and the remuneration of O&M activities (OPEX). The remuneration for investment in assets



(CAPEX) includes the financial remuneration and the remuneration for the depreciation of the assets during their regulatory lifetime. Finally, financial remuneration requires setting a methodology for calculating an allowed rate of return.

- In relation to network tariffs, tariff structure for the use of the distribution networks, cost allocation models, billing charges, investor and consumer signal optimization, treatment of new figures (such as self-consumption, batteries, flexibility, PEV, OPS), regulatory impact assessment especially on end-users electricity prices and also on the financials of the DSOs, treatment of balancing services, etc.
- Other potential topics may include the design of regulatory incentives related to quality of service and energy losses in distribution networks; and the design of regulatory proposals to facilitate the efficient integration of smart grid technologies and distributed energy resources.

- Research and Knowledge Exchange
 - Collaborative research projects focusing on tariff-setting practices and methodologies.
 - Exchange of relevant reports, studies, and research findings.
- Regulatory Review and Benchmarking
 - Comparative analysis of electricity distribution network tariff-setting regulations and practices in each country.
 - Identification of areas for harmonization and improvement.
- Training and Capacity Building
 - Mutual training sessions for staff to enhance knowledge and skills.
 - Sharing of training materials and resources.

Program Outputs

- Enhanced capacity and expertise in electricity distribution networks tariff setting.
- Strengthened cooperation between CNMC and ANRE.
- Joint publications and contributions to the regulatory community.
- Improved investor and consumer signal optimization and cost allocation practices.
- Provide best regulatory practice for stability required to draw investments, whilst mitigating regulatory uncertainties and encouraging distribution companies to elaborate accurate investment plans.
- Establishment of a long-term cooperation framework through a formalized Memorandum of Understanding (MoU).

This one-year cooperation program aims to facilitate knowledge exchange, mutual learning, and regulatory harmonization between CNMC and ANRE. Through joint efforts, both organizations aspire to contribute positively to the energy regulatory landscape and ultimately benefit investors and consumers in Spain and Morocco.

Legal Effect

This Memorandum is concluded with a view to enhancing and developing cooperation between the Parties and does not constitute a binding agreement upon the States of the Parties under international law. Any provision of this Memorandum shall be interpreted and implemented as creating or recognising legal rights or commitments, including financial aspects, for the States of the Parties.

Signed in Madrid on the 5th of September 2024, in duplicate, in English language.

Madrid, September 5, 2024

Madrid, September 5, 2024

Mr. Abdellatif BARDACH
President of ANRE NRA from the Kingdom of
Morocco

Ms. Cani Fernández Vicén
CNMC President from the Kingdom of Spain