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Flipping the Switch: How Regulatory Institutions Can Improve Power Deals Through Transparency and Standardization

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BLUF: Emerging markets are making significant strides to increase electricity production — but too often, the contracts behind the electricity stay in the dark. Opaque power deals drive up debt, delay projects, and scare off investors. The solution? Empower regulators to flip the lights on. When regulators enforce transparency, use standardized contracts, and oversee fair procurement, energy markets become faster, fairer, and far less expensive. And let's be honest, no one should need a team of lawyers and two years to figure out how to buy power. With a few bold moves, we can replace confusion with clarity, and bad deals with better ones.

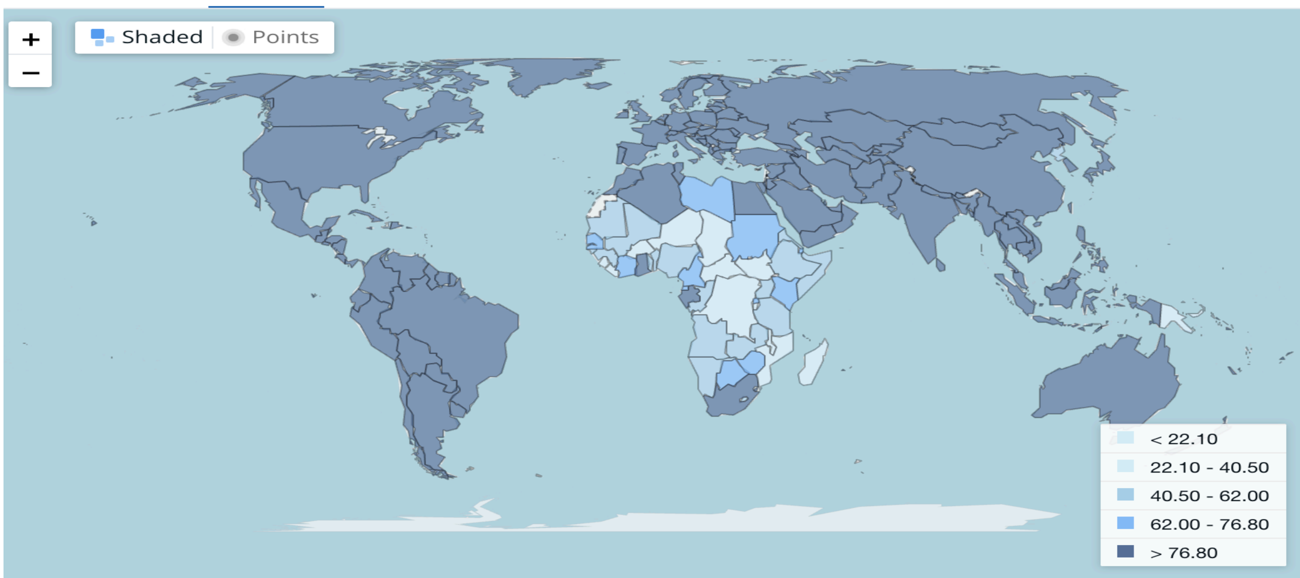
When Ghana's public utility regulator first disclosed electricity contract information on its Power Purchase Agreement Register, it was hailed as a pioneering step for the continent, especially given the lack of data norms in many countries.[1,2] However, Ghana's approach is not unique — several countries already maintain electricity contract registers that offer both citizens and investors valuable insights into their power markets.[3] Such transparency, often spearheaded by regulators, has enhanced investment attractiveness in these markets, enabling them to scale more rapidly and improve the quality of contracts.

[1] Power Purchase Agreement Register - Accra
[2] Data - PPA Watch
[3] Brazil, Uttar Pradesh, India

Why It Matters: The World (Especially Africa) Needs More Power

Across Africa and parts of Asia, power shortages, rising electricity costs, and mounting debt from energy contracts are putting pressure on governments, businesses, and households. Many countries have increasingly relied on Independent Power Producers (IPPs) to boost their electricity generation capacity via power purchase agreements (PPAs) — long-term contracts between utility offtakers and private generators to buy power.[4] While PPAs can be an effective instrument for attracting private investment, their inherent complexity and propensity for information asymmetry often make them avenues for skewed contracts between state (or quasi-state) utilities and private investors. In many emerging markets, electricity contracts are often kept hidden from public scrutiny, with the contracting process lacking transparency and competitiveness.

FIGURE 1: Access to electricity (% of population)



Source: [World Bank, 2023]

In Power Deals, What You Don't See Can Cost You

Poorly negotiated and non-transparent PPAs often burden governments with long-term financial commitments, driving up national debt and forcing consumers to bear the cost through higher electricity tariffs. This has left countries vulnerable to a range of costly and compounding risks because power deals affect a core public service and can strain public budgets.

[4] Eberhard, A., et al. (2016). Powering Africa: Forging a sustainable electricity future. World Bank Publications.

Non-transparent PPAs contain guarantees that are a form of concealed liabilities.[5] Utilities sign the deals but in many emerging markets, the government — and future taxpayers — ultimately foot the bill. Ghana's debt to IPPs stands at US$3 billion, Nigeria's overall sector debt has hit ~US$2.6 billion and Zambia has just over US$1 billion in unpaid PPA liabilities.[6,7,8] In 2023, Pakistan's capacity payments to IPPs totalled 4.5 billion USD, equaling a staggering 14% of the country's annual budget for the same financial year, and outstripping public expenditure on health and education by nine times![9]

Lack of transparency opens the door to corruption, favoritism, and awarding contracts to unqualified entities. Undisclosed contracts undermine public trust, reduce efficiency, and deter reputable investors from entering the market. In such environments, investors face heightened risks due to unpredictable rules, political interference, and contract instability — thus discouraging much-needed private sector engagement.

The broader economic consequences are just as damaging. Overpriced and unreliable electricity stifles industrial growth, limits job creation, and slows overall economic development. Additionally, when PPAs are negotiated behind closed doors, environmental and social safeguards are often ignored. Projects may proceed without proper impact assessments, leading to harm for local communities and ecosystems.[10]

The Contract Referee: Why Strong Regulators Are Necessary

Effective regulation is essential to improving power sector performance, especially in markets dominated by monopolies. While developing countries have established electricity regulators, many still struggle to build institutions with the independence and capacity to enforce strong regulatory frameworks. Regulators play a critical role in ensuring that PPAs are fair, transparent, and sustainable by setting clear rules, overseeing procurement, and requiring open access to contract information — ultimately building trust and reducing risks for all stakeholders.

To ensure fairness, regulators must also enforce competitive bidding and merit-based selection of IPPs. This approach lowers electricity costs, protects consumers, and prevents monopolies. By actively overseeing the selection process, regulators can ensure that PPAs serve public interest, not private gain, and create a more efficient energy market.

Regulators don't just write the rules or policy, they need to play the referee and ensure that relevant actors stay connected to the deal-making process. Regulators must monitor PPA implementation, resolve disputes, and ensure contracts comply with legal and financial standards. This public scrutiny strengthens accountability and ensures energy deals reflect a broad range of interests.

[5] The Other Hidden Debt - How power contract transparency can help prevent future debt risk
[6] Energy sector debt exceeds US$3bn – minister-designate - The Business & Financial Times
[7] Zambia's power utility ZESCO can't crawl back amid debt crisis, says MD - The Africa Report.com
[8] Transcorp Record Gains as Nigeria's Power Sector Debt Hits N4tn · The Electricity Hub
[9] Srivastav, Jindal, Haneea et al. (2024). Fixing Power Purchase Agreements: The Climate and Development Win-Win.
[10] Akpan, U. (2018). *The social impact of large-scale renewable energy projects in developing countries. Renewable and Sustainable Energy Reviews*, *82*, 1084-1093.

Finally, regulators are increasingly taking on a more active role in contract design and negotiation, sometimes even acting as the procuring entity. For example, in South Africa, the IPP office functions more like a regulator than a utility, ensuring competitiveness, transparency, and public value. Similar trends are seen in countries like Eswatini and Mexico, where regulators handle procurement and tendering processes. As power markets grow more complex, utilities are focusing more on operational optimization and cost management, while regulators are becoming specialists in contract design and procurement.

Turning Transparency Into Market Momentum

Regulators can turn transparency into a tool for market efficiency. By developing and promoting the use of standardized contracts or model PPAs, regulators help streamline the procurement process, particularly in emerging markets where contract negotiation is often uncharted territory. Standard templates reduce legal ambiguity, cut down negotiation timelines, and lower transaction costs for both governments and investors. When regulators endorse or mandate these frameworks, they give developers confidence that the rules are clear, fair, and consistent — helping avoid delays, minimize disputes, and accelerate project delivery. In short, transparent and standardized contracting doesn't just improve accountability — it makes the market move faster.[11]

Case Studies: Transparency in Action

- Ghana has made significant efforts to enhance transparency in its PPA processes.[12] In 2023, the utility regulator set up a public register to provide public access to data on PPAs.[13]
- Brazil: Electricity is procured through a competitive bidding process/auction, which is preceded by a public consultation. All contracts are public documents.[14]
- In Mexico, the regulatory structure requires all public-private projects, including PPAs, to be made public and include important terms and conditions. This information helps ensure agreements are fair and useful to the public while helping to attract renewable energy investment.[15]
- As part of the Philippines' competitive selection process, all relevant documents (including the terms of reference, all bid bulletins, related announcements, and the bidding results) must be posted online. The government maintains a public registry of PPAs.[16]
- Despite its current power crisis largely tied to problems with its coal plant fleet, South Africa has developed a well-run competitive bidding procedure for renewable energy PPAs, which enhances openness while lowering the danger of corruption. The program sets a benchmark for transparency, attracting both domestic and international investors while ensuring cost-effective tariffs.

[11] The Three Faces of Transparency - Energy for Growth Hub
[12] What Ghana's Game-Changing PPA Register Means for Power Sector Transparency - Energy for Growth Hub
[13] Power Purchase Agreement Register - Accra
[14] Brazil electricity auction data
[15] Clifford Chance (2016). Mexico's Second Auction: PPA features and Bankability considerations.
[16] IPP contracts

Looking Ahead: Clear Rules and Better Deals

Power in emerging markets cannot afford to stay in the dark — literally or figuratively. As demand grows, so do the risks of opaque and costly power deals. Lack of transparency and clear regulatory frameworks has led to costly missteps and financial pitfalls. Without robust regulatory oversight, nations risk being trapped in a cycle of overpriced contracts, rising debt, and unreliable electricity.

The solution? Strong, empowered regulators who can lead the shift toward a more transparent and efficient power sector.

1. Governments must give regulators the legal authority, independence, and resources to enforce transparency, oversee competitive procurement, and develop standardized power contracts.
2. Regulators should use that mandate to drive open bidding, publish contract terms, and champion model PPAs that speed up project timelines and reduce legal uncertainty.
3. Global and regional regulatory associations such as ICER, OOCUR, the Africa Forum for Utility Regulators, and subregional counterparts should actively support their members by building regulatory capacity and promoting the adoption of standardized contracts that can be tailored to fit national contexts. This approach not only streamlines procurement and improves transparency but also strengthens the negotiating power of smaller markets by giving them access to proven templates and shared expertise and leveling the playing field with larger, more experienced players.
4. Institutions like the World Bank — through its Global Electricity Regulatory Index (GERI) — and regional counterparts such as the African Development Bank's Regulatory Electricity Index, can amplify these efforts by explicitly including power contract disclosure as a key performance indicator.[17] Doing so would position transparency not just as a governance ideal, but as a practical benchmark for attracting investment and ensuring the financial sustainability of the power sector.

With these steps, energy markets can move from crisis to clarity — and from costly, opaque deals to competitive, accountable ones.

[17] Electricity Regulatory Index (ERI) | African Development Bank Group