

**Report of the Launch Meeting and Training Seminar
Under**

**A Pilot Project on
“Capacity Building on Electricity Reforms in
Bangladesh, India and Nepal (RESA Project)”**

Kolkata, March 13-14, 2008

Introduction

CUTS International, with support from the Norwegian Agency for Development Cooperation (NORAD), Norway, has conceptualised a project entitled, “Capacity Building on Electricity Reforms in Bangladesh, India and Nepal (RESA project)”. Under the project, a launch meeting and training seminar was organised in Kolkata, on March 13-14, 2008. About 50 participants from all the three project countries, viz. Bangladesh, India and Nepal attended the launch meeting, which included policy makers, ex-regulators, subject experts, practitioners, civil society organisation (CSOs), project partners and media persons. The duration of the project is two years.

Background

In the new regulatory environment, consumers are supposed to play a proactive role to protect their interest. Though consumers need to participate in the policy formulation and regulatory decision-making process, their participation at these two levels is inadequate. One important reason is the fact that not only the CSOs lack capacity to intervene in the regulatory process, but also fail to generate awareness among the consumers. Hence, the involvement of CSOs is highly desirable to promote the role of consumers in the electricity reforms process. Since the electricity sector is a very complex sector, CSOs require training on capacity building so that they are able to participate in policy formulation and regulatory decision-making process effectively. In most of the South Asian countries, lack of formal arrangements to enhance the capacity of CSOs is weak or non-existent.

In this context, the RESA project seeks to enhance the long-term capacity of CSOs so that they could play the required role in policy formulation and regulatory decision-making process in the electricity sector. Once CSOs are trained and are made aware of the process, they can protect their own interest in the reform process over the time.



Opening Session, March 13, 2008

Pradeep S Mehta, Secretary General, CUTS International, Jaipur, India

In his welcome address, **Pradeep S Mehta** thanked the project partners, resource persons, Project Advisory Committee (PAC) members and other participants and introduced CUTS to the audience, including its various centres in India as well as abroad. Outlining the primary objective of the workshop, he urged the need for clarification that electricity is a crucial energy input and that it plays a very important role in the economic development of any economy. Unfortunately, the availability of electricity is very poor in all the project countries (e.g. Bangladesh, India and Nepal), he added. With regard to reforms and regulation in the electricity sector, **Mehta** asked for ensuring the implementation of restructuring process in all the three project countries. India and Bangladesh have constituted independent regulatory commissions to promote competition in the sector, while Nepal, at this stage, does not have an electricity commission but is on the way to constitute the same, he informed.

Mehta pointed out that in the new regulatory regime, consumers need to play an important role and are expected to participate in the regulatory and policy process to protect their interest. However, in the absence of proactive effort made on the part of regulatory agencies as well as government, public participation in the regulatory process is ineffective. There is a need to enhance the capacity of CSOs so that they can act as a watchdog on the regulatory institutions, he argued. CUTS, with support from NORAD, are implementing this project, with one key objective, i.e. to enhance the capacity of consumers and enable them to participate effectively in the electricity reform process, he added.

Mehta invited all the participants to join the *Regional Network on Electricity Reforms* proposed under the project comprising of various stakeholders, including policy makers, regulators, academicians and CSOs from project countries and beyond.

Sunil Mitra, Principal Secretary, Department of Power, Government of West Bengal, India

Sunil Mitra welcomed all the distinguished participants on behalf of the West Bengal Government to the launch meeting of this two-year project and mentioned that the aim of this project is to build capacity of consumer groups and CSOs to enable them to undertake research-based advocacy with policy makers, regulatory agencies to affect pro-consumer changes in the electricity reform process.

Mitra informed that the Indian power sector is characterised by public sector monopolies that suffer from lack of focus, efficiency and competition in providing services to the consumer. The Electricity Act, 2003 has paved the way for competition between public and private sector utilities. The Act has provision for de-licensing generation, assuring power trading, ensuring third party sale by generating companies, opening access to the transmission infrastructure and allowing phased open access in the distribution system. With freedom to buy power in wholesale and retail markets, end users should benefit through choice of suppliers, improved reliability of supply and competitive tariffs, he

argued. This should lead to an environment where monopoly power enjoyed by state utilities is reduced by market determined tariff mechanism and competition created by different players to improve service standards. The State Electricity Boards have been under tremendous pressure not only to reform and restructure but simultaneously build capacities to compete in the open market and better serve their consumers, he reasoned. The Electricity Act, 2003 has also brought fore the role played by regulatory commission in promoting competition, fixing reasonable charges for transmission, generating tariffs, fixing cross subsidy charges and protecting consumers from high price of electricity, he added.

Mitra pointed out that consumers across the countries are demanding enhanced service delivery from private sector, while citizens and businesses view the public sector as another provider of services and compare the quality of public service delivery with that of private sector. Driven by these changing expectations, public sector is increasingly required to redefine its role, strengthen its customer focus, and build integrated service delivery offices, he argued. Other major challenges include ability to provide services on commercially and financially sustainable terms without depending on public exchequer. Capacity building of power sector adopts new significance so far power utilities are concerned and the government will play significant role due to large investment and social economic requirements, he said. The most important functions of the power sector are to:

- improve performance through up gradation of skills;
- ensure the process of change required within the government sector to sustain efficient market that could lead to economies in the emerging context of private sector participation; and;
- increase concern for effective delivery of service through decentralisation by involving devolution and delegation of power to the lower administrative levels within the government.

Mitra opined that India in its rapid ongoing political and economic reforms of bureaucratic set up, which takes longer time to react to these changes. Consumers and CSOs need to play a proactive role by participating in the decision-making processes and demanding quality services. Participation is inadequate due to complex regulatory process as well as lack of capacity within CSOs to intervene in the decision making process and watch their concerns, he argued.

In the end, **Mitra** said that this important project being launched by CUTS will add to the initiative taken by the government and complement the entire reform process, and help the government in designing communication strategy in disseminating and communicating information to the CSOs in creating an external environment to support this programme.

N F Tankariwala, Honorary Consul (Norwegian Embassy), Kolkata, India

Representing the funding agency, i.e. NORAD, **N F Tankariwala** opined that capacity building activities is the need of hour in the respective project countries. He welcome the initiative undertaken by CUTS and acknowledged the support of NORAD.

Tankariwala pointed out that CSOs are one of the most important stakeholders that receive development assistance from the Norwegian Embassy. Through this project, he hoped, there will be increased long term capacity of CSOs to improve consumer representation as a measure to enhance effectiveness of regulatory regimes in electricity sector in Bangladesh, India and Nepal, he reasoned. This project will also facilitate effective representation of consumers, CSOs' views in policy formulation and regulatory process, strengthen capacity of CSOs to take up actionable research and advocacy in regulatory policy areas and encourage regional cooperation through network. In addition, it will create vertical mechanism from grassroots to policy makers and vice-versa along with the horizontal linking among different players, he added.

Tankariwala wished CUTS and the respective project partners a fruitful experience to contribute significantly to the evolution of electricity reforms in their respective countries. He also congratulated **Sunil Mitra** for the improvements in the power sector in West Bengal.

A K Basu, Member State Planning Board, West Bengal Government, India

A K Basu expressed his concern over the unequal distribution of energy resources across the world. He revealed that India has shown reasonable progress in installing the new generating capacity. As a result, the generating capacity increased form 2300 MW in 1950 to 1,38,000 MW in 2008. However, due to certain problems, including high transmission and distribution (T&D) losses and poor management, the performance has been adversely affected. He also highlighted some of the important provisions of the Electricity Act, 2003 in order to facilitate competition in the power sector.

Presentation on Project Overview

Rajesh Kumar, CUTS International, Jaipur, India

Rajesh Kumar made a presentation on the project highlighting the objectives of the project, project work area and activities, role of project partners and the outcomes. He explained that the broad objective of the project is to enhance the capacity building of CSOs so that they could participate effectively in the policy and regulatory decision-making process.

He informed that since the availability of electricity is very poor in all the three project countries, reform process continues to spur the growth in power sector. In the reform process, three steps have been taken, namely: unbundling of integrated power utilities; corporatisation & privatisation; and establishment of regulatory agencies.



In the current scenario, **Rajesh Kumar** continued, consumers would have to play an important role and laws enforced in the respective countries require the regulators to take consumer's view into account before passing decisions. One of the important reasons for the ineffective public participation is the poor capacity of CSOs to take up the issues, he argued.

Rajesh stated that with the help of four project partners, capacity building activities will be enhanced so that consumers could participate effectively in the decision-making process. Further, a regional network will be established comprising persons from various fields to sustain the project's objectives for a longer time, he added.

In the question-answer session, **Bhavana Bhatia** from World Bank suggested that project should intend to educate consumers about their rights as well responsibilities. **Payal Malik** pointed out that rural electrification is one of the major consumer issues; therefore, it should also be covered in the project activities.

In reply to the queries raised by various participants, **Pradeep S Mehta** and **Rajesh Kumar** stated that taking into account the variations in the reform progress across the countries a separate Reference Group has been constituted for each of the project country. These Reference Groups will guide the project partners from time to time during the course of the project implementation and the important issues of a particular region can be addressed on the advice of the Reference Group.

Dr Keya Ghosh, while delivering the vote of thanks, mentioned that the Indian government is moving fast with reforms in electricity sector by offering a larger role to private sector, so the apprehension if the reform process does not include an inherent self restraining or disciplinary mechanism in the sector, then all the reforms would result in transition from inefficient public ownership to profit making monopolies or oligopolies, can be better addressed. Therefore, an effective representation and protection of consumers interests will depend on consumer awareness and capabilities which are absent in development commissions, she informed. Given this background, participation of Central as well as State Government officials, regulators assume greater importance.

Dr Ghosh expressed her gratitude to **Sunil Mitra** and **A K Basu** for their constant support and cooperation and looked forward for their guidance and direction in the next two years. She thanked **Tankariwala**, representative of Norwegian Consulate, Kolkata for his active participation in the said event. **Dr Ghosh** further mentioned that without NORAD's support the project would not have been materialised in spite of sincere efforts and good intentions. Finally, she thanked **Pradeep S Mehta** for taking special interest and guiding the project and all the participants in particular the project partners from Nepal and Bangladesh for making this launch meeting a grand success.

Power Sector Reforms in India (Rajasthan and West Bengal), Bangladesh and Nepal

In this session, each of the partner organisations made presentation on the reforms update in the electricity sector, including the status of consumer participation in the respective countries. The presentations also included status of power availability and rural electrification.

Electricity Reforms in Bangladesh

Taifur Rahman, Unnayan Shamannay, Dhaka, Bangladesh

Taifur Rahman informed that the Bangladesh Government has fixed the target to ensure universal access and reliable quality of power to all citizens by 2020, and at present, the per capita consumption of electricity is very low (165 units per year) and rural electrification is just 43 percent. He said that restructuring of the power sector is the need of the hour to speed up the growth in the sector. Reform process in Bangladesh includes unbundling of the integrated power utility and creation of an independent regulatory body to regulate the energy sector, viz. Bangladesh Energy Regulatory Commission (BERC) in 2003, he stated. Major functions to be discharge by BERC include licensing, tariff determination and norms for quality of service standards. Though it was a good initiative on behalf of government, the regulatory body needs more functional and financial autonomy to discharge its function in an efficient manner, he argued.



Taifur emphasised that there is need to build the capacity of CSOs so that they could participate effectively in the decision-making process because apart from protection of consumer's interest, it will also help regulatory body by providing an input in the decision-making process.

Electricity Reforms in Nepal

Navin Dahal, South Asia Watch on Trade, Economic & Environment (SAWTEE), Kathmandu, Nepal

Navin Dahal revealed that the Nepal has a huge potential of hydropower, and it is estimated that about 40,000 MW hydropower is economically viable in the country. However, due to poor initiatives taken on behalf of the government, it is still unutilised and the total hydropower installed capacity is just 400 MW in the country. As a result, per capita consumption of power is very low and needs to be increase for the rapid economic development, reasoned. Presently, there are long hours power cuts on a daily basis, which has adversely affected the functioning of all sections of the society.

Dahal informed that though the electricity reforms bill was drafted four years back, due to some political reasons, the reforms process has been delayed., As a result, the draft electricity reforms bill has been pending. Establishment of an independent regulatory bodies and unbundling of the integrated power utilities will help in spurring the growth of power sector, he concluded. **Dahal** summarised his presentation by asking for:

- creating an independent regulatory body;
- un-bundling the Nepal Electricity Authority (NEA) into generation, transmission and distribution;
- encouraging private investment; and;
- enforcing the new Electricity Act.

Electricity Reforms in Rajasthan

Deepak Saxena, CUTS CART, Jaipur, India

Deepak Saxena highlighted the various steps taken by the Government of Rajasthan towards the electricity reforms. He stated that Rajasthan is one of the pioneer states in the country initiating reforms at the state level. In the reforms process, an independent regulatory Commission, Rajasthan Electricity Regulatory Commission (RERC) has been constituted to regulate the power sector in the state. RERC has not only issued about 200 orders and regulations to ensure a transparent and accountable regulatory regime, but also it has invited consumers as well as other stakeholders to comments on the various proposals, he informed.

Rajasthan State Electricity Board (RSEB) was unbundled into the following corporations:

- **Generation:** Rajasthan Rajya Vidyut Utpadan Nigam Ltd. (RVUN)
- **Transmission:** Rajasthan Rajya Vidyut Prasaran Nigam Ltd. (RVPN)
- **Distribution:** Jaipur Vidyut Vitran Nigam Ltd (JVVNL); Ajmer Vidyut Vitran Nigam Ltd (AVVNL; Jodhpur Vidyut Vitran Nigam Ltd, (JDVVNL)

Saxena stated that the purpose of unbundling was to facilitate competition and achieve economic efficiency. However, the companies have not shown any significant progress in reducing the T&D losses except for Jaipur Disco that has been reported reducing the energy losses especially in urban areas. In certain feeders, the T&D losses have been reduced to 15 percent, as a result of which financial performance of the company has improved.

Electricity Reforms in West Bengal

Keya Ghosh, CUTS CRC, Kolkata, India

Keya Ghosh presented the update on electricity reforms in West Bengal, stating that under the Electricity Regulatory Commission Act 1998, reforms process was initiated in West Bengal, and since then the financial performances of the distribution companies have improved significantly. She revealed that WBERC has stopped conducting public hearings to which she suggested that consumer groups should act together for restoration of public hearings in West Bengal.

About the rural electrification, **Ghosh** said that though West Bengal has made significant progress in rural electrification, household electrification is still very poor. In the reforms process, constitution of consumer complaint redressal forum is the right step to ensure in resolving the consumers grievances in a consumer friendly manner, she argued. But due to lack of awareness, most of the consumers have not been able to approach these forums, she added.

Training Seminar

Regulatory Reforms in Electricity Sector in India, Bangladesh and Nepal

Anish De, MERCADOS, Energy Market International, Gurgaon, India

Anish De, starting with the degree and scope for regulation issue, opined that it is the market structure, which determines the need and scope for regulation. In a competitive market, regulators are expected to promote fair competition preventing the scope for anti-competitive practices in the industry, he argued.



De highlighted the ongoing structural changes in power sector in all the project countries and said that India has constituted the regulatory body at the central as well state levels, while in Bangladesh, BERC has been constituted to regulator the overall energy sector and Nepal is on its way to constitute a regulatory body in the electricity sector. He further added that some of states have shown significant progress in implementing the reforms agenda in electricity sector, albeit some crucial issues such as electricity subsidy need to be handled carefully so that the required private investment could be facilitated in the sector.

Electricity Tariff Regulation: Issues and Challenges

Payal Malik, NCAER, New Delhi, India

Payal Malik, expressing her views on tariff regulation, stated that making interventions in the tariff-making process is a complex process because of technical nature of the issues involved. It requires CSOs to go through some basic training before making interventions in the regulatory process, and hence, there is a need to build capacity of the CSOs, which is one of the key objectives of the project, she argued.



Malik further opined that competition should be encouraged as regulation alone cannot substitute competition. Non-competitive markets characterise the electricity sector specially the distribution sector and electricity should not be looked at by a single monolithic entity but it should be broken down into three main segments, i.e. generation, transmission and distribution, she argued. Regulators provide incentives to the firms through regulatory process so that the firms can act in the social interest. Besides, regulators have to create bench marking process, incentives such that utility or distribution companies do not expropriate huge amount of profits and also create incentives for the utilities to invest, she added.

Malik pointed out the key goals of the regulatory process, which aimed at forcing firms to achieve a mandated level of performance on various parameters like quality, continuity and reliability of service, or providing a fair deal to the consumers and addressing abuse of market forces. Continuity and reliability and service have to be overseen by the regulatory as well. Therefore, the regulator should act as a monitor and check whether firms are promoting efficiency in their operation or not, he explained. There are many aspects of regulation but here we are concentrating on how electricity tariff regulation can achieve one of the key goals of regulation, he argued.

Malik mentioned that one is to provide the goods at a reasonable price to the consumer and create sufficient incentives to the firm in order to expand its activities and serve the society. Regulators are constituted to achieve the following objectives:

- **Sustainability:** adequate return on capital to attract capital to the industry
- **Productive efficiency:** firms are providing goods at least minimum cost i.e. cost minimisation
- **Allocative efficiency:** price matches the cost
- **Fairness:** it avoids unfair discrimination and ensures participation. Participation constraint is the first thing regulators have to address.

Malik pointed out the role of a consumer society that is to help the regulator through bench marking, checks and balances. CUTS have taken the initiatives in this project as to how consumers can participate in tariff making process, so that twin objective of reasonable price and reasonable rate of return to the investors are accomplished.

Simulation Exercise

After the presentation, a simulation exercise on the theme, ‘Participating Tariff-Making Process of ERCs’ was enacted by breaking the participants into groups. The exercise focused on some important parameters of tariff such as T&D losses, cost of supply, energy purchase projections etc.

Role of Consumer in Regulatory Decision-Making Process

Shantanu Dixit, PRAYAS, Pune, India

Presenting ‘Electricity Regulation in Maharashtra’ as a case study, **Shantanu Dixit** explained that in many cases, the regulatory bodies were reluctant to engage consumers in the regulatory decision-making process. For example, at an initial stage, Maharashtra

Electricity Regulatory Commission (MERC) started to consult only the utilities while ignored the consumers. Ultimately, MERC had to give in and convene open consultations with consumers at large due to continuous and systemic intervention being led by certain consumer organisations active in the electricity sector, he informed.

Simulation Exercise

In this simulation exercise on ‘standard of performance: quality of power supply’ was given to the participants since quality is a very important issue for consumers. The participants learnt that regulatory bodies are in process to frame the regulation/code of conduct for the standard of performance. However, consumers/CSOs are expected to present their views on the proposed regulations based on their experience and reports in media etc. The following issues have been selected regarding consumer grievances:

1. Procedure for getting a New Connection
2. Metering and Billing
3. Disconnection and Restoration of Electricity Supply
4. Quality of Service Monitoring
5. Redressal of Consumer Complaints

Capacity Building of CSOs in Electricity Reforms

Deepak Saxena, CUTS CART, Jaipur, India

Deepak Saxena, in his presentation, highlighted the need for consumer participation in electricity reforms process. He asked that there is no formal arrangement with the regulatory body to protect the interest of consumers. Therefore, CSOs should come forward to protect the interest of consumer.

Saxena shared his experience while implementing a CUTS’ project entitled, ‘Capacity Building of Consumers on Electricity Reforms in Rajasthan’ which was supported by Friedrich Ebert Stiftung (FES). He stated that since conducting capacity building activities was not an easy task, the active support provided by various CSOs helped in making the project a grand success.

**Launch Meeting and Training Programme Agenda
March 13-14, 2008**

Time	Opening Session
0830-0900	Registration
0900-0945	Pradeep S Mehta, Secretary General, CUTS International, Jaipur Sunil Mitra, Principal Secretary, Dept of Power, West Bengal N F Tankariwala, Honorary Consul (Norwegian Embassy), Kolkata Ashok Basu, Member, State Planning Board, West Bengal
0945-1000	Project on Capacity Building on Electricity Reforms in India, Bangladesh and Nepal: objectives, scope, partners and activities
1000-1045	Rajesh Kumar, CUTS International, Jaipur Question & Answer Session
1045-1100	Vote of Thanks Keya Ghosh, CUTS CRC, Kolkata
1100-1115	Tea/Coffee
Training Programme Agenda	
1115-1135	Electricity Reforms in Bangladesh and Nepal Taifur Rahman, Unnayan Shammany, Bangladesh Navin Dahal, SAWTEE Nepal
1135-1150	Discussant – Allan Asher
1150-1215	Question & Answer Session Chair: Ashok Basu
1215-1235	Electricity Reforms in Rajasthan and West Bengal (India) Deepak Saxena, Rajasthan, CUTS CART, Rajasthan Keya Ghosh, West Bengal, CUTS CRC, West Bengal
1235-1250	Discussant - H D Charan
1250-1315	Question & Answer Session Chair: Ashok Basu
1315-1330	Closing Remarks Ashok Basu
1330-1430	Lunch
1430-1450	Regulatory Reforms in Electricity Sector in India, Bangladesh and Nepal Enforcement of Electricity Reforms Acts; major challenges to effective regulation; transparency and accountability in decision making process; involvement of CSO's, etc.
1450-1600	Anish De, Mercados - Energy Markets International, Gurgaon Group Discussion

1600-1630	Tea/Coffee
1630-1650	Electricity Tariff Regulation: Issues and Challenges Tariff making process in the new regulatory regime; approval of annual revenue requirement- cost components, energy management and investment regulation; protection of consumers' interest in tariff fixation process Payal Malik, NCAER, New Delhi
1650-1800	Simulation Exercise and Group Discussion
Friday (March 14, 2008)	
0900-0920	Role of Consumer in Regulatory Decision-Making Process Consumer's participation in regulatory decision-making process- rational, philosophy and challenges; making effective participation in the regulatory process; evidence from India, etc. Shantanu Dixit, Prayas, Pune
0920-1030	Simulation Exercise and Group Discussion
1030-1100	Tea Break
1100-1140	Capacity Building of CSOs in Electricity Reforms Need and tools of capacity building of CSOs; CUTS experience in promoting role of consumers, CSOs, etc in electricity reforms in Rajasthan; networking and communication tools, etc. Deepak Saxena, CUTS International, Jaipur
1140-1230	Group Discussion
1230-1300	Closing Remarks Pradeep S. Mehta
1300-1400	Lunch