

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

*Event Report*

National advocacy seminar  
Kathmandu, November 13, 2009

Submitted by:



Submitted to:

CUTS Centre for Competition,  
Investment & Economic Regulation  
**CUTS C-CIER**



## **I. Introduction**

CUTS Centre for Competition, Investment & Economic Regulation (CUTS CCIER), along with its project partners in Bangladesh, India and Nepal, is undertaking a pilot project entitled ‘Capacity Building on Electricity Reforms in Bangladesh, India and Nepal’. In Nepal, the project is being implemented by the South Asia Watch on Trade, Economics & Environment (SAWTEE), in collaboration with partner community-based organisations (CBOs) at the local level. The partner CBOs are located in 10 different districts of the country.

Since the launch of the project in Nepal in April 2008, a number of activities have been carried out for raising consumer awareness on the issues of electricity regulatory reforms. A baseline consumer survey and the grassroots interface meetings (GIMs) undertaken under the project helped sort out systemic problems of electricity consumers in Nepal. A national advocacy seminar (NAS) was organised in Nepal, Kathmandu, on November 13, 2009 to share and discuss the key findings of the project among the policymakers and other stakeholders in the sector.

## **II. Objectives**

The objectives of the seminar were to:

- make effective consumer advocacy highlighting the major consumer problems identified during project activities;
- discuss the key challenges in the power sector reform process in Nepal; and
- sensitise the policy makers about the importance of consumer participation in policy-making process amid the ongoing electricity sector reform process in the country.

## **III. Scope and Format**

During the seminar, apart from the inaugural session, three technical sessions were designed under the three broad themes (*Seminar Agenda is given in Annexure I*). The first session ‘**Electricity Sector Reforms in Nepal and RESA**’ covered the following issues:

- i. Policy and administrative issues in electricity sector;

- ii. Role of consumers in regulatory decision-making process; and
- iii. Need for further consumer capacity building initiatives.

A total of three presentations were made covering these issues by the Project Reference Group (RG) members. The presentations covered the issues mainly identified during the field research and the GIMs. Some of the key experts and policymakers participated as discussants during the presentations. Floor was opened for discussions after each of the presentations. One hour was allocated for each of the presentation and discussions.

The second session covered '**Challenges and Opportunities at the Grassroots**'. A high ranking Nepal Electricity Authority (NEA) official was made to address the problems prevailing at the grassroots by the representatives of the CBOs, local consumers and participants. One hour was allocated for this session.

After this session, the seminar was concluded for the general participants. A **roundtable discussion** was held between partner organisations, RG Members, representatives from CUTS and SAWTEE team. The discussion was continued for one hour as per the schedule.

#### **IV. Participants and Resource Persons**

The seminar brought together a cross-section of stakeholders, including power sector experts, consumer rights' activists, policymakers, academicians, media persons, civil society representatives and representatives of multilateral and inter-governmental agencies. A few grassroots consumers from two project districts, i.e. Kathmandu and Lalitpur also participated and shared their learnings in the seminar. Most of the RG members attended the seminar. Altogether there were a total of 85 participants.

#### **V. Overview of the Sessions**

##### **1. Inaugural Session**

The seminar was formally inaugurated in the opening session. **Dhrubesh Regmi, Programme Director, SAWTEE and Nodal Person, RESA** welcomed the participants

and shed light on the objective of the programme. He summarised on the need for undertaking RESA project amid the ongoing power sector reform process in Nepal in order to raise consumer awareness. He said that RESA has been implemented as a pilot project in 10 districts of Nepal. This regional project is at the same time being implemented in two states of India namely, Rajasthan and West Bengal and in Bangladesh. He then briefed about the consumer baseline survey, territorial trainings (TTs) and GIMs undertaken under the project. He introduced ten different districts and the partner organisations in each of the districts that are implementing the project.



*Pandey (middle) speaking during the inaugural session. (L-R: Regmi, Hon'ble Khetan, Baniya and Kumar)*

While highlighting the objective of the seminar, he said that the seminar is a common forum for the stakeholders to discuss and devise ways to minimise the problems of electricity consumers in Nepal. He added that the forum would be important in putting forward the problems of grassroots consumers before the policymakers and the high ranking officials of NEA. He further said that the seminar would be important in strengthening the efforts in addressing the challenges in the power sector reform process in Nepal.

Regmi was followed by a *Keynote Speech* by **Hon'ble Rajendra Kumar Khetan, Member, Natural Resource, Financial Rights and Public Revenue Distribution Committee, Constituent Assembly; Chair, Khetan Group of industries, Kathmandu.** He pointed out the fact that despite the huge hydro potential of electricity generation in Nepal,

generation of electricity has not yet been a matter of national importance. He further said that while the constitution making process is going on in the constituent assembly (CA), his committee is busy drafting a chapter on Natural Resource, Financial Rights and Public Revenue Distribution. He thanked the organisers for timely undertaking of the RESA project and wished for the successful completion of the seminar and remaining project activities.

The keynote speech was followed by the speech on Cooperation on Electricity Sector in South Asia by **Rajesh Kumar, Assistant Policy Analyst, CUTS Centre for Competition, Investment & Economic Regulation (CUTS CCIER), India**. Kumar provided a brief introduction of RESA as a regional project. He explained the need for an effective consumer participation in power sector regulatory decision-making process. He elaborated such need by citing few examples from India where the law and practices have been strengthening towards this end. Talking about the energy cooperation in South Asia, he pointed it out as a need of time. He further suggested that Nepal should learn from success as well as failures, if any, in other South Asian countries. He added that there is a need for electricity network and coordination between countries to realise the potential of regional cooperation in the electricity sector. For instance, he said, Nepal can export its electricity to India during the wet season when generation exceeds demand in its internal market while the demand for electricity is at peak in India at the same time.

Kumar was followed by **Posh Raj Pandey, President, SAWTEE**. He said that since the starting of electricity generation about 100 years back, Nepal has not made significant progress in adding the generation capacity. The reforms were introduced after the advent of democracy in the early 90s, however, could not make a significant impact on the growth of the sector. Consequently, Nepal is ahead of a situation where the country has to spend about 36 percent of its total export earnings in importing petroleum products for fulfilling its energy needs. He also pointed out the need for reforms in quality of service, revenue collection efficiency, loss reduction and rural electrification.

**Advocate Jyoti Baniya, General Secretary, Forum for Protection of Consumer Rights**, followed Pandey with his vote of thanks. Baniya shared his experience with the RESA

project. Among other things, he summarised the experiences of conducting baseline consumer survey, TTs and GIMs conducted under the project. He thanked the participants for accepting the invitation and requested them to actively participate in the seminar.

## **2. Technical Sessions**

### **Session I: Electricity Sector Reforms in Nepal and RESA**

During this session, three presentations were made by the RESA RG Members covering the key findings and experiences of the RESA Project.

#### **Presentation: Policy Issues in Nepal's Electricity Sector**

**Chair:** Ajay Dixit, Water Resource Expert, Kathmandu

**Presentation:** Er. Rama Kant Gauro Tharu, Former Member, National Planning Commission, Kathmandu

#### **Discussants:**

Er. Mahendra Nath Aryal, Chair, Electricity Tariff Fixation Commission (ETFC), Kathmandu

Leela Gadtaula, Under Secretary, Ministry of Energy, Kathmandu

Ratna Sansar Shrestha, Water Resource Analyst, Kathmandu

#### **Summary of the Presentation**

Nepal is an underdeveloped country, however, it has a huge potential for economic development. Development of major infrastructure sectors – road, power and information & communication technology in particular – can play a vital role in the process of socio-economic development of the country. He stated that power sector is key in the process of rapid economic development. Nepal has a huge potential of generating hydropower, solar and wind power. However, most of the potential of generating electricity has not been exploited yet. Master plans have been formulated for the development of hydropower sector, however, government is not taking adequate initiatives for its development. In the planning, focus is mainly on developing the transmission lines across different parts of the country. Grid connection connects the scattered small hydropower projects into the national grid. However, expansion of transmission line also needs huge investments that is

lacking. The poor technology is another major barrier in developing the grid capacity. There are donor agencies such as the World Bank and Asian Development Bank for the expansion of transmission lines. However, reforms are needed in the sector. He also addressed many other issues such as poor implementation of power projects.

### **Summary of the Discussants' Views**

**Er. Mahendra Nath Aryal:** Er. Aryal stated that there is a need for massive investment in infrastructure sector including the hydropower sector. Private sector has an important role to play in adding new generation capacity. The first generation reforms were initiated in the early 90s. In the present context, one should go for timely reforms of power sector ensuring active participation of people. There is a urgent need of a strong regulatory setup that can regulate the entire infrastructure sector but not only the hydropower sector. When talking about the hydropower sector, the issue of sharing water resources with India is an important issue. The policy should be clear and strong enough to make use of our water resources to benefit our people. No treaty should be signed with neighbouring countries barring us from making an efficient use of water and other resources. There is a need to protect nation's interest.

**Leela Gadtaula:** Hydropower sector is the priority area for the government. The Ministry has drafted two separate bills – one for the development and other for the regulation of the electricity sector. Issues of giving special privileges to the locals and the resettlement of the displaced ones are particularly important in the proposed legislatures. The house, which comprises elected peoples' representatives, has to take the final decision on this issue. There is an urgent need to raise the consumer awareness especially on issues in hydropower. Given the government's limitation in doing so, works of organisations such as that of SAWTEE are highly appreciable.

**Ratna Sansar Shrestha:** A comprehensive policy is needed to develop the water resources sector. The hydropower policy and other such related policies shall then be coherently designed under it. Hydropower sector should be kept in the driver seat in the process of economic development. It should be decided whether the electricity is for domestic

consumption or for export. First, domestic demand should be satisfied. If surplus is there only then export should be promoted. One should be very careful. If electricity is used not only for lighting but also for multiple purposes from transportation sector to manufacturing, it can have a multiplier effect in the economy. This shall be a milestone for developing our economy in the long run. However, electricity could be exported to southern neighbour during the monsoon. At that time of the year our run-off the river type power plants operate in the full capacity. Nepal will have electricity generation in excess and at the same time India has peak demand for electricity. When talking about the existing electricity industry in the country, the monopoly of NEA can be seen in transmission, distribution and production functions. Transmission is a natural monopoly. In distribution, there is no need to have a monopoly. There is a hope that this scenario will change in the days to come which would ultimately benefit the consumers. They will have options for choice. In production sector though, there have been advent of private sector. The current electricity tariff is no scientific at all. It is low for the well-off families and too high for the poor. Electricity Tariff Fixation Commission (ETFC) should be serious for fixing logical tariff rates. Consumers are facing the pathetic condition with relation to electricity. Load-shedding has adversely affected our socio-economic spheres. Load-shedding has not emerged all of a sudden. The consumers need to play the role of watchdogs to the system that does not discharge its duty and makes us to suffer. At last, one should be aware enough to stop those treaties that are not in national interests. Such treaties might lead to ‘handover’ of rivers to others for ever, leaving nothing.

### **General Comments from the Floor**

- Government’s vision and competency to conclude beneficial and practical treaties
- Sound regulation is needed to resolve all problems
- Small hydropower projects to be prioritised under the rural electrification scheme
- Indian private sector for investment in Nepal’s hydropower to be allowed (*to be kept under domestic regulation with any external interference*)
- A proper government policy and awareness campaigns to tackle this problem
- Monopoly of NEA in the electricity sector to be reduced

### **Summary of the Chair's Remark**

The session has been wonderful in generating a good debate and a discussion on Nepal's energy sector. Nepal had liberalised the power sector in the early 90s. Since then, the sector has undergone many changes. Now it is the time to discuss on the second generation issues as that of beneficiaries, rights, etc. Thanks to organisations such as SAWTEE that has helped consumers realise and enjoy their rights. Good luck for the seminar and the endeavours of SAWTEE under the RESA Project. A vote of thanks was extended to all participants.

### **Presentation: Administrative Issues in Nepal's Electricity Sector**

**Chair:** Er. Dipak Gyawali, Water Resource Expert; Former Minister for Water Resources, Kathmandu

**Presentation:** Bikash Thapa, Sub-editor and Columnist, Kantipur National Daily, Kathmandu

#### **Discussants:**

Er. Sher Singh Bhat, Chief, Load Dispatch Center, Nepal Electricity Authority (NEA), Kathmandu

Er. Santa Bahadur Pun, Water Resource Expert; Former Managing Director, NEA, Kathmandu

### **Summary of the Presentation**

Speaking about the power scenario in the country Thappa stated that the country is facing an absolute power famine. The load-shedding is projected at 12 hours a day in the coming dry season. This is expected to be increased further. If Upper-Tamakoshi hydropower project is not completed in due time, then by the year 2012 load-shedding is expected at the rate of 20 hours a day. Given the high cost of thermal power, import of electricity from India is the only option in short run to address the power shortage. However, so far there is no progress on this issue. Therefore, there is no solution to load-shedding for years to come until a few of on-going power plants are commissioned. NEA being in loss is one of the other major problems for Nepal's energy administration and ultimately a major cause for the load-shedding. The projects like Khimti and Bhotekoshi are the main causes

of loss that reflect the inefficiency and irresponsibility of actors in Nepal's power administration. Government should be serious in financial management of the sector and especially of NEA. Pilferage is one of the major causes of NEA's loss. Its control should be on a top priority. Amid all the malpractices and the inefficiency of our energy administration, the consumers are the helpless entity. Consumers are unorganised and lack interest and knowledge to act for the checks and balances to the system. Thanks to efforts from SAWTEE in pioneering the challenging task of organising the consumers and raising their interests and knowledge in the electricity sector. This effort needs to be further strengthened and expanded.



### **Summary of the Discussants' Views**

**Er. Sher Singh Bhat:** The electricity sector has been liberalised for its optimal development. Despite all efforts, the net social benefits from the sector have not been realised. There are lot of problems to tackle with. The availability and quality of electricity is overarching motto. Lack of adequate investment is seen as the major constraint for this. A consolidated support from all stakeholders is needed including consumers to realise the goal of harnessing our water resources.

**Er. Santa Bahadur Pun:** There are a lot of problems in Nepal's electricity sector. The most important among them is the poor reform initiative on part of NEA. One should be 'honest' enough to tackle the problems in our electricity sector. When talking about the reform of electricity sector, the most important aspect is the reforms in the policy-making process. There is a need for consumers to act as a watchdog on the system to ensure transparency and accountability in the energy sector.

### **General Comments from the Floor**

- Timely and appropriate reforms of NEA
- Making NEA accountable and transparent to the consumers

### **Summary of the Chair's Remark**

The session has been wonderful with a great debate and a discussion on Nepal's energy administration. As pointed out during the floor discussion, there are lots of issues to discuss. Thanks to the presenter for pointing out several important issues related to our energy administration within a short presentation. Electricity is a strategic resource. There should be a national consensus to make wise use of it. SAWTEEs' effort in contributing to the electricity reform process in Nepal is highly appreciable.

### **Presentation: Role of Consumers in Regulatory Decision-Making Process and Need for Consumer Capacity Building**

**Chair:** Dr. Posh Raj Pandey, President, SAWTEE, Kathmandu

**Presentation:** Er. L.R. Tamang, President, Nepal Electrical Contractors Association; General Secretary, Society of Electrical Engineers Nepal; Executive Director, Hyonjan Electrical Engineering Fabricator Pvt. Ltd., Kathmandu

#### **Discussants:**

Advocate Jyoti Baniya, General Secretary, Forum for Protection of Consumer Rights, Kathmandu

Dilli Ghimire, Chair, National Association of Community Electricity Users-Nepal (NACEUN), Lalitpur

## Summary of the Presentation

Tamang made two presentations. Firstly, he made a brief presentation discussing the existing tariff making process. He raised some important issues in relation to the existing tariff fixation process. He raised questions on minimum tariff ceiling, metering system, rebate system and tariff charged from different categories of consumers.

In the second presentation, he dealt with the importance of consumer awareness *vis-a-vis* electricity reforms. He was of the view that consumer awareness programmes can help consumers and the utility in promoting the energy efficiency and the demand side management (DSM) schemes. He also pointed out the target sectors for promoting energy efficiency and DSM for different category consumers. He said that consumers can get knowledge to find solution to their grievances through consumer awareness programmes citing the progress made under the RESA Project. He also pointed out major benefits of educating the consumers. Further, he pointed out the potential role of civil society actors in the sector.

## Summary of the Discussants' Views

**Advocate Jyoti Baniya:** Consumers are the most unorganised entities in Nepal. We have not been able to realise the basic consumer rights. In the electricity sector, the utility has failed in providing adequate supply of power and acceptable quality of the service for which consumers are paying. Consumers are not a part of the decision-making level. It is a pity that laws are not implemented properly. Consumer Protection Act could have done better to the consumers. The Forum for Protection of Consumer Rights with the support of organisations such as SAWTEE is implementing consumer awareness building programmes. There is a hope that this collaboration and support continues and increases to act together for the realisation of the rights of electricity consumers in Nepal.

**Dilli Ghimire:** There are multiple problems in the electricity sector. The past and present approaches to solve these problems are seen inefficient. At the same time the approach of managing electricity by the communities, the people, is seen effective in many parts of Nepal. This gives ownership of electricity to the consumers. This can protect the

consumer interests too along with curtailing the malpractices seen in the system. The communities should be empowered through capital investment and awareness raising. This can help Nepali electricity sector a lot.

### **General Comments from the Floor**

- Review of the existing tariff fixation system
- Effective consumer awareness campaign in the matters related to electricity
- Enhanced role of consumers in decision-making process

### **Summary of the Chair's Remark**

Consumers have been suffering a lot in Nepal. They need to be made aware about their rights as well as responsibility. Although, there are legal mechanisms in place safeguarding their rights, however, implementation is the real problem. As in the community forestry, community electrification campaign can be a best possible option to light our villages.

## **3. Session II: Challenges and Opportunities at the Grassroots**

**Moderator:** Er. Rama Kanta Gauro Tharu

**Panellist:** Er. Sher Singh Bhat

During this session, the representatives of the grassroots consumers from 10 different project districts were made to present the problems in front of the Chief of load dispatch centre of NEA. Grassroots consumers presented problems of their respective places. They presented the systemic problems of electricity consumers identified and discussed at the local level during the GIMs. Er. Bhat promised to take all the necessary steps to solve the problems as soon as possible. He said that NEA is committed toward providing quality services to its consumers as far as possible. He again pointed out the problem of lack of means and resources to be responsible for poor quality of service.

## VI. Roundtable Discussion

A roundtable discussion between CUTS CCIER, SAWTEE and the partner organisations was held after the seminar was formally closed for general participants. This session followed the closing remarks by **Regmi** where he thanked all for their support and cooperation that made it possible to successfully organise the seminar.

**Pandey** briefly shed light on the general scenario of Nepali electricity sector. Given the situation of the sector, he pointed out the importance and relevance of expanding the RESA activities and coverage. He also highlighted the progresses made under the project.

**Kumar** shared the scenario of electricity sector in India. He also highlighted the progresses and impacts of RESA Project in India and Bangladesh. He also requested the participants to come up with some specific ideas promoting consumer participation and empowerment in the sector.



*Kumar speaking during the roundtable discussion*

The representatives of the partner organisations briefly shared the progress at the grassroots and pointed out on the need and scope for expanding the project activities.

General outcomes of the discussion:

- Need for expanding the project activities and coverage
- Need for furthering the learning and cooperation between the partners in India and Bangladesh where the electricity reforms has moved much forward than in Nepal

## **VII. The Way Forward**

Following are key advocacy messages concluded as the way forward:

- Hydropower development to be given high priority
- The policies and laws to govern the electricity sector to be coherent and able to protect the interest of consumer
- Need for timely enactment of the proposed laws with corrections
- NEA to be appropriately reformed
- Creation of conducive environment for the private sector to enter the sector
- Discourage the practice of holding electricity generation licence
- PPA to be a transparent and private sector friendly process
- Mechanism to be devised to make the policy makers transparent, accountable and responsible
- Control of pilferage to be on high priority
- Consumer awareness campaign