

REPORT OF THE REFERENCE GROUP MEETING (RG - I)

23 JULY 2008

KATHMANDU, NEPAL



A PILOT PROJECT ON CAPACITY BUILDING ON ELECTRICITY REFORMS IN BANGLADESH, INDIA AND NEPAL

RESA (REGULATORY REFORMS IN ELECTRICITY SECTOR IN SOUTH ASIA) PROJECT



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TABLE OF CONTENTS

Content	Page Number
1. Background	2
1.1 Project Summary	2
1.2 Reference Group	2
1.3 Role of the RG	2
2. Reference Group Meeting	2
3. RG meeting objective	2
4. Participants	3
5. Proceedings	3
5.1 Presentations	3
5.2 Discussions and remarks from the RG members	4
6. Conclusion	6
7. Annexure I - Reference Group Members	7

1. Background

1.1 Project summary

CUTS Centre for Competition, Investment and Economic Regulation (CUTS C-CIER) along with its project partners are undertaking a project, titled ‘A pilot project on capacity building on electricity reforms in Bangladesh, Nepal and India (Rajasthan and West Bengal) - <http://www.cuts-ccier.org/RESA/index.htm>. The project aims at building the capacity of civil society organisations (CSOs) to take-up action oriented research, carryout advocacy with policymakers and regulatory agencies to effect changes in the electricity regulatory/policy processes, etc. The project is being supported by Norwegian Agency for Development Cooperation (NORAD).

In Nepal, the project is being implemented by South Asia Watch on Trade, Economics & Environment (SAWTEE) in collaboration with community-based organisations (CBOs) at the local level. The partner CBOs, located in 10 different districts of the country—from hills to terai—provide wide geographical coverage to the whole project.

1.2 Reference group

A Reference Group (RG) has been formed in each of the project territories to ensure quality in project execution as per stipulated plan. RG comprise of subject experts, academicians and practitioners, people representatives, government officials, civil society representatives, etc. The RG would provide guidance to the implementation of the project at the national level. (See annex I for the detailed list of the RG members).

1.3 Role of the RG

- Act as ‘missionaries’ for the project, spreading awareness about the mission of the project through interactions with key people, nationally and also at the regional level.
- Provide inputs (comments and suggestions) over the discussions during the RG meetings
- Provide inputs (comments and suggestions) on certain key outputs of the project

2. Reference group meeting

Reference group meetings have been outlined as one of the important activities of the project. Two meetings are to be conducted during the tenure of the RESA project. The first Reference Group meeting (RG - I) was held on 23 July 2008 in Kathmandu, Nepal.

3. RG meeting objective

A consumer baseline survey and field research was conducted during the first year of the project. The outcomes from the said activities have been collated to develop ‘Territorial Base Papers (TBP)’ on electricity reforms by project partners in each of the respective project territories.

The TBP was further used to prepare the territorial training manual (TTM). The TTM would be used to conduct territorial trainings at the territorial level for local partners, who are involved in working at the grassroots level. The RG meeting was organised to discuss and take valued comments of the RG members on the two key outputs - TBP and TTM.

The RG meeting was organised to:

- apprise RG members with the project activities, its goals and outcomes, and also to brief them with the activities implemented so far;
- seek comments/inputs on the project activities for further improvement to ensure well functioning of the future project activities; and
- seek comments/suggestions on two important documents: Territorial Base Paper (TBP) and Territorial Training Manual (TTM) which were circulated to all the members before the meeting.

4. Participants

Out of seventeen RG Members, only twelve members participated in the first RG meeting. The Chairperson of the RG, **Navin Dahal, Executive Director, SAWTEE** presided over the meeting.

5. Proceedings

Navin Dahal welcomed all the participants and briefed members about the objective of organising the meeting and the criteria followed in forming the reference group. He thanked CUTS International for including Nepal in the project.

5.1 Presentations

Navin Dahal, Executive Director, SAWTEE, highlighted different aspects of the project—objectives, activities, expected outcomes, time duration and the rationale behind implementing the project. He shed light on the project activities completed so far.

Dahal was followed by **Asish Subedi, SAWTEE**, with his presentation on the draft TBP. He started with a background of the TBP and its relevance for outlining the issues to be covered by the TTM. His presentation focused on the methodology, findings, conclusion and recommendations of the study.



Navin Dahal during his presentation (right)

The final presentation of the day was made by **Rajesh Kumar, CUTS C-CIER**, on the draft TTM. He highlighted the proposed sections of the TTM covering issues of electricity reforms, regulation and the decision-making process in the sector. He particularly stressed the issues of electricity tariff regulation and the quality of service standards. He ended by highlighting the responsibilities on the part of the consumers to ensure quality regulatory outcome.



Rajesh Kumar during his presentation (left)

5.2 Discussion and remarks from the RG members

Sant Bahadur Pun, Former Managing Director, Nepal Electricity Authority (NEA), pointed out the need to focus on the policy implementation issues handled by the relevant ministry, which according to him is more responsible for the malpractices and sub-optimal performance of Nepal's power sector than NEA. He identified frequent changes in policies and their poor implementation as being responsible for inefficient and unreliable power supply by NEA. Drawing examples from Indian states, he viewed Nepal's electricity tariff rates and system loss to be at a reasonable level. He shared the instances of power sector reform in Orissa, India where no significant improvement was made in the post-reform period and suggested that un-bundling the utility, in particular, may not be the best solution.

He suggested home-grown, indigenous reforms which are not based on donor conditionalities and are not imported from abroad. Stressing the importance of consumer participation on the reform process, he called for a mechanism that ensures consumer consultation through public hearings, written comments, consumer representatives and other viable options. He pointed out the need for consumer participation in utilities, licence issuing, policy making, tariff fixation and law enforcement. Moreover, he was of the view that consumer representation is a must in all policy-making bodies.

Reacting to remarks by Mr. Pun, Rajesh Kumar stated that despite few exceptions, many Indian states such as Andhra Pradesh, Tamilnadu, Maharashtra and Gujarat have shown remarkable improvement. Kumar further mentioned that various platforms have been created which enables the consumers to share their views with the regulator as well as the utilities. As a result, quality of service has also improved. He stressed that RESA Project focuses on effective consumer participation in decision-making process; the same is also desirable for Nepal.

Kumar Pandey, Chief Technical Officer, Hydro Solutions Private Limited, a private sector entity engaged in generating electricity, found the presentation heavily biased in favour of grid- connected electricity. He pointed out the need for people's participation in off-grid energy sector too. He pointed out that cutting tariff rate is not always the right solution. Tariffs must be scientific and practical which should not pose risk to the financial viability of the utility. He stressed the need for maximum amount of public engagement prior to the approval of the proposed electricity law by the legislature. He said Ministry of Water Resources should be included in the current regulatory framework cited in the TBP as DoED is governed by it.

As a developer, he mentioned that his organisation gives due consideration to public participation in the form of public hearing during the Environmental Impact Analysis (EIA) process. The issues of such hearings are centered on land acquisition, local development, prior water use and the rights of the new developers. He mentioned that his organisation is concerned about the level of awareness of the local consumers as well. He said people's level of awareness needs to go beyond individual and local benefits. He suggested that if rules and regulations are inadequate, and people are not convinced that the support of all stakeholders is required to develop power projects, it will be very difficult to add capacity to the energy system. This would be a loss not only to private developers but also to the nation as a whole.

He also complained that licence holders are viewed as entities with enormous amount of money. Local people and consumers must realise that developers take a lot of risk in developing projects.

Jyoti Baniya, General Secretary, Forum for Protection of Consumer Rights, Nepal and Rupa Shrestha, Vice President, Consumers Forum Nepal, stressed that it is the consumers' responsibility to assert their rights in regulatory decision



Participants during the discussion

making in the electricity sector. They also urged the government to make consumers active participants in the whole reform process. They pointed out the need for consumer awareness on various issues, such as licensing, tariff setting, etc. pertaining to power sector reforms. They were of the view that only a consumer-friendly institutional mechanism can ensure consumer participation in the power sector reform process.

Dr. Hemant Dawadi, Executive Director, Non Resident Nepali Association, stressed the need to nominate consumer representatives to the decision-making level of the institutions that govern Nepal's power sector.

Manoj Goel, Chief Executive Officer, Clean Energy Development Bank, put forth the need to bring the issue of consumer participation in the power sector reform process in Nepal to a wider domain. He opined that people's participation in the process can help curb the malpractices prevailing in the sector which, at times, makes it difficult for private sector to operate and often makes the power sector non-lucrative.

Ranjan Aryal, Joint Secretary, Law Reform Commission, Nepal, highlighted the consumer-friendly provisions of the proposed electricity law.

Key suggestions of the RG Members

- RG members found both the documents i.e. TBP and TTM to be quite comprehensive.
- The need to keep the TTM as simple as possible by minimising the use of technical terms. This is important because most of the trainees are non-technical personnel.
- Inclusion of CSOs role in the TTM.
- Some of the issues such as different ways of tariff fixation and analysing cost structure of the Independent Power Producers (IPPs) may not be applicable to Nepal's scenario where full liberalisation of the sector has not yet taken place.

6. Conclusion

The meeting provided a platform for the RG members to interact and share their views. Experts, policy makers, consumer right activists and other stakeholders in the power sector opined that consumer's participation is a pre-requisite for successful reforms in the electricity sector. However, consumers lack capacity to intervene in the process. The meeting pointed out important issues to be dealt for empowering consumers at the local level.

Annex I

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