

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

Report

Discussion Forum

Power Crisis and Consumers' Concerns

15 March 2010

Lalitpur, Nepal

1. Introduction

On the occasion of World Consumer Rights Day 2010, Forum for Protection of Consumer Rights (FPCR), Nepal and South Asia Watch on Trade Economics and Environment (SAWTEE) jointly organised a discussion programme titled “Power Crisis and Consumers’ Concerns”. The major objective of the forum was to bring together all the stakeholders in the power sector of Nepal for discussing on the concerns of consumers in the power sector of Nepal. The discussions of the forum, as a part of the project Capacity Building on Electricity Reforms in South Asia (RESA Project), shall be beneficial in power sector reform of Nepal. RESA is undertaken by CUTS Centre for Competition, Investment and Economic Regulation (CUTS C-CIER) in collaboration with its project partners in South Asia and is being supported by Norwegian Agency for Development Cooperation (NORAD). The project intends to make the regulatory process more participatory; effective representation of consumers and encourage regional cooperation.

The 27th World Consumers Rights Day with the theme “Our Money Our Rights” focused on the protection of consumers’ rights in financial sector. For a country like Nepal, which is facing acute power shortage, problem in power sector is the most urgent one than the ones in financial sector. Hence, SAWTEE along with FPCR, Nepal decided to concentrate its discussion on power crisis and consumers concerns. As a result of the present power crisis the lives of consumers have been seriously affected. At this age electricity is a basic need and a prime mover of an economy. Besides the inadequacy of power supply, consumers are living with a number of troubles relating to electricity. The political economy prevalent in the power sector of Nepal has taken a toll on consumers which has jeopardized their rights.

The programme is aimed at providing a forum for sharing issues in the power sector of Nepal at various levels-- consumers, policy makers, experts and responsible ministries and institutions. The programme was held at Hotel Himalaya, Lalitpur, Nepal on 15 March, 2010.

2. Participants

Participants at the forum comprised of Nepal’s energy minister, prominent experts and policy makers in the energy sector. Altogether 120 stakeholders from the government, private sector, media and different civil society organisations participated in the forum.

3. Proceedings

The program was divided into inaugural and technical session.

3.1 Inaugural Session

Mr. Ratnakar Adhikari, General Secretary, SAWTEE, in his welcome speech, explained the rationale behind the forum’s theme and elucidated the present situation of the country where the rights of the consumers, specifically in power sector, have been suppressed. He stated that Nepali people still do not have the accessibility, availability and affordability of electricity

which is a basic need. He drew the participants' attention towards RESA Project being implemented by SAWTEE along with several local partners on the initiation of CUTS C-CIER. He notified that SAWTEE, as a part of the project, has been working to increase the awareness and participation of consumers and civil society organisations to improve the power sector in Nepal for the past two years.

Dr. Madhav Sharma, Vice Chancellor, Tribhuvan University and President, FPCR, Nepal, in his keynote speech, stressed the importance of the role of consumers as active participants in securing their rights. In his inaugural speech, Dr. Prakash Sharan Mahat, Minister for Energy, gave some respite to the consumers by announcing that the load shedding would not increase 12 hour per day, unlike last year's 18-hour per day. He informed about the preparations of the ministry to address the energy crisis by giving priority for the development of reservoir-type projects, amending the Electricity Act, encouraging the participation of multilateral agencies (World Bank and Asian Development Bank) and private sector among others. He requested all the stakeholders to understand the importance of revising the electricity tariff which has remained unchanged since past nine years and assured that the hike would not hit the people with low income levels.

Dr. Posh Raj Pandey, chair person for the session, pointed out the incompetency of the Nepali power sector to provide adequate and quality electricity to the consumers despite about 100 years of establishment. Mr. Jyoti Baniya, General Secretary, FPCR, Kathmandu, delivering vote of thanks to the participants, stressed that the consumers' problems could not be solved until electricity remains a political object. He, thus, voiced over the corruption going on in the name of hydro power development in the country.

3.2 Technical Session

The technical session focused on the theme of the forum, Power Crisis and Consumers' Concerns, was chaired by Dr. Madhav Sharma and five resource personalities presented papers.

The first technical session focused on Nepal Electricity Authority's (NEA) perspective on the forum's theme. Mr. Sher Singh Bhat, Chief, Load Dispatch Centre, NEA, presented a paper defying the allegations on NEA only for not being able to meet the electricity demand. He questioned the passiveness on the part of the private sector, which was welcomed by the Electricity Act 1992. He stated that for the long-run the special attention should be given for the completion of the 600 MW Budhi Gandaki project (reservoir-type project) to ensure respite from load shedding. However, for the short-term there is no alternative to installing 200 MW diesel plant. According to him, NEA is suffering through a loss of NRs. 12.33 billion and if the situation remains unchanged its share capital will be nil at the end of three years. Thus, he stressed on the need to revise electricity tariff, restructuring NEA as a single buyer with authorities of licensing, planning, regulating and so on.

The second technical session provided consumers' perspectives regarding power crisis and consumers' concerns in Nepal. Mr. Ramesh Chandra Poudel, Central Committee Member, FPCR, Nepal, presented a paper highlighting how power crisis has negatively affected the

consumers' access to basic goods and services like education, health, communication and so on. He stressed on the restructuring of NEA to make it effective and efficient in fulfilling the demands of the consumers. He reiterated the urgency to give attention to the development of alternative sources of energy, participation of private sector and switching to energy saving devices.

Similarly, Mr. Dilli Ghimire, Chairperson, National Association of Community Electricity Users-Nepal, (NACEUN), Lalitpur, presented a paper giving a picture of the problems being faced by the consumers, at domestic and commercial levels, as a result of load shedding. He mentioned that the decision to increase the electricity tariff would be irrelevant at this moment when consumers are suffering with prominent problems like inadequacy of electricity and poor quality of service. According to him, it is rather important to focus on the restructuring and making NEA transparent. The paper highlighted the value and success of community electrification projects in Nepal and the fact that about 46 districts have been enjoying electricity through this mechanism in Nepal.

The third technical session focused on experts' perspective on the theme of the forum. Mr. Ratna Sansar Shrestha, Water Resources Expert, along with Mr. Dipak Gyawali, Water Resources Expert and Former Minister for Water Resources, presented their papers on this session. Reminding the participants of NEA's claim in the year 2008 of making Nepal a power surplus by the year 2013/14, Mr. Shrestha defied NEA's power demand forecast for the coming years. As opposed to NEA's forecast of 1271 MW for the year 1271 he asserted it to reach 2130 MW with the increase in energy intensive activities. Mr. Gwayali, expressing his consent on the issue of increasing electricity tariff, emphasized the need to undergo a healthy pricing mechanism by introducing provisions like 'seasonal tariff' and 'time of the day tariff'. Mr. Shrestha and Mr. Gwayali expressed their disappointment on the predominance of export and donor driven mentality prevalent in the hydroelectricity sector of Nepal. They stressed on the need to focus on the fulfillment of domestic demand at a reasonable price which should be reflected in policies as well.

After the formal presentations, a brief floor discussion was held. Including many experts and participants Energy Minister Dr. Prakash Sharan Mahat and Former Member of National Planning Commission Dr. Bal Gopal Vaidya also raised their concerns which were answered by the paper presenters at the end of the technical session.

From the Chair Remarks Dr. Sharma emphasising the importance of discussion and dialogue for development said that this kind of interactions help in creating a harmonious relations among politicians, policy makers, government officials, experts and general public. He concluded the session by thanking SAWTEE and FPCR, Nepal for creating a forum for such opportunity.

4. Closing Session

In this session, Dr. Posh Raj Pandey and Dr. Dhruv C. Regmi, Programme Director, SAWTEE and Nodal person of RESA highlighted the role of RESA project, since the past two years, in raising the awareness and participation of consumers and civil society organisations for ensuring reforms in the power sector of Nepal. The project has been undertaken in Bangladesh, India and Nepal by CUTS Centre for Cooperation, Investment and Economic Regulation (CUTS C-CIER). Giving importance to the need of raising awareness and increasing the participation of consumers and civil society organisations to reform power sector and ensure the protection of consumers' rights, Dr. Regmi expressed the need to give continuity to such projects. Since the project is coming to an end, he pledged to take the discussions of the forum to the regional conference and request to continue working for the protection of consumers' rights. Dr. Regmi, concluded with a vote of thanks to the participants for their invaluable involvement in the forum.