

REPORT ON THE 1ST PROJECT ADVISORY COMMITTEE MEETING

Regulatory Role & Engagement in India's Clean Energy Transformation: Balancing Political, Economic and Environmental Considerations

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Participants:

Advisors:

Dr Geeta Gouri
Dr Shyamal Sarkar
Mr K Ramanathan
Mr Pradeep S Menhta
Mr S Sundar
Mr Sanjeev Ahluwalia
Mr V.P. Raja

Project Team:

Dr Ashwini K Swain
Mr Udai S Mehta
Ms Veena Agarwal
Ms Ira Sharma
Ms Surbhi Singhvi
Mr Jonathan Donald Syiemlieh
Mr Shivam Mohaley
Ms Harsha

SSEF:

Mr Deepak Gupta
Ms Vrinda Sarada

The first of the two Project Advisory Committee (PAC) meetings to span the one year project entitled “Regulatory Role & Engagement in India's Clean Energy Transformation: Balancing Political, Economic and Environmental Considerations” was held at the TERI Office in New Delhi, India on February, 01st, 2016. The following is a brief proceeding of this meeting.

Mr. Pradeep Mehta welcomed the PAC members and briefly spoke about the shift based on clean energy production and consumption and the evolution of the policy framework for the promotion of Renewable Energy (RE) and Energy Efficiency (EE). He was of the view that there is a lack of clarity on the mandate and role of State Electricity Regulatory Commissions (SERCs) in promotion of RE and EE. Given this, there is a need to look for solutions to address regulatory distortions that limit the role of regulators and the project aims at assessing the regulatory mandate *vis-à-vis* promotion of RE and EE.

Mr. K Ramanathan spoke about wide variations in state and national policies and the need for coordinated efforts by SERCs and other stakeholders to achieve the end objective of clean energy transformation. He also highlighted the need to address technical issues faced by solar rooftop segment as well as the potential for domestic and commercial consumers for DSM in the context of EE. He further emphasised regarding the important role of SERCs in monitoring and evaluating the promotion of RE & EE.

Mr. Deepak Gupta mentioned how decision making impacts the way a state proceeds to deal with the issues. The proactiveness of the state governments and SERCs or a combination of both show which states fare better in EE and RE as compared to others. He suggested that the project could provide evidence of some SERCs following the path of independent regulatory decision making that has brought about changes, which can be shared with other SERCs as good practices and may help the regulator in winning the support of the utility as well as the state government in following the same approach, assuming the approach has been right.

Mr. V. P. Raja was of the view that unbundling of utilities has happened only in form and not in substance and major decisions are yet being made by the government since they are the owners. Regulators may be independent and issue orders but support of the executive to implement the orders is equally important and therefore, the research work should also look into ways to create a supporting ecosystem for efficient implementation of regulatory reforms. He advised that a proper balancing must be undertaken to ensure that institutions do not suffer because of regulatory changes. He put forward the idea of drafting a roadmap to allow the institutions to re-engineer themselves and the need to strategise and see how different players get affected in light of regulatory reforms.

Dr. Ashwini Swain introduced the project's objective, area of focus and the expected output from the project to the PAC members through a brief presentation. He put forward his views on the need for integration of economic, political and environmental policy objectives as well as for close involvement of regulators in the process of policy making since they have better access to information due to their interaction with the government as well as the consumers. He spoke of the government's tendency to pick winners (technology, market driven etc.), which may have its flaws in the course of time and stated that there was no clear role for regulatory bodies in policies and regulations when it comes to how the target has to be achieved. He stated that the project aims at regulatory role and engagement in promotion of RE and EE. He emphasized on the need to know how to implement regulations and what supportive structure is required for that. The project will point out gaps in the existing regulatory mandate, fine tune good regulatory practices of one state for implementation in others and hence suggest a policy and practice reform strategy, sensitise regulators and other relevant stakeholders on need and significance of proactive engagement.

He also discussed the project design, which is split into two phases-- research and advocacy. The state selection criteria and the indicators were discussed as well. The states put forward to the PAC for discussion included Gujarat, Maharashtra, Madhya Pradesh (MP), Andhra Pradesh (AP) and Uttar Pradesh (UP).

Mr. Sanjeev Ahluwalia opined that the research study should assume policy as a given and focus only on regulatory practices as it looks to engage directly with regulators. He said that there was also a need to look at clean energy aspects such as clean coal for electricity generation.

Dr. Geeta Gouri was of the view that including terms like regulatory processes, regulatory mandates, and governance functions etc. in the research objective of the project would not yield anything

useful for the study. She suggested that the research team should also analyse the success stories not only in India but places outside India with similar conditions and the ways to implement the same in India. She advised looking at Renewable Purchase Obligation (RPO) in some states and seeing how Renewable Energy Certificate (REC) mechanism would have mattered, and to assess other issues surrounding RE such as taxation.

Dr. Ashwini Swain had clarified that the purpose of the study was to flag policy concerns with a greater focus on the practice reforms. As an example, he suggested that a good case of Demand Side Management (DSM) practice, say for Maharashtra, be assessed to see whether such practices meet the prescribed mandated requirements and is suitable for implementation in other states performing poorly in the area of energy efficiency. According to him, the study would look at the reasons for success and failure of states in making clean energy transformations and engage with SERCs in trying to replicate the successful examples.

Mr. K. Ramanathan opined that the research focus should be put as questions and the study should try to understand the regulatory mandate and creative manoeuvres that the SERCs have used to deliver within that mandate. He also advised the team to study and learn from good examples in states that have exceeded their mandates due to proactiveness on the part of the regulator or the role of other agencies. He also proposed to add Karnataka or Tamil Nadu to provide a southern representation of states.

Mr. V. P. Raja pointed out that as per the REC mechanism, there are some states which gain and others which loose, the latter are the ones that have to purchase the REC as well as the power. He suggested inclusion of game theoretic modelling into the research framework to suggest ways on how gainers can compensate the losers in such cases. He was also concerned about fly by night operators, lack of quality control checks, vendor driven projects and the need to question how and what the stakeholders can do to address such concerns. He suggested the study to look at ways in which the information asymmetry between the SERCs and distribution utilities can be done away with.

With electricity being a concurrent subject, the centre can only push to an extent while states have to take the lead. It was brought out that the new National Tariff Policy (NTP) Draft makes it mandatory for the SERCs to follow the directions given in the NTP and thus violates the constitution principle of federalism.

Mr. K Ramanathan specified that the study can look to define an effective role for the regulator, with an end objective to promote clean energy. The study should identify whether, in practice, there is any deviation from the mandate, investigate further on why it exists (due to independence, lack of independence etc.) and suggest ways to close it. Dr. Geeta Gouri discussed about the need to look for appropriate incentives and signaling devices for market players to act efficiently, without having to change the mandate. She suggested that the study should clearly lay out its objectives, set a primary hypothesis and adopt a top to bottom approach to find the significance of the hypothesis.

Mr. Sanjeev Ahluwalia advised the study to adopt an institutional approach and evaluate creation of innovation and energy service teams within SERCs, engage with regulators, private sector developers and technical institutions and try to create an energy saving mission (RE, EE, Energy savings). He also was of the view that SERCs need to be analysed as a system and assessed on whether they have the capacity to document things in such a manner such that decisions are based on data and historical decisions

Ms. Veena Aggarwal highlighted that there was very minimal public participation in RE tariffs setting, RE regulations and DSM regulations and iterated that the study would also like to understand the reason and whether there was a way in engaging with citizen groups to improve participation. She spoke of the one-sided aspect to decision making and limited pressure from other groups to inform decision making in State Advisory Committee (SAC) meetings. In line with this, Dr. Ashwini Swain proposed to engage with SAC members and Civil Society Organisations (CSOs) for policy advocacy at a later stage in the project.

Mr Udai Mehta highlighted the necessity to engage with consumers and the limited capacity of consumer representation in others states (Resource, capacity and knowledge constraints). He put forward the dilemma on how to deal with the challenges of SERCs who are mandated to engage public participation but are not in a position to comply with the mandate. (Case of WBERC which did not engage with consumers for a year)

The PAC also proposed that a regulatory cadre be developed across the country.

At the end of the meeting, the PAC Members suggested the project team to include Maharashtra, Karnataka, Madhya Pradesh, West Bengal and Uttar Pradesh for deeper research.
