

South Asia Energy Regulation Partnership Executive Business Trip

August 25-27, 2003, Hyderabad, India

Status of Energy Regulation Legislation in Bangladesh

An Overview

Presented by :

S M Shamsul Alam

Secretary

Power Division,

Ministry of Power, Energy & Mineral Resources,
Government of Bangladesh

Md. Mokhlesur Rahman Khandker

Reform Project Director

Project Management Unit, Power Division,
Ministry of Power, Energy & Mineral Resources,
Government of Bangladesh

Khondaker M. Asaduzzaman

Senior Specialist (Management)

Project Management Unit, Power Division,
Ministry of Power, Energy & Mineral Resources,
Government of Bangladesh

Present Structure of Power Sector

Owner & Regulator

- Power Division, Ministry of Energy & Mineral Resources

Generation

- Bangladesh Power Development Board (BPDB)
- Independent Power Producers (IPPs)

Transmission

- Power Grid Company of Bangladesh Ltd. (PGCB)

Distribution

- Bangladesh Power Development Board
- Dhaka Electricity Supply Authority (DESA)
- Dhaka Electric Supply Company Ltd. (DESCO)
- Rural Electrification Board through Rural Electric Co-operatives

Present Power System

- **Installed Capacity** : **4710 MW**
- **Generation Capability (including IPPs):** **3800 MW**
- **Peak Demand Served (14 July 2003)** : **3500 MW**
- **Transmission Line**
 - **230KV** : **680 KM**
 - **132KV** : **2841 KM**
 - **66KV** : **167 KM**
- **Grid Sub-station Capacity (June 2003)**
 - **230/132KV** : **3700 MVA**
 - **132/33KV** : **6360 MVA**

Present Power System (Contd.)

■	Distribution Line (33KV & below)	:	1,93,202 KM
■	System Loss (2001-02)	:	28.14%
■	Consumer Number	:	6.54 Million
■	Access to Electricity	:	32% of Population
■	Average Growth Rate (Last 10 yrs.)	:	8%
■	Per Capita Generation	:	136 kWh
■	Generation		
●	Gas	:	87%
●	Hydro	:	7%
●	Liquid Fuel	:	6%

Current State of Electricity Regulation

- **GOB/Power Division Functions as Regulator under Electricity Act 1910**
 - ◆ Approves investment program
 - ◆ Monitors performance of the public sector entities/
utilities
 - ◆ Approves Tariff
 - ◆ Appoints Electrical Adviser and Chief Electric Inspector

Current State of Electricity Regulation (Contd.)

- **Electrical Adviser & Chief Electric Inspector performs duties as regulator on behalf of the Govt. in the following areas :**
 - ◆ **Provides supply license**
 - ◆ **Provides approval for captive generation**
 - ◆ **Sets up security & safety standards and approves electrical installations in respect of safety measures**
 - ◆ **Performs testing & inspection of electrical installations**
- **Presently no provision of public hearing especially in the tariff approval process by the Govt.**

Government's Vision

Long-term goals

- To make electricity available for all by 2020
- To ensure reliable and quality supply of electricity
- To provide electricity at a reasonable price

Reform Objectives

- Bringing the entire country under electricity service by the year 2020
- Making the power sector financially viable and able to facilitate economic growth
- Increasing the sector's efficiency
- Making the sector commercial
- Improving the reliability and quality of electricity supply
- Using natural gas as the primary fuel for electricity generation and exploring the possibility for export of power to augment and diversify foreign exchange earnings
- increasing private sector participation to mobilise finance
- ensuring reasonable and affordable price for electricity by pursuing least cost options
- promoting competition among various entities

Reform Strategy

- Segregation of generation, transmission and distribution into separate services
- Corporatization and commercialization of emerging power sector entities
- Creation of Regulatory Commission
- Private Sector participation
- Introduction of cost reflective tariff structure
- Development of demand management including energy efficiency measures to conserve energy
- Development of alternative/renewable energy sources

Reform Strategy (Contd.)

Generation

- Separating out all existing power generation units through a corporatized entity
- Under construction and future power stations may be incorporated as independent company
- Generation projects be selected at least cost option
- Generation capacity would be sought through a mix of public & private source

Transmission

- Transmission network will be owned, operated, planned and developed by a corporatized entity in the public sector

Reform Strategy (Contd.)

Distribution

- **Highest priority will be given to improving the commercial and financial performance of different entities. Specific measures to be considered are :**
 - **Introduction of consumer voice and organizational accountability in the form of citizen/ client charter**
 - **The existing distribution system of BPDB and DESA be transformed into a number of new corporatized entities**
 - **Private capital and management participation in distribution companies**
 - **The rural electric co-operatives (PBSs) under REB to continue functioning and additional PBSs to be formed as and when required**

Establishment of the Energy Regulatory Commission

- **The Energy Regulatory Commission Act passed in March 2003**
- **Establishment of an independent Regulatory Commission under the Act is in progress**
- **The Commission will regulate electricity, gas and petroleum sectors**

Role of Energy Regulatory Commission with regard to Power Sector

- **Approval of the utilities' tariff proposal following GOB's policy directives**
- **Set & enforce codes & standards of operation**
- **Issue, repeal & amendment of licenses for**
 - ◆ **Generation**
 - ◆ **Transmission**
 - ◆ **Distribution**
 - ◆ **Supply**

Role of Energy Regulatory Commission with regard to Power Sector (Contd.)

- **Approval of expansion & investment plan of the utilities to ensure least cost options**
- **Ensure better consumer service and protect consumers' interest**
- **Promote competition by ensuring level playing field for both public and private sectors**

Roles and Responsibilities of the Commission Staff

- **The success of the Commission depends on the role of the staff**
- **The role of the Commission Staff will be neutral and dedicated**
- **Draft rules for appointment of the Commission staff has been prepared**
- **Commission will finalize the draft rules**

Tariff

- **Draft Electricity Pricing Policy is under consideration of Govt. for approval**
- **The Tariff setting will be guided by the following parameters:**
 - **Reflects cost of supply of electricity at an adequate and improving level of efficiency**
 - **Encourages efficiency, economical use of the resources, good performance and optimum investment**
 - **The interests of the consumers are safeguarded and the consumers pay for the use of electricity**
 - **Generation, transmission, distribution and supply of electricity conducted on commercial principles**
 - **Differential tariff for reducing non-essential usage during peak hours**

Customer Service Standards

- **Draft prepared for**
 - **Performance Standards**
 - **Customer Complaints Handling Procedures**
 - **Customer Charter**

- **The Commission will finalize the draft**

Customer Service Standards (Contd.)

- **Performance Standards will be within the jurisdiction of the Commission which include :**
 - **Restoration of supply**
 - **Voltage frequency level**
 - **Customer reconnection**
 - **Meter reading / replacement**
 - **Notice of interruption**
 - **Responding to queries on charges or payments**

Customer Service Standards (Contd.)

- **Customer Complaints Handling Procedures**
 - **Delay in providing new connection**
 - **Quality supply**
 - **Load shedding**
 - **Metering problem**
 - **Discrepancies of bills**
 - **Disconnection & reconnection**
 - **Filing of complaints**

Customer Service Standards (Contd.)

■ Customer Charter

- Entry to consumers' premises by prior notice
- Notice of outages
- Disconnection and restoration
- Consumer to be informed appropriately
- Consumers to be informed about tariff schedule

Challenges in creating the Commission

■ Selection of the Chairman, Members

- Success of the Commission depends greatly on the proper selection of the Commission's Chairman and Members

■ Salaries & Benefits

- To attract efficient and effective persons the emoluments should be higher and attractive
- Salaries & benefits should not be linked up with the Govt. salary structure

Challenges in creating the Commission (Contd.)

■ Dispute Resolution

- For any dispute, amicable settlement is preferred
- First step will be to resolve the dispute through consultation
- If the disputes remain unresolved, the matter to be referred to expert forum
- Expert decision should be final

Challenges in creating the Commission (Contd.)

■ Logistic Support and HRD

- To establish the confidence of the stakeholders, initial operational support for the ERC is essential for effective regulation
- In initial stages Govt. should have adequate arrangements for making the ERC functional
- Training for ERC personnel on the regulatory matters is very important, and necessary provision should be made as such

Challenges in creating the Commission (Contd.)

■ Transition Period

- Transition towards independent regulation is a challenge for a regulator
- To establish the confidence of all the stakeholders various tasks are to be undertaken in timely manner regarding executive & advisory functions
- ERC to ensure a level playing field for both public and private sectors

■ Tariff

- Setting up a cost reflective tariff will be one of the major challenges for the regulators

Degree of Independence

■ Appointment

- The Chairman and the Members shall be appointed by the President on the basis of the proposal of the Ministry

■ Removal

- Judicial process
- One Judge of the Supreme Court appointed by the President

■ Tariff

- Commission will approve tariff as per Govt. directives

■ Budget

- Annual budget
- Fees and charges earned by the Commission

■ Dispute resolution

- Preferred amicable settlement
- Consultation
- Professionals/Expert opinion will be sought

THANK YOU

