



STATUS OF POWER SECTOR REGULATORY ORGANIZATIONS OF NEPAL

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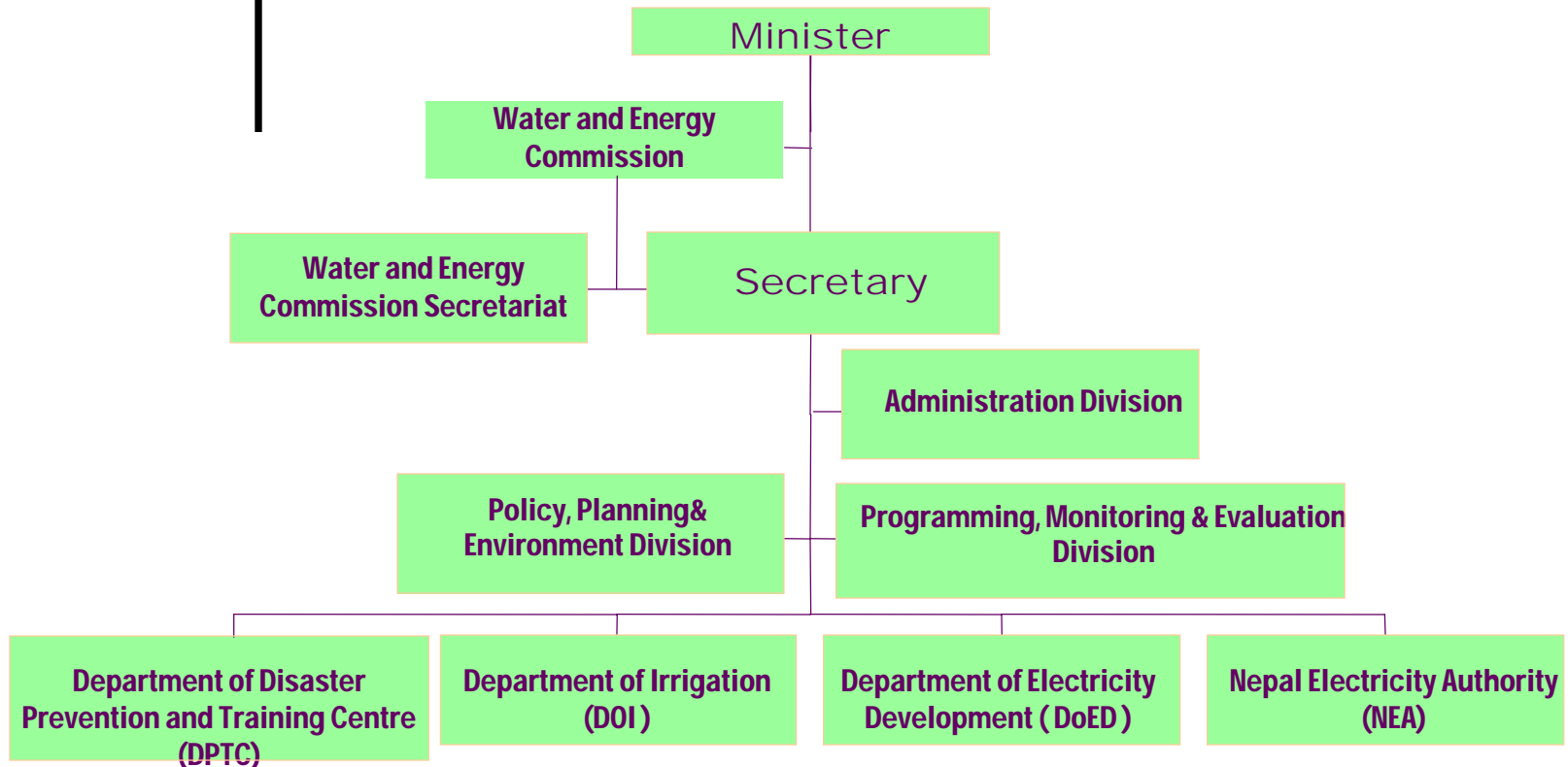


REGULATORY ORGANIZATIONS IN POWER SECTOR OF NEPAL

THREE MAIN ORGANIZATIONS:

- Ministry of Water Resources (MOWR)
- Electricity Tariff Fixation Commission (ETFC)
- Department of Electricity Development (DoED)

ORGANIZATIONAL STRUCTURE OF MINISTRY OF WATER RESOURCES (MOWR)



MOWR-3 Divisions, WECS, NEA and Departments- 3 Nos.

Total Staff- 72 Nos.



MAIN FUNCTIONS

- Line Ministry responsible for development and protection of Nepal's Water and Energy Resources
- Overall regulatory authority for power sector
- Oversight of operation of public and private power sector development

AUTHORITY

- Minister- As provisioned in Administrative Procedural Regulation (APR)
- Secretary - As provisioned in APR, Civil Service Acts & Regulation and Financial Administrative Acts & Regulation. Authority not provided by Acts & Regulations to be delegated.



DECISION MAKING PROCEDURES

- MOWR Division Chiefs and Department Chiefs submit Memos to Secretary.
- Secretary makes decision, if authority permits.
- Put up Memos to Minister, if beyond authority
- Minister takes the decision in most of Memos.
- National level decisions to be taken by the Cabinet



FINANCING FOR MINISTRY

His Majesty' Government of Nepal provides necessary funds for the functioning of the Ministry

CHALLENGES/ISSUES

- **Fulfillment of Power and Energy requirements of Nepal**
- **Mobilization of foreign investment in Power Sector**



ELECTRICITY TARIFF FIXATION COMMISSION (T F C)

ORGANIZATION ESTABLISHING REGULATIONS

Hydropower Development Policy, 1992 Sub-Section (5), Section (j)
Electricity Act, 1992 Sub-section (1), Section 17.

The Tariff Fixation Commission Started Functioning in September,
1994 after enactment of EFTC Regulation, 2050.

ETFC is the sole authority of Electricity tariff and other charges
levied to the Customers against service rendered through
Generation, Transmission and Distribution of electricity by the
licensee.



ORGANIZATIONAL STRUCTURE

Electricity Tariff Fixation Regulation was made under provision of Electricity Act, 1992. The composition of the Commission is as follows:

- Person prescribed by His Majesty's Government from non-governmental Sector - Chairman
- Representative, Ministry of Water Resources - Member
- Economist from non-governmental Sector - Member
- Representative among Licensee of electricity generation, transmission or distribution or representative - Member



ORGANIZATIONAL STRUCTURE

(cont.)

- Representative, Federation of Nepal Chamber of Commerce and Industry -Member
- Representative from among the Consumers -Member
- Director General, DoED -Secretary

DoED is the Secretariat to ETFC

Technical and administrative support is given by Doed

The Chairman of the Commission presides over the meeting and presence of 3/4th of the members shall be the quorum.



AUTHORITY AND RESPONSIBILITY

- Review and autonomous decision on electricity tariff levels
- Fixation of all charges for all consumers
- Fixation of tariff structure



PROVISION OF HYDROPOWER POLICY (relevant to ETFC)

- ETFC to be changed into regulatory body
- Wheeling Price to be determined by the Regulatory Body
- Before signing the PPA between the Utility and Power Producers, basis of bulk tariff price must be approved by the Regulatory body
- Competition in price to be Introduced
- Regulatory body shall review the Quality of Electricity



RATE SETTING PROCEDURE

The Licensee for the distribution of electricity is required to submit an application in prescribed format to the ETFC for the fixation of the Tariff rate and other charges with following particulars:

- Basis for fixation of proposed new tariff to be provided along with the financial and technical report and other documents for Justification.
- Index rate stating the present and proposed rates for each class of consumers along with proposed percentage increase.
- Any Financial Covenants agreed by the licensee with Financial Institutions.



RATE SETTING PROCEDURE

(Cont..)

- ETFC has 35 days to study the documents presented. If further documents or explanations are required, ETFC notifies the applicants to provide them within a prescribed period. Date of submission of all documents fully satisfactory to ETFC shall be deemed to be the date of re-submissions of the application.
- ETFC may constitute committee or sub-committee under coordination of one of its members to submit the report.
- ETFC may hold discussion with any person or expert while determining tariff rates and other charges.



RATE SETTING PROCEDURE

(Cont..)

- ETFC has to make its tariff decisions within 60 days of its submission date.
- The tariff decisions is published as soon as possible
- Tariff decision taken by ETFC is final and there is no room for appeal on the rates set.



FINANCING ARRANGEMENT

His Majesty's Government of Nepal (HMGN)
makes available necessary funds for the
functioning of Tariff Fixation Commission.



CHALLENGES/ISSUES

- To keep the power and Energy costs at affordable level
- Develop improved mechanisms for fixing tariff rate and other charges



DEPARTMENT OF ELECTRICITY DEVELOPMENT (DoED)

ORGANIZATION ESTABLISHING REGULATIONS

Hydropower Development Policy, 1992 Section (I)

Electricity Act, 1992 Section 36. Established as
Electricity Development Centre (EDC) in 1993
under MOWR by Cabinet decision.

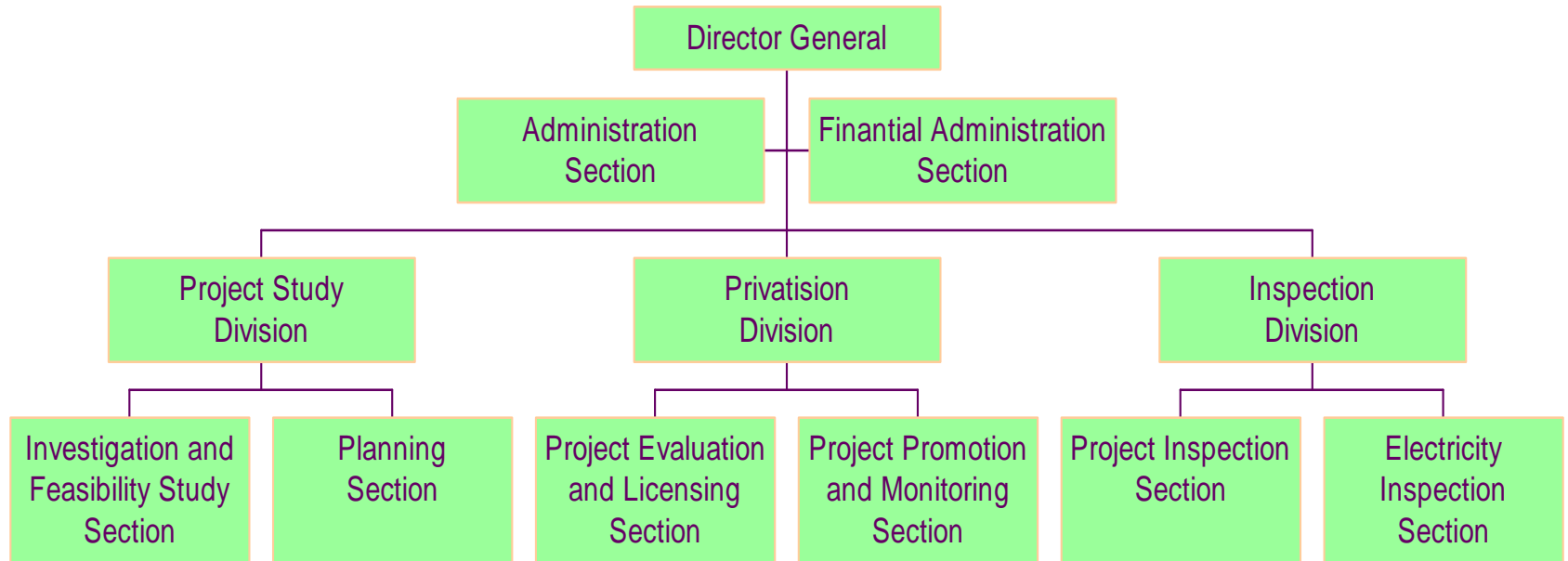
Renamed as Department of Electricity Development
(DoED) in 2000.



MAIN FUNCTIONS

- Study and Development of Multipurpose, Bilateral and Major Hydropower Projects
- Promotion and Development of Private investment in Power Sector including Licensing
- Preparation of Standards and Guidelines for Generation, Transmission and Distribution of Electricity
- Inspection and Monitoring
- One window for providing incentives and facilities
- Advisory assistance to MOWR
- Act as Secretariat of Tariff Fixation Commission

ORGANIZATIONAL STRUCTURE



- **Three Main Divisions headed by Deputy Director Generals**
- **Total Staffs, 109 (60--Gazetted, 49-- Non-Gazetted)**



MANDATES

A. PROJECT STUDY DIVISION

- Identification, Investigation and River Basin Study for preparation of Master Plan of Hydropower projects
- Prefeasibility/Feasibility and Detailed Design of Feasible Projects
- Feasibility Study of Projects from alternative resources (Solar and Wind)
- Feasibility Study and Detailed Design of Mega Projects (Karnali, Saptakoshi etc.) to be developed bilaterally
- Arrangement for Power Exchange between Nepal & India
- Preparation of load demand forecast and Master Plan for electricity generation, transmission and distribution
- Execution of HMGN's directives



MANDATES

B. PRIVATISATION DIVISION

- Evaluation of requisites for Licensing (technical, financial and environmental)
- Facilitation of incentives in taxes, foreign exchange and land acquisition
- Coordination and collection of fees in connection to License
- Preparation of list of feasible projects, carry out promotional activities and development of model agreements
- Technical assistance for implementation of SHP and Monitoring of Projects
- Coordination with NEA and other Developers
- Arrangements related to National Grid and Transmission Line



MANDATES

C. INSPECTION DIVISION

- **Inspection regarding uses of Water Resources, quality of Project Structures, and Environmental compliance**
- **Define quality standard for Survey, Production and technology for export, import of power**
- **Inspection regarding compliance on tariff and other fees**
- **Develop guidelines for Supply, Production and Distribution**
- **Inspection on production and supply of electricity**
- **Define security standard for Production Centres, Transmission, Distribution, Substation Centres and other related Structures**
- **Investigation regarding accidents**



AUTHORITY AND RESPONSIBILITY

Director General, Department of Electricity Development (DoED) as head of the Organization is authorized to exercise certain power as provisioned in Civil Service Acts & Regulations and Financial Administrative Acts & Regulations. Authorities not mentioned in the Acts and Regulations has to be delegated by the Secretary. In case of issuance of license to any party decision is taken by the Secretary on the recommendation of Director General of DoED. Director General is responsible for carrying out all works under DoED.



DECISION MAKING PROCEDURES

- Application to be submitted for Survey or Production of electricity to Secretary through DoED
- Examination of application and documents by DoED
- All required documents in place, forwarded to Secretary of MOWR with recommendation of DG of DoED
- Survey License to be provided within 30 days
- Generation, Transmission or Distribution License within 120 days
- Required documents not in place, notification to the applicant within 15 days for Survey License and within 45 days for Generation, Transmission or Distribution License specifying time limit for submission of required documents



FINANCING FOR ORGANIZATION

His Majesty' Government of Nepal provides necessary funds for the functioning of the Department of Electricity Development (DoED)



CHALLENGES/ISSUES

- Attract sufficient private investment in Power Sector
- Prepare sufficient Feasibility Study Reports of Hydropower Projects to offer to private investors
- Restructuring of organizational structure
- Realization of power and energy exports to neighboring countries and the region
- Review of existing Policy, Acts and Regulations
- Mobilization funds in Power Sector
- Training of required manpower



CHALLENGES IN CREATING COMMISSION

Clarifying the Role and Responsibilities of
Public- Sector Organizations Working on
Regulatory activities



LESSON LEARNED

Power sector is in fairly good financial position. This has encouraged private sector in power generation. There are already a number of private generation supplying power to NEA and there are number of small projects under different stage of development.

However, There is a necessity to enhance Regulatory Practices & its capacities in all aspects like rules, methods, executionetc.