

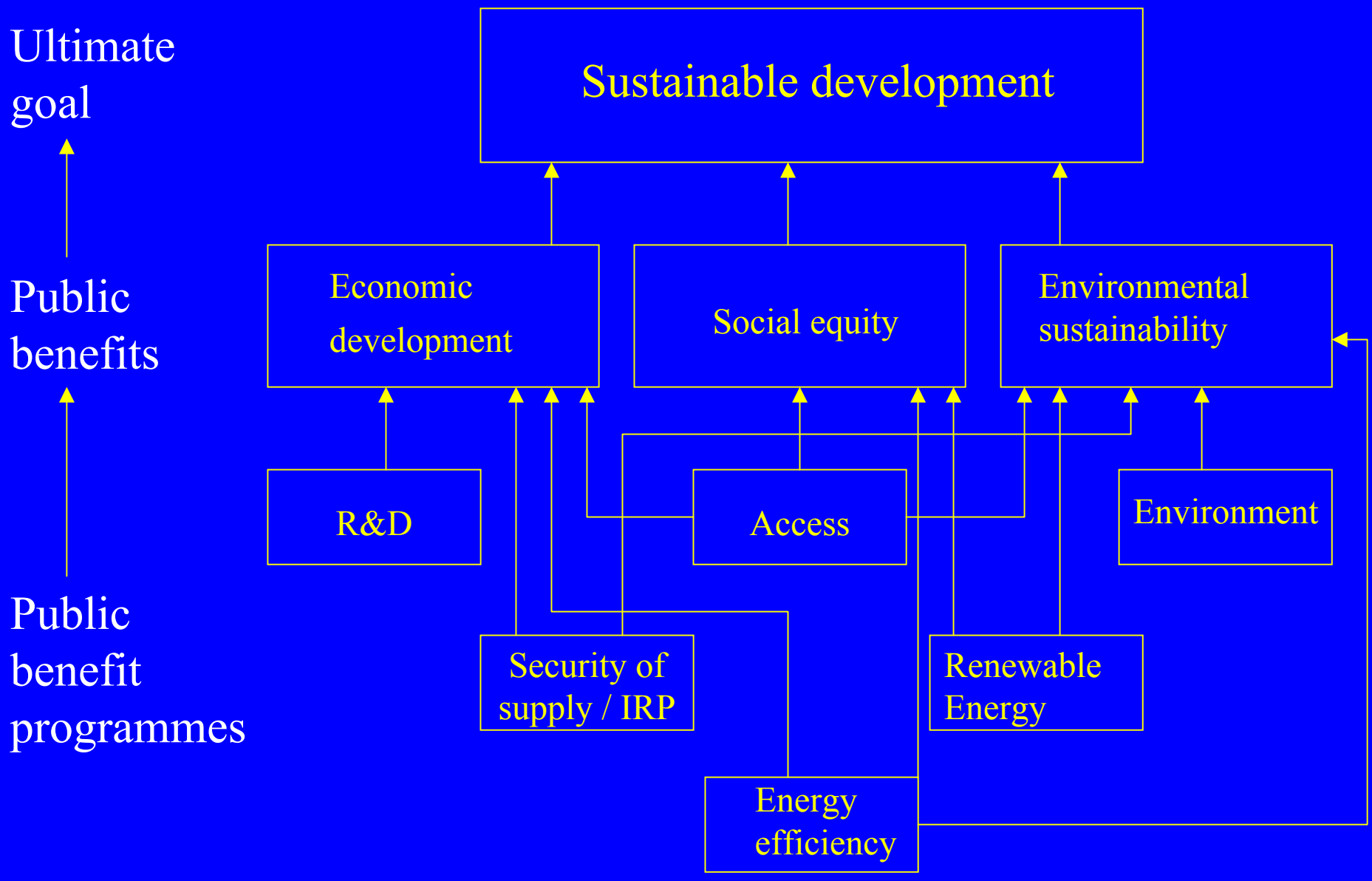
Regulatory instruments
to advance public benefits
and sustainable development
as power sectors are reformed

Anton Eberhard

Operationalizing the NEPAD Initiative

African Energy Experts Workshop

Dakar 2-4 June 2003



Power sector reform elements

- Commercialisation & corporatisation
 - Move to financial viability
 - Management contracts, shareholder agreements
 - Taxes and dividends
 - Restructuring to introduce competition
 - Vertical unbundling -> G, T, D separate competitive
 - Horizontal unbundling -> G, G, G... elements from nat. monopoly
 - Introduction of private sector
 - Concessions
 - Sale, IPPs
 - Electricity trading
 - New policy and regulatory frameworks
 - White (policy) papers, new legislation
 - Independent regulator
- Seldom conform to one ideal model

Has opportunity been created?

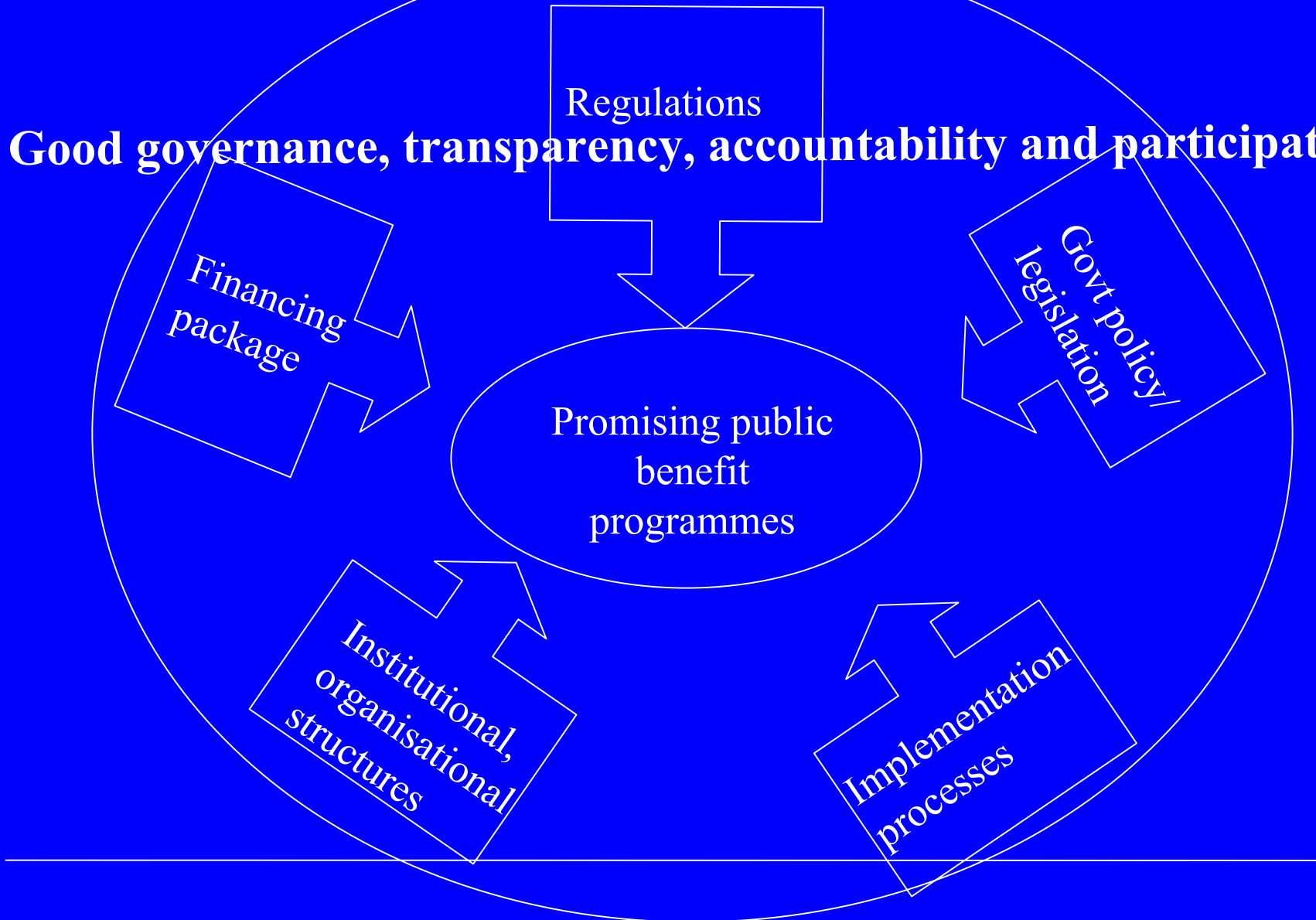
Not always – PBPs can be a casualty

But our research indicates that reform has produced space and occasion for advancement of PBPs. How?

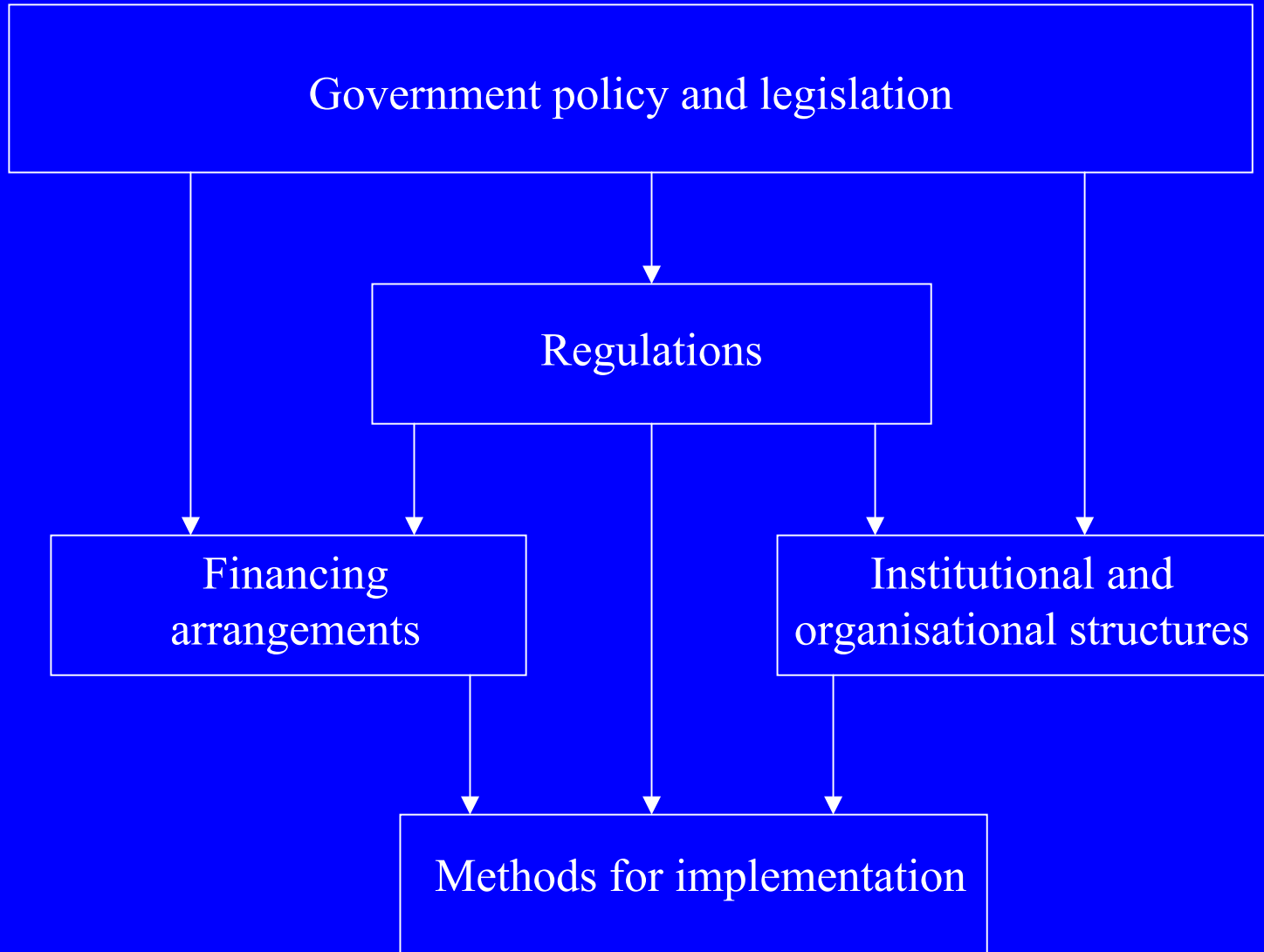
- Fresh legislation creates opportunity to insert commitment to advance public benefits
 - Distribution reform creating a viable channel for delivery
 - Removal of pricing distortions & better understanding of the true magnitude of c&b -> re-assessment of energy subsidies
 - Comprehensive review of role of public sector
 - A re-assessment of the basis of regulatory principles
 - New space for additional players, innovation, and release of additional sources of finances
-

How does the bigger picture look?

Good governance, transparency, accountability and participation



How does the bigger picture look?



On government policy and legislation

- Policies and legislation provide a mandate for role-players and define the public interest
- Little progress will be made without cornerstone policy and legislation
- For effective PBPs, the following is essential:
 - Stated goals and objectives of policy and legislation
 - Policy on private sector participation, role of government and regulation, level of competition, subsidy reform, integrated planning and co-operation
 - Specific PBPs (for example widening access, environmental protection)

On regulation

- One of the most influential areas
- Many countries indicate moves towards market-oriented power sectors that promote private sector participation, as well as innovative partnerships (financing and implementation), nevertheless regulatory frameworks in place
- Performance based regulations are also more prevalent as are competitive bidding processes
- Experience of increased transparency, predictability is varied
- Monitoring and enforcement is essential

On financing

- PBPs have hopeless futures without stable financing streams
- Financing is largely dependent on credible government policy
- Common recommendations include:
 - Energy subsidy reform (more targeted)
 - Distribution industry reform (more viable)
 - Encouragement of customer contributions (no matter how small)
 - Dedicating funds to specific programmes
 - Incentivising private sector investment and participation

On institutional and organisational mechanisms

- PBPs are as good as institutional and organisational support structures around them
- Re-training needs in key institutions (public, private and NGOs) must be assessed
 - Specific attention must be given to regulatory authorities and dedicated fund managers

Final observations

- Empirically: achievement of public benefits is independent of power sector structure & ownership
 - Examples of both vertically-integrated, publicly-owned utilities and competitive market structures doing equally badly or well in terms of delivery of public benefits – depends on what policies and mechanisms in place
- Economic reform of power sector is important and should be pursued to improve performance
- However, explicit policy and regulatory instruments needed to advance specific public benefits