

Reform, Regulation and Wholesale Market

Sohail Hasnie
Asian Development Bank

First Annual Meeting of CAREC Members Electricity Regulators Forum (CMERF)
Beijing, 5 July 2005

The views expressed herein are those of the author and do not necessarily reflect the views or policies of the Asian Development Bank (ADB), or its Board of Directors or the governments they represent. ADB makes no representation concerning and does not guarantee the source, originality, accuracy, completeness or reliability of any statement, information, data, finding, interpretation, advice, opinion, or view presented.

The logo of the Asian Development Bank (ADB), consisting of the letters "ADB" in a white serif font on a dark blue square background.

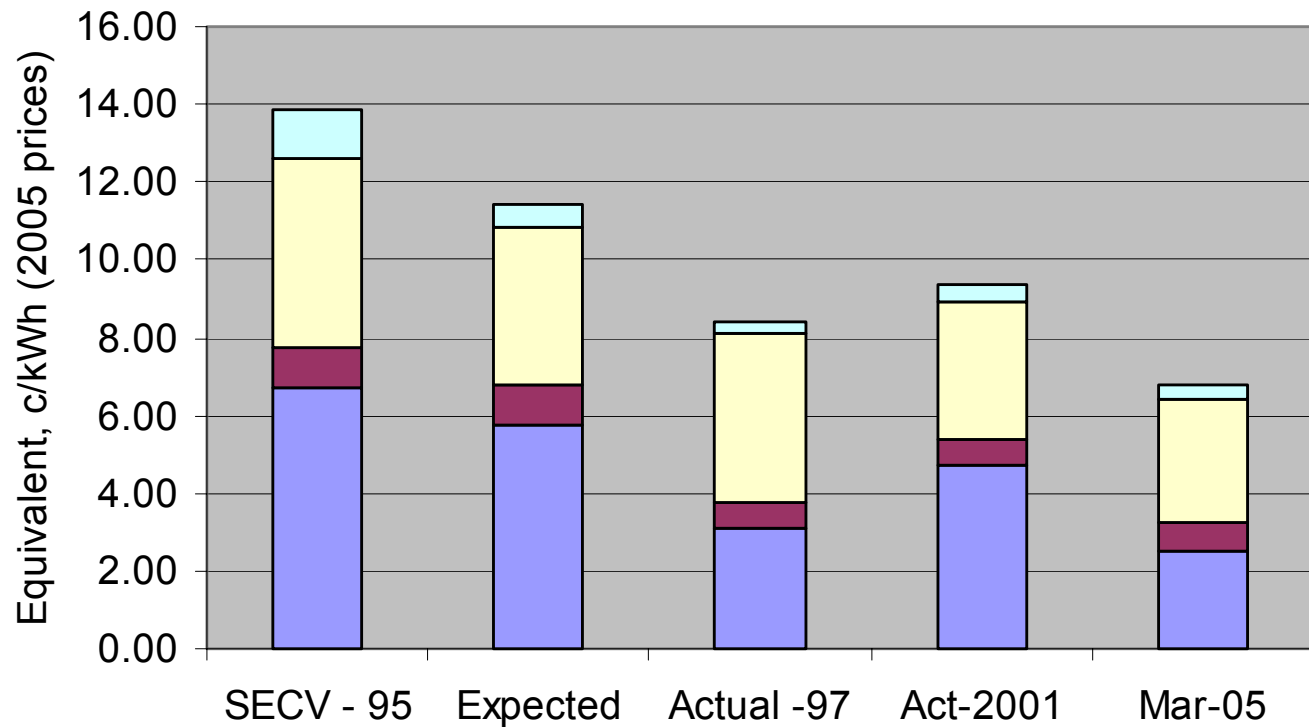
ADB

Topics

- Reform – **why** is it relevant?
- Unbundling – **what** makes sense?
- Regulation – **what** is needed?
- Privatization – **when** is it viable?
- Regional Regulators Network – **why?**

Reform

Price Changes, Victoria AUSTRALIA



Average electricity prices

Average annual prices (per financial year)

Year	NSW	QLD	SA	SNOWY	TAS	VIC
1998-1999	33.13	51.65	156.02	32.34		36.33
1999-2000	28.27	44.11	59.27	27.96		26.35
2000-2001	37.69	41.33	56.39	37.06		44.57
2001-2002	34.76	35.34	31.61	31.59		30.97
2002-2003	32.91	37.79	30.11	29.83		27.56
2003-2004	32.37	28.18	34.86	30.8		25.38
2005-2006	22.12	18.65	25.47	22.57	99.4	22.85

Unbundling

- One solution does not fit all – hard to justify unbundling of a 650 MW system into 18 different parts
- Benchmarking and accounting separation is not enough justification
- TNB, the vertically integrated public utility in Malaysia, is efficient and well managed

Regulation

- **Setting up a regulator is not enough** – 5+ years to be effective & gain respect
- **Repeatability, Predictability and Transparency** – of regulatory process
- **Regulation by Contract** –an immediate solution (Afghanistan with 120 MW) to attract private sector

Privatization

- Not “The solution” for all problems – benefits of more efficient operation by the private sector must outweigh the higher return needed (most countries)
- Efficient public utilities exist – Singapore
- Management Contract – should be looked at as an option

Regulators Network

- Not just to learn examples of developed countries – but to find what is relevant for the region
- Ability to share and develop practical solutions – you do not have to listen to what ADB and its consultant “prescribes”, we are here to help develop practical solutions
- This network forms a basis for regional cooperation – in the long term

For More Information

Sohail Hasnie

Shasnie@adb.org

Web site: www.adb.org

The ADB logo consists of the letters "ADB" in a white, serif font, centered within a dark teal square background.

ADB