
REGULATORY FRAMEWORK FOR PROMOTION OF PUBLIC PRIVATE PARTNERSHIPS

KEYS TO MEETING THE CHALLENGE

**CAREC Electricity Regulators Forum
Fourth Annual Meeting
15-19 September 2008 Kyrgyz Republic**

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THE CHALLENGE:

**THE WORLD NEEDS CAPITAL FOR
POWER SECTOR
INFRASTRUCTURE
and Government can not do it alone**

"If present trends continue, the world will need to invest **\$16 trillion** over the next three decades to maintain and expand energy supply,"

Claude Mandil, Executive Director of the Paris-based International Energy Agency (2003)

Power generation,
transmission and distribution
will absorb almost 60% of
global energy investment or
almost

\$10 trillion

Source: International Energy Agency

Transmission and distribution will account for more than half of global electricity-sector investment or **\$8 trillion**

Source: International Energy Agency

HOW MUCH IS A TRILLION?

\$1,000,000,000,000.00

If you spent one million dollars a day everyday, 365 days a year, it would take you **2,740 years** to spend one Trillion Dollars

GLOBAL COMPETITION

- All countries will be in competition for investment dollars
- According to The Brattle Group, investment on the order of \$1.5 Trillion required for the U.S. from 2010 – 2030
 - Generation - \$560 Billion w/ no changes in carbon policy and forecasted energy efficiency
 - Transmission - \$233 Billion
 - Distribution - \$675 Billion

HOW WILL YOUR INVESTMENT CLIMATE COMPARE WITH THE REST OF THE WORLD?

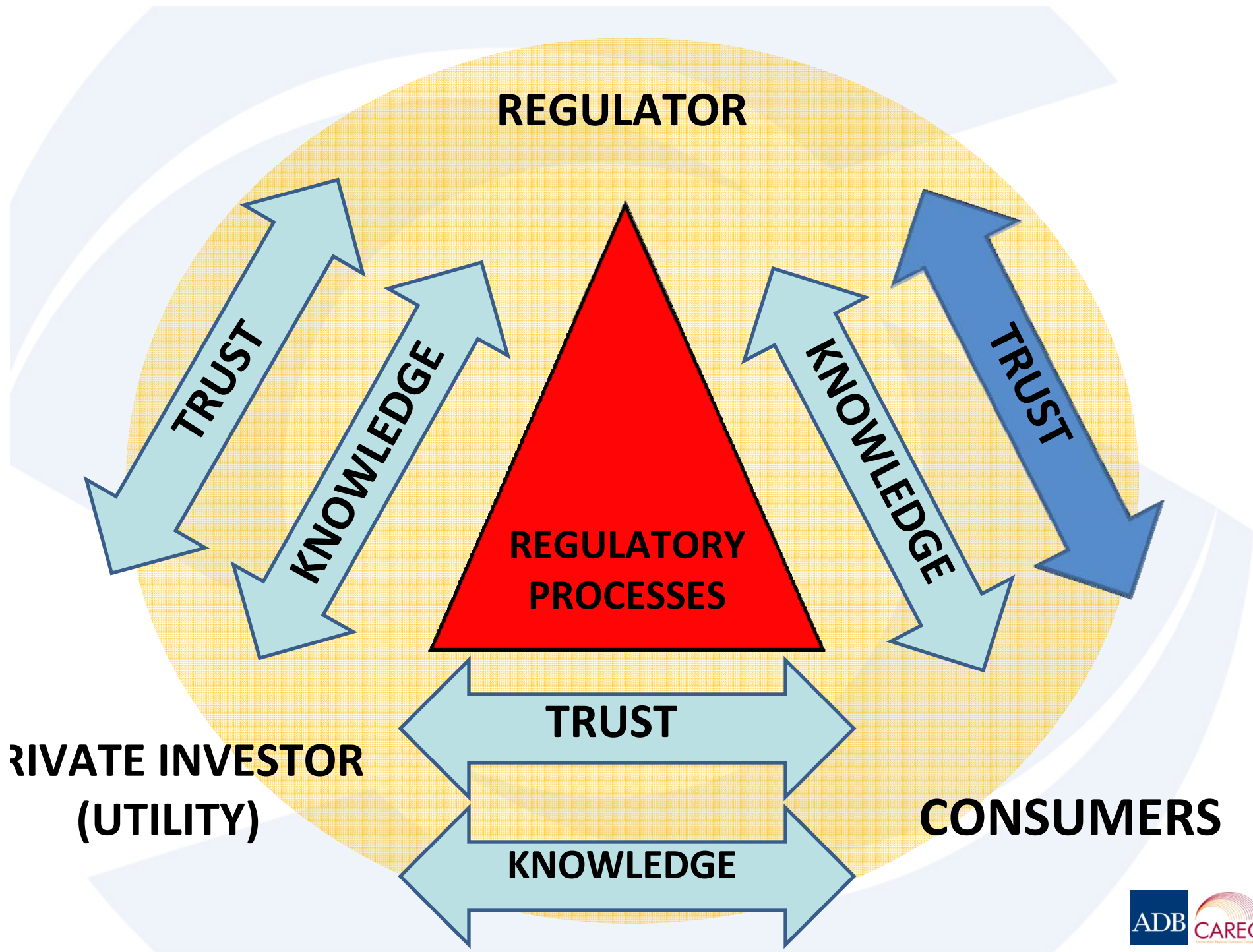
- Investors have choice!
 - Choices between countries
 - Choices between sectors
- In a tight global credit market the choices become fewer
- The competition will only become stronger

SUSTAINABILITY

- Sustainability has been expressed as meeting the needs of the present without compromising the ability of future generations to meet their own needs
- Regulators should take a long-term view of power sector development.
- No intergenerational discrimination (today's customers vs. tomorrows customers)

KEY NUMBER ONE

- Listen to Investors, they have been saying what they need for years
 - Stability
 - Predictability
 - Independent Regulatory Authority
 - Independence of funding
 - Independence in decision making
 - Transparency
 - Rule of Law



KEY NUMBER TWO

- Start at the bottom
 - The Distribution end of the supply chain should be a priority for reforms
 - Move tariffs towards cost
 - Cash collection efficiency is critical
 - Control of losses both technical and non-technical
- Investors need some level of assurance of timely and adequate cost recovery

START AT THE BOTTOM

The process of reform in the power sector needs to follow a logical path in creating a sustainable climate for investment. **Distribution reforms should precede liberalization in the generation segment.**

“We have been holding the stick from the wrong end.”

The urgency is to address the ills of the distribution segment through demonstrated political will by governments and a commitment to performance by the distribution utilities.

KEY NUMBER THREE

- The supply side can not do it all... pay attention to the demand side
 - Energy efficiency
 - Peak load management
 - Pressure to address Climate Change
 - Changes in Carbon Policy could totally change the economics of supply side vs. demand side decisions

THANK YOU