

Pursuing Strategies for Energy Sector

– A Vision Document



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Introduction

Energy Vision: “Inform, educate, capacitate and empower consumers to be equal partners in contributing towards and reaping benefits of energy development in the country.”

With an aim to realise its Mission of “consumer sovereignty in the framework of social justice, economic equality and environmental balance, within and across borders”, CUTS International has been working as a consumer-focussed policy research and advocacy organisation, since its inception in 1983. Given that energy is one of the basic needs of a consumer, the sector has been at the heart of the organisation’s functioning since its inception. Our interventions in the sector include assessing effectiveness of policies and regulations, ensuring inclusive governance, increasing consumer awareness, building stakeholders’ capacity and enhancing consumer participation in the process of formation of policies and regulations. In light of the emergent structural changes in the energy sector and the relatively recent governmental efforts towards clean energy transformations, we aim to consolidate our interventions in order to promote better and inclusive governance in the sector, and address the prevalent issue of energy poverty.



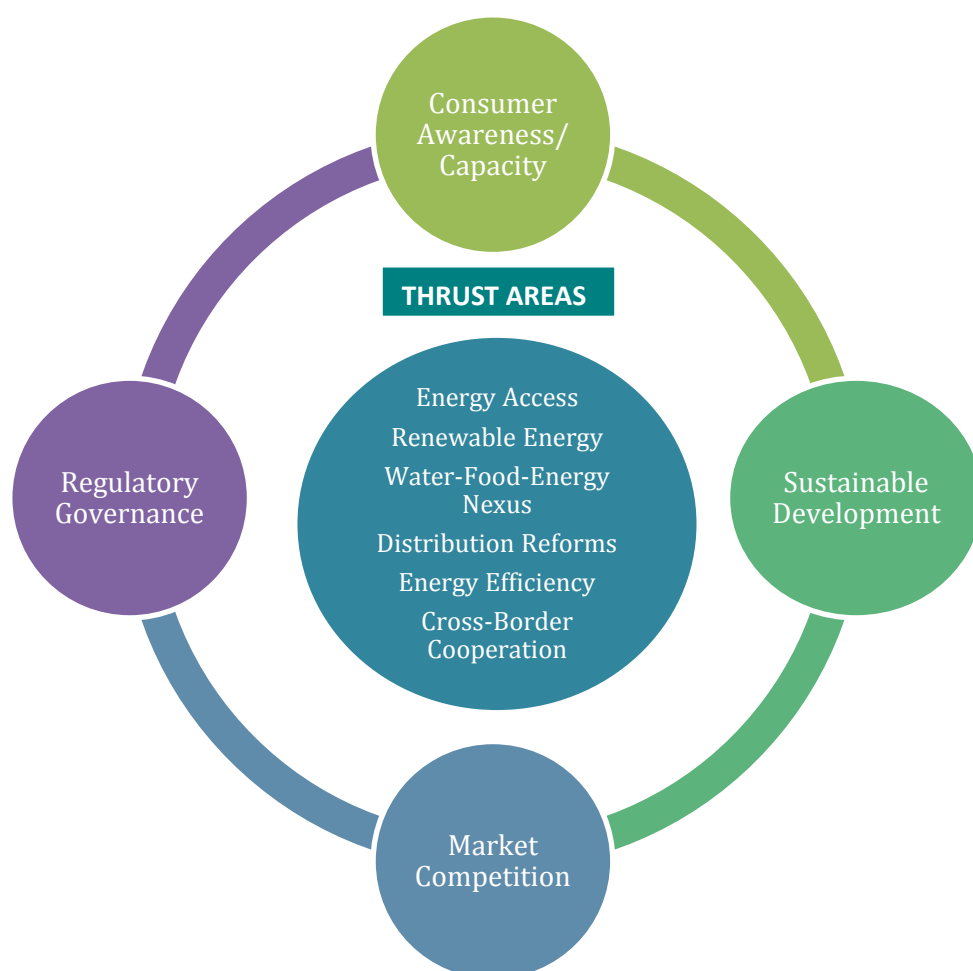
Keeping with our ethos (Bottom Up Approach¹ that feeds into RANC model²), our vision is to inform, educate, capacitate and empower consumers; so that they can be equal partners in not only contributing towards but also reaping benefits of energy development. To achieve this, we will leverage our internal capacities as well as that of

¹ Acceptance and ownership of reforms among key stakeholders is crucial to ensure its effectiveness. And, this can only be possible if the expectations and concerns of these stakeholders are taken into consideration while designing policies/adopting reforms, simultaneously making them aware of the benefits of the policies/reforms. This is essentially the core of the Bottom-Up Approach.

² Research, Advocacy, Networking and Capacity Building (RANC Model)

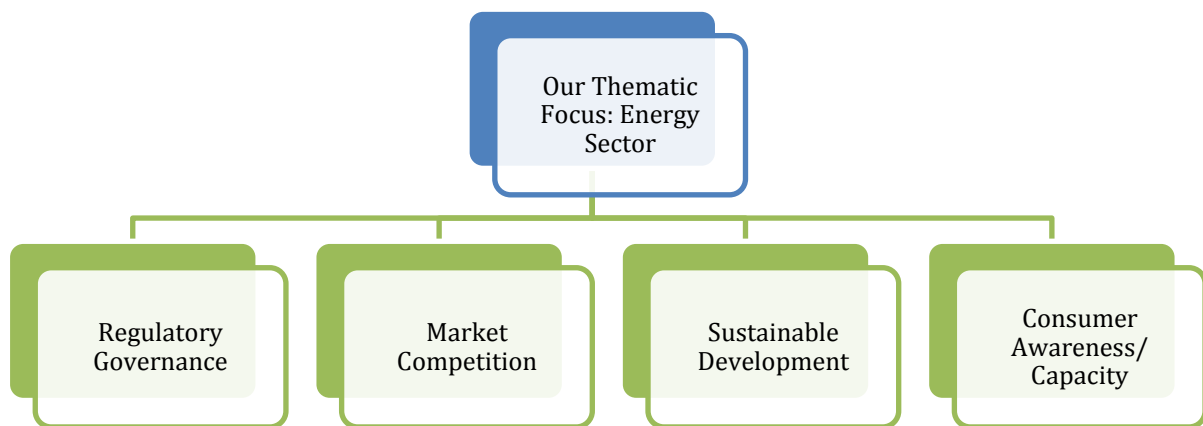
our local strategic partners, strengthening an already established network of CSOs across India and beyond. Further, through our evidence-based policy advocacy framework, we aim to promote better regulatory governance, market competition, responsible business practices and regional cooperation; so that the costs and benefits of various developments are proportionately shared amongst all stakeholders.

Through this document, we aim to present a strategic plan for our action-oriented; evidence-based research work in the energy sector as well as acquaint the relevant stakeholders and our prospective partners with the organisation's strengths and expertise, and areas of interests. The following sections clearly specify the thematic focus of our work in the energy sector, the thrust areas within the specified themes and the list of our recent interventions in the sector.



Thematic Areas

The thematic focus of CUTS for the energy sector has evolved over time on the basis of the organisation's work experience and the consequent understanding of the sector. It encompasses the critical aspects of the entire ecosystem of the sector, which we believe will not only have a direct and/or an indirect impact on consumer welfare but will also play a decisive role in determining the performance of the sector.



Regulatory Governance

Given India's current industrial focus, high population growth and increasing demand for energy, the country needs to promote aggressive development in the energy sector, with much higher private sector participation than present, while balancing the interest of the consumers and environment. This requires a consolidated and enabling regulatory framework, which ensures proactive engagement of the regulator with multiple stakeholders.



Planned interventions in the sector are also required as the Government of India has scaled up the target of installed capacity of Renewable Energy (RE) to 175 GW to be achieved by 2022, which is more than four times the installed capacity of 40 GW as on February 2016. While the government is making sincere efforts to meet the set target by putting in an appropriate policy framework and establishing funds to finance the projects, these must be complemented by investments from private players. With a

rapid pace of growth as well as a surge in private interest over past couple of years in the RE sector, the market regime has already become more competitive than before. In order to sustain the interest of the private players, the regulatory authorities need to play the important role of increasing the investment attractiveness of the sector by ensuring fair competition, high transparency standards and fewer regulatory hurdles. Hence, the role of regulators has assumed greater significance than ever before.

Although several structural reforms have been introduced in the sector in the past two decades, few changes are still required to enhance market's functional efficiency. For instance, more than a decade has passed since the adoption of the Electricity Act, 2003, which sought to separate economic from political decision-making in the sector. Yet, the state regulators, which should ideally base their regulatory decisions on economic principles, continue to be influenced by state governments, given their dependence on the latter for financial and operational purposes.

Given this backdrop, CUTS envisages a greater role of research, engagement and advocacy in this area, leading to policy and practice changes. Through our sustained research and evidence-based interventions, CUTS has been advocating for regulatory reforms³ in India and beyond.⁴ Further, being formally represented in the advisory committee of Central Electricity Regulatory Commission (CERC), we plan to actively engage with the regulatory authority, with an aim to provide constructive suggestions for enhancing the role of the regulator and effectiveness of the regulations.

Market Competition

A key goal of the Electricity Act, 2003 was to promote market competition in both generation and distribution segments of the electricity sector. While, private participation in the generation segment has been increasing over the past decade, the distribution segment has barely seen any private participation. The sluggish private participation is a result of regulatory hurdles and inefficient regulations, and partly of sub-optimal functioning of markets due to state interference. Meeting India's growing demand for energy, and especially electricity, would require addressing the market and regulatory failures and promoting competition on an immediate basis.



³ Regulatory Governance in India, 2009:
www.cuts-ccier.org/event-Regulatory_Reform_and_Building_Governance_Capacities.htm

⁴ Facilitating the Adoption of Regulatory Impact Assessment Framework in India:
www.cuts-ccier.org/BHC-RIA/

CUTS has been highlighting the need for market reforms and competition enhancement in the electricity sector through its evidence-based research work.⁵ In order to analyse competition distortions caused by government policies in the developing world, CUTS has designed a Competition Impact Assessment (CIA) toolkit.⁶ It has also developed a framework to assess impact of competition policy on social and economic welfare of consumers and producers in developing nations.⁷

Building on our past work experience, we aim to prepare a pathway for market reforms in key energy sectors, especially electricity, coal, petroleum and natural gas through additional research work and continued multi- stakeholder consultations. We also plan to engage with relevant government agencies at the state level to advocate ways to promote free and fair competition in the sector.

Sustainable Development

The pattern of energy generation, transmission, distribution and consumption can have a huge impact on the environment. While the Indian government makes efforts to accelerate economic growth, it is well recognised that a balanced approach while dealing with energy, economy and environment is required to ensure sustainable development.



Given the growing population and increasing standards of living of people in emerging economies, resource availability is considered to be a major concern globally. As climate change threatens to impact availability of food, water and energy services, which are all vital to human well-being, there is an urgent need to look at mitigation and adaptation strategies in order to reduce the damage. A significant part of our work in this stream is focussed on water-energy-food nexus in India and South Asia.⁸

⁵ National Competition Policy and Economic Growth in India (ComPEG), 2014:
www.cuts-ccier.org/CoMPEG/pdf/Report-Electricity_Sector_Study.pdf

⁶ CUTS' CIA Toolkit: A Framework to Assess Competition Distortions Induced by Government Policies in the Developing World, 2014:
www.cuts-ccier.org/ComPEG/pdf/CUTS_Competition_Impact_Assessment_Toolkit-A_Framework_to_Assess_Competition_Distortions_Induced_by_Government_Policies_in_the_Developing_World.pdf

⁷ Framework for Competition Reforms, 2015:
www.cuts-ccier.org/CREW/pdf/FCR_Practitioners_Guidebook.pdf

⁸ Sustainable Development Investment Portfolio, Promoting water, food and energy security in India, (2016)
www.cuts-citee.org/SDIP/

Understanding the importance of policy making and governance to ensure that the agenda of sustainable development is taken up in a planned manner, we also aim to contribute towards better governance in the area. In order to achieve both – growth and environment related targets and aid the government in its agenda of energy transformation, we aim to work towards creating a more inclusive policy making process, which takes into consideration concerns of all affected sections.⁹ Our overall goal under this thematic focus is to promote sustainable consumption and production of energy resources. In the coming years, we envision to research on current patterns of resource use, cost of inefficiency and inaction, and benefits of timely intervention.

Consumer Awareness and Capacity Building

Protection of consumer interest has been at the core of our interventions and activities. CUTS has always been active in enhancing consumer awareness, building their capacities and promoting consumer interest with an ultimate aim of ensuring their representation in the policy making process.¹⁰

In order to enhance the effectiveness of these activities, we partner with our sister organisation – CUTS Institute for Regulation & Competition (CIRC),¹¹ which focusses on providing educational and training programmes in the areas of economic regulation, and competition policy and law. While we seek to consolidate these activities in the coming years, we also aim to capacitate the consumer organisations and individual consumers in order to promote their direct participation in the policy formulation process and regulatory decision making.



In case of the energy sector, we seek to promote consumer awareness on sustainable practices and technology options, their rights, responsibilities and enable them to represent their voice in appropriate forums. To achieve these goals, CUTS plans to engage with local civil society organisations (CSOs) and communities frequently on specific issues around energy access, service quality, sustainable consumption and redressal of grievances.

Having charted out the thematic focus, we further plan to work on specific areas within the boundaries of the above mentioned themes in order to further refine our interventions and better influence the policy making process.

⁹ Green Growth and Energy Transformations (GrowGET), 2016-17: www.cuts-ccier.org/Grow-GET/

¹⁰ Consumer Participation in Electricity Sector Regulation (2015): www.cuts-ccier.org/CPSER/

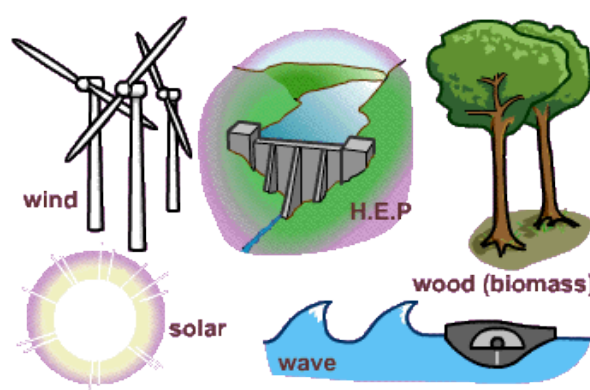
¹¹ <http://circ.in/>

Focus Areas

The selection of the following focus areas has been guided by our organisational strengths, areas of interest and aspiration to achieve our energy vision, keeping in mind the current state of the sector.

Clean and Renewable Energy

The key behind striking a balance between energy use and its environmental impact lies in higher uptake of RE sources. Driven by concerns regarding energy security and climate change commitment of reducing the economic growth-linked emissions, the Government of India aims to increase the share of clean energy through a massive thrust on RE. This is evident from the government's revised target of installing 175 GW of RE installed capacity by 2022, including a five-fold increase in the solar target from 20 GW (as per previous target) to 100 GW to be achieved by 2022.



The scaling up of the current RE installed capacity of around 40 GW requires appropriate planning and a targeted approach. Our initiatives and focus in this sector so far include addressing policy issues, assessing effectiveness of regulatory initiatives and enhancing consumer awareness in the sub-sectors of RE.¹² Our goal here is to promote accelerated and large scale deployment of affordable RE to ensure a cleaner energy mix and increased energy access.

Energy Efficiency

Ensuring Energy Efficiency (EE) is a low hanging fruit in India's efforts to fulfil its commitment of reducing emissions and achieving the aim of making the path of economic growth and development more inclusive and sustainable. Considering that the adoption of energy efficient measures requires greater



¹² Regulatory Role and Engagement in India's Clean Energy Transformations: Balancing Political, Economic and Environmental Considerations, 2016: www.cuts-ccier.org/CET/

support from the end-users, it is important for them to have a clear understanding of the subject as well as of the benefits emanating from use of energy efficient appliances. Thus, as a consumer organisation, CUTS along with its strategic partners, would like to enhance consumer awareness and build their trust in new and affordable technologies, while acting as a watchdog on public spending.¹³ Under this focus area, we would like to work towards ensuring better governance and presence of effective regulations and increasing consumer awareness.

Distribution Utility Governance and Reforms

CUTS has long been advocating for structural reforms in the electricity distribution segment, which is considered as the weakest link in the electricity supply value chain due to its continued poor operational and financial performance over the last few decades. The key to enhancing the performance of this segment lies in ensuring that it functions effectively on the basis of strong corporate fundamentals and enjoys operational autonomy. Going forward, we plan to further consolidate our interventions focused on financial, operational and institutional reforms to improve the last mile connectivity and service quality for end consumers.



Energy Access

Working with an organisational goal of enhancing consumer welfare, ensuring universal access to energy is one of the priority areas for us. We are deeply interested in working towards an integrated and participatory energy resource planning and designing pathways to ensure universal and affordable access to energy. Using our strong linkages at the grassroots and long experience of working with self-help groups (SHGs) within Rajasthan, we aim to work towards localised solutions to promote energy access in rural areas of Rajasthan, mainly by utilising the high RE potential of the state.



Water-Energy-Food Nexus

Given the importance of water, energy and food for ensuring human well-being as well as the critical linkages amongst these resources, CUTS has already taken up extensive

¹³ Demand-Side Management and Renewable Energy in India: Capacity Building of CSOs, 2013: www.cuts-ccier.org/DREC/

research work in this area. Here, our focus is on understanding the current trends of the resource use, cost of inefficient usage, inter-linkages between them, benefits of timely and integrated approaches to address inefficiencies and possibilities of regional cooperation across Indian states and South Asian countries. We aim to further consolidate our work in the coming years.

Cross-Border Energy Cooperation (BBIN-M Focus)

The huge potential for regional energy cooperation within Bhutan, Bangladesh, India, Nepal and Myanmar (BBIN-M) region has already been well established. CUTS has long been advocating for promotion of regional integration of energy markets and aims to intensify its interventions in this area.¹⁴ In the coming years, we aim to build a CSO voice and support for promotion of regional energy trade along with our partners in relevant BBIN-M countries.



Further, CUTS would like to undertake evidence-based advocacy initiatives to identify and address various policy gaps in different countries in order to strengthen and enhance energy cooperation and security among BBIN-M countries. The initiative will also aid in implementation of the South Asian Association for Regional Cooperation (SAARC) Energy Agreement. Given our expertise emanating from years of work experience in matters related to trade and regional cooperation, we aim to work towards greater energy cooperation and trade across borders.¹⁵

While working towards achieving our energy vision, we will also be interested to work in other verticals, which are closely linked to the energy sector, including urban infrastructure, climate change and natural resource management, among others.

¹⁴ Regional Cooperation on Energy Security in South and Central Asia, (2014)
<http://www.cuts-ccier.org/ECSA/>

¹⁵ CUTS Centre for Trade, Economics and Environment
<http://www.cuts-citee.org/>

Recent Interventions

The organisation's recent research projects and interventions in the above mentioned themes are listed below. Further details on each initiative can be found at the provided web-link.

Regulatory Governance

- [Regulatory Role & Engagement in India's Clean Energy Transformation](#)
- [A pilot project on Capacity Building on Electricity Reforms in Bangladesh, India and Nepal](#)
- [Regulatory Impact Assessment of Electricity Sector in India](#)
- [Consultancy Support to Haryana Electricity Regulatory Commission](#)
- [Comparative Study of Regulatory Framework in Infrastructure Sector: Lessons for India](#)
- [Consumer Participation in Electricity Regulation](#)

Market Competition

- [National Competition Policy & Economic Growth in India](#)

Cross-Border Energy Cooperation

- [Regional Cooperation on Energy Security in South/Central Asia](#)
- [Sustainable Development Investment Portfolio: Promoting Water, Food and Energy Security in South Asia](#)

Sustainable Development

- [Sustainable Development Investment Portfolio: Promoting Water, Food and Energy Security in South Asia](#)
- [Assessing Consumer Behaviour on Energy Efficient Products in India](#)
- [Save to Survive: An awareness Campaign on Energy Efficient Products](#)
- [Valuing Vital Resources in India: Potential for Integrated Approaches to Water, Energy and Agricultural Sustainability](#)

Consumer Awareness and Capacity Building

- [Consumer Participation in Electricity Regulation](#)
- [Demand Side Management and Renewable Energy in India: Capacity Building of CSOs](#)
- [Energy Access for Consumers – Screenings of 'Katiyabaaz' Documentary](#)

- [Consumer Participation in Electricity Sector in Rajasthan](#)
- [Assessing Consumer Behaviour on Energy Efficient Products in India](#)
- [Involvement of Consumers in Power Sector Reforms in Rajasthan](#)
- [Impact of Rural Electrification in West Bengal](#)
- [Consumer Assistance Cells for Electricity Consumers at Grassroots Level](#)
- [Save to Survive: An Awareness Campaign on energy Efficient Products](#)
- [Assisting in Designing Interventions, Regulations and Consumer Capacity Building in New Town Solar City, Kolkata](#)



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