

**SEB Reforms and Power Sector Regulation:
A Civil Society Perspective**

**Presentation at the Workshop Organized by the IPPAI
Mumbai, 15th November 1999**

by

Dr. Subodh Wagle
Prayas Energy Group, Pune

Part I: Substantive Issues

Continuation of Problematic Trends

- ⇒ Confusion between 'Ends' and 'Means',
and 'Means' becoming 'Ends' in themselves
- ⇒ Confusion between 'Symptoms' and 'Root-Causes'
- ⇒ Substitution of 'Hard Decisions' by 'Soft Options'

Part II: Process Issues

- ⇒ Genesis of the Crisis: A Process-Related Root-Cause
 - ◇ Breakdown, Circumvention, Capture, Distortions in Mechanisms and Institutions for Transparency, Accountability, and Participation
 - ◇ Loss of Connection between Society and Decision-Makers

- ⇒ Improvements in Design of Reforms

- ⇒ Problems in Implementing the Improvements

- ⇒ Worrisome Trends and Signs
 - ◇ Governments continue to be excessively secretive
 - ◇ Regulators isolated from society
 - ◇ Signs of regressive changes

Society and Regulators: I

Regulators: Kings with the Thorny Crown

- ◇ Regulators as the Prime Decision-Makers
- ◇ Responsibility of Making and Executing Hard / Harsh / Unpleasant Decisions
- ◇ Have to Work Under Political and Other Pressures as well as Financial and Institutional Limitations
- ◇ Isolation from Society because of the Lack of Mechanisms for Ensuring Acceptability from Society

Society and Regulators: II

Mandated Responsibilities Vs. People's Expectations

- ◇ Legal Mandate of Regulators
 - * Efficiency, Economy, Competition
 - * Protecting Consumers

- ◇ Peoples' Expectations from Regulators, the Decision-Makers
 - * Protecting Interests of Disadvantaged Sections
 - * Protecting Long-Term and Broader Interests of Society (as a whole)
 - * Taking Public into Full Confidence

Failure to reestablish close connection between society and regulators would lead to another crisis

The Crisis Scenario

- ◇ Regulators caught between the responsibilities and expectation vs. pressures and limitations
- ◇ Failure to deliver to contradictory expectations of different sections
- ◇ Prompting backlash from people and other sections
- ◇ Regulators react by insulating themselves using their discretionary powers
- ◇ Increased backlash, leading to conflict and strife
- ◇ Leading to a vicious cycle of public reaction and regulators' isolation

Regulation, instead of becoming a process of conflict-resolution and consensus-building, might become a point of manifestation of conflict and strife.

Solution: Democratization OR TAPing the Regulation

- ◇ Mandatory and Full Transparency:
 - ◇ Direct Accountability towards Public
 - ◇ Expanding Space for Participation of Civil Society Institutions
- ⇒ Costs of Democratization
- ◇ Time Delays, Legal Hassles, and Money Costs
- ⇒ Benefits of Democratization
- ◇ Wider ownership and societal consensus on reforms, leading to improved health of the sector and economy
- ⇒ Need to Transcend the Restricted Paradigm and Mandate

Managing the Transition

- ◇ Tackling the Urgent Issues
- ◇ Avoiding Irreversible Decisions on Fundamental Issues
- ◇ Initiating Comprehensive Debate with Wider Participation
- ◇ Refining the Reforms: Installing New Institutions and Procedures
- ◇ Capacity Building of Civil Society Institutions