

## Regulatory Impact Assessment in Indian Electricity Generation Sector

### Background & Rationale

India is considered as a prime destination for investment and also a huge manufacturing hub. However, the accelerated pace of the country's development is impeded substantially through the regulatory and legislative framework that not only cause delay in the implementation of projects but also adds to the cost of the infrastructure projects. Infrastructure, on the other hand is one of the prime concerns of the government especially in terms of enhancing the rate of urbanisation and fostering economy of the country.

Power is one of the most significant concerns of the government that can be witnessed through the increased participation of the private players in generation. However, it also observed that some regulations of Central or State Governments could unduly constrain consumer and producer welfare by restricting or undermining competition and imposing huge and unintended enforcement and compliance costs. Therefore, it stands imperative that analysis of positive and negative impacts on relevant stakeholders of such regulations be undertaken. Such review is referred to as Regulatory Impact Assessment in the literature on regulation. The study aims to improve the quality of business regulatory governance in India and thereby reducing the cost of doing business and also aim towards bringing consumer welfare.

The study identifies the three sub-sector in three states viz. Coal/ Thermal power (Rajasthan), Hydro power (Himachal Pradesh) and Solar power (Gujarat). The study also focuses on three distinct regulatory issues that hold significance with respect to Independent Power Producers (IPPs), i.e., environmental clearances for the coal IPPs in Rajasthan, land acquisition issues for hydro IPPs in Himachal Pradesh, and financing issues for solar IPPs in Gujarat.

Table 1: Sector, Regulatory and Geographic Parameters for RIA Study

Type of Generation	Regulatory Issues	Case Study
Coal	Environmental Clearance	Rajasthan
Hydro	Land Acquisition	Himachal Pradesh
Solar	Finance (Investment & Revenue)	Gujarat

### Scope

The project will help understand if any of the existing or the proposed regulatory instruments will lead to (i) policy coherence, (ii) enhanced competition in market, (iii) increased innovation, (iv) consumer welfare, (v) labour welfare, (vi) realisation of full potential by the small and medium enterprises, and (vii) sustainable development. The assessment aims to focus on the procedure, time, and cost involved for IPPs in

setting up an electricity generating facility in India and also goes further to analyse cost of doing business. The assignment is conceptualised into three stages: pre-RIA literature review and stakeholder outreach; application of RIA; and consolidating and disseminating results of the RIA.

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## Methodology

### 1. Stage I (Pre- RIA)

Stage I shall comprise of the preparatory work and literature review including study of policies, regulations and research reports. On the basis of the desk research and the literature review, relevant regulations/laws shall be identified and mapping. Laws/regulations on which RIA will be conducted will be selected on the basis of certain indicators developed during the study, and perceived importance, expected problems, and plausibility of reform. Later in the stage there shall be a Research design Meeting of experts to discuss the overall research methodology, to validate findings of the research, solicit expert guidance and inputs to finalise indicators for selection of legislations on which RIA will be conducted.

### 2. Stage II (Application of RIA)

Stage II would involve assessment of positive and negative and positive impact of identified regulations on different stakeholders. To do so, qualitative and quantitative costs of selected regulations shall be identified, assessed and compared. Evaluation of different types of assessable costs involved in doing business in the sector emanating from the selected regulations, shall take place. These costs shall be compared to the benefits arising to the stakeholders. This will involve stakeholder surveys and direct interactions with relevant stakeholders. The process would include listing out clearances/ approval required under the selected regulation for setting up a generation plant, analysing the time taken to obtain such clearance/approval and estimating the associated costs. Regulatory alternatives shall be identified and costs and benefits of such alternatives shall be evaluated and compared

to suggest the more beneficial alternative. A draft research report incorporating the findings of the RIA and the possible solutions will be prepared and shared with subject experts for their comments and inputs.

### 3. Stage III (Post RIA)

The third stage shall comprise of making the final report of the project incorporating comments received from the subject experts. The finalised report shall then be published in an electronic format and publicised to stakeholder groups.

## Proposed Outputs

A research report drafted on the basis of literature review, regulatory impact assessment, analysis and inputs received from different stakeholders and experts, evaluating positive and negative impacts of existing regulations on electricity generation, and suggesting better alternatives.

## Expected Outcome

Evaluation of positive and negative impacts of select laws affecting electricity generation, and consequent impact on relevant stakeholders, including IPPs, and suggest better alternatives.

## Goal

The project aims to improve the quality of business regulatory governance in India, thereby reducing the cost of doing business, and enhancing consumer welfare.

## Development Partner

The project has been supported by Asian Development Bank, Indian Resident Mission.

