

**Summary of the Recommendations of South Asia Conclave on
Enabling Regulation for Investment in Infrastructure
held on 3 - 4 November 2009 in New Delhi**

The Conclave in general strongly recommended the urgent need to develop an empowered, predictable and transparent regulatory regime for attracting larger private investments in infrastructure sector.

Highways

1. There is an urgent need to refine service standards and project delivery mechanism in the roads and highways sector to ensure better project quality and increase competition.
2. Related aspect is that of highway specifications. While currently the main feature of Indian Road Congress (IRC) specifications seems to be "how" to develop highways, we would be required to move to a regime of "what" to do i.e. more of performance based specifications & corresponding contracts.
3. There is requirement of strong political commitment on PPP (Public Private Partnership) and continuity of this policy.
4. The National Highway and State Highway networks are currently not being planned in an integrated manner with other modes of transportation such as railways, metros, air services etc. A mounting need for such integrated planning & implementation is being increasingly felt. Apparently such integration would be required to be a key feature in highway regulation in India.
5. Regulations relating to safety on roads & highways are required to be pursued and implemented.
6. Even with establishment of highway regulatory agency at central level, effective regulation can be achieved only when it is enabled through technology integration and information collation. Technology can act as enabler for various regulatory items while also serving as medium for information collection and collation for monitoring & control. Information collection and collation can be for details like traffic, accidents, contracts etc.

Petroleum

1. The Conclave also agreed on encouraging larger private investment in the Oil & Gas sector given its importance in the South Asian countries.
2. Need for an Independent statutory regulator for managing the activities of upstream sector also was emphasized.
3. There is the need to have a common regulator for energy sector as compared to having multiple regulators. There could be a single regulatory body called 'Energy Regulatory Commission' for Coal, Power and Oil & Gas sectors.
4. It was highlighted, that, given the losses made by oil marketing companies (OMCs), there is an urgent need to review the Petroleum product pricing policy. The Downstream regulator could play an active role in such an initiative.
5. Regulator needs to play a more proactive role in the matters related to Health, Safety and Environment (HSE).

Ports

1. Regulate minor ports also to create a level playing field, in terms of tariffs, as currently only major ports are regulated.
2. Emphasis should be to develop such regulatory environment that it encourages integration of non-major ports with federal ports for seamless cargo flows.
3. Evolve an integrated transport system which includes coastal shipping.

Power

1. Electricity is linked to essential needs of the people. The sector must be appropriately regulated to ensure that the price of electricity is affordable and that the key players operate responsibly.
2. Linked to the need for regulation is the need for the sector to vigorously promote consumer choice. If consumers are able to choose between providers this will create a level competition between the providers that will impact the responsiveness of such providers to consumer needs.

3. In order to encourage further investment in the sector attention needs to be directed towards the design of the default mechanisms in Power Purchase Agreements to ensure that they adequately enable the private sector to have confidence in the security of their investment. Accordingly, such default mechanisms need to be considered with the market realities and the private sector concerns in mind.

4. The need for regular and appropriate review of tariffs to ensure that tariffs are in line with operating realities and that there is confidence in the process of review.

5. The Public Sector needs to take further initiatives to streamline the process of implementing a project, for example by the Public Sector facilitating permits and approvals. An example of a successful model of this is the UMPP model of India.

6. Grid harmonization and larger application of IT across regions, states and country could lead to reduced T&D losses and better DSM (demand side management).

7. The need for a policy perspective on renewable energy was particularly felt as further trans-boundary transmission of electricity is envisaged. Such a policy should be in line with international requirements and the needs (and resource availability) of the region.

8. Unlike other infrastructure sectors where the assets or commodities are territorially bound within the jurisdiction of one State, electricity can be transmitted across the region. States need to ensure that planning in relation to electricity is cognizant of the benefits that will be gained from a regional focus (for example, trade between electricity rich and electricity deficit states, better generation mix and less of a requirement for spinning reserves) and to ensure that the electricity policy helps create an enabling environment for such a regional focus (for example, grid harmonization).

Telecom

1. Although telecom sector has made considerable progress but still broadband and rural areas require massive investments and regular focus.

2. Need to develop novel, even radical, mechanisms to make more frequencies available such as reframing and even centralized operation of spectrum in ways that multiple operators can use it as a common resource & avoid inefficiencies and hoarding.
3. Possibilities of telecom contributing to more efficient electricity supply/distribution in the country through smart metering should be explored which could lead to reduction of AT & C losses and better demand-side management.

Water & Other Urban Services

1. There is the requirement for combining concession agreement and regulatory framework to increase ability to get private sector participation in water and other urban services sector.
2. Regulation of water and other urban services must be brought under the fold of the State Electricity Regulatory Commissions to avoid multiplicity of regulatory bodies.
3. Evolve a broad framework for regulation allowing urban local bodies to 'opt-in' in the water and other urban services sector.
4. Implement "Performance Based Contracting" for allocating development projects for water and other urban resources for efficient project operation, improving service level and increasing investment in the sector
