# Editorial


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**Biographical notes:** Dr. Bhattacharyya is a Senior Lecturer at the University of Dundee in Scotland. He specialises in energy economics, energy planning and policy issues, regulatory and restructuring of energy industries and energy-environment interactions. Since 1985, he has been working on energy-related issues in various capacities in consulting, research and teaching engagements. He was a Visiting Associate Professor in Energy Program, Asian Institute of Technology, Bangkok and an Associate Professor at the Madras School of Economics, India. He has also worked as Consultant with PricewaterhouseCoopers Private Limited (PwC), and as Economist with National Economic Research Associates (NERA), Inc. Dr. Bhattacharyya has published many papers in reputed energy journals.


This special issue of the IJGEI is devoted to the power sector reform in developing countries. The power sector reform has become a global phenomenon since 1990s when many developing countries embraced restructuring and sector reform, often under the influence of the Breton Woods duo and other donor countries. It was the general view that the sector in many developing countries is performing poorly, due to monopolistic market, state-ownership of the utility, lack of transparent regulation, and political interference in the sector. All these prevented the utility to function commercially, and resulted in abysmal financial health of the utilities, poor service quality, inefficient system operation, and poor economic growth. The general prescription then was restructuring the sector through unbundling of the state-owned utility, creation of an independent regulatory body and privatisation of the utilities. Engurait discusses the Ugandan example where the standard prescription has been implemented in a tiny power sector of 300 MW. Engurait suggests that the reform has started to yield results in Uganda.

Yet, the reform movement did not proceed along the expected lines in many developing countries. Some countries provided lip services and produced precious little. The list of those following such a ‘wait and watch’ approach is long. In this issue, Patricia Ventura Nicolas considers the Venezuelan case. The country had put in place a legal framework for the reform in 1999 and since then no progress has been made. None of the elements required in the law was accomplished even after five to six years of the law’s existence. Nicolas explores the factors that stalled the reform process in Venezuela.

There is a small set of other countries that have completed all the milestones of the reform process as agreed with the external agency imposing such a reform. Typically, they have unbundled their utility, privatised the unbundled components and set up a regulatory body. Yet, in terms of performance, no appreciable change is noticed and the reform objectives are not satisfied even after the completion of the project. Pierre-Olivier Pineau studies such a case in the power sector reform of Cameroon. As part of its structural adjustment programme, Cameroon decided to reform its power sector with an installed capacity of just over 800 MW. The vertically integrated state-owned enterprise, which had a fairly good track record, was unbundled into three separate entities and then privatised en-bloc, thereby retaining effective integration even after privatisation. Despite poor response to the privatisation process (there was only one bidder), the government went ahead with the process in order to satisfy the conditions of the loan. The reformed sector is apparently performing poorly and even there is a new thinking of involving government for ensuring long-term security of the sector. Pineau provides a detailed account of the controversial reform process and undertakes an institutional endowment analysis to show that institutional weaknesses of the country make reliance on competition and private ownership unworkable.

Some other developing countries had disastrous experience with competitive power markets. They embraced wholesale competition, provided choice to some consumers for their retail supply and restructured the entire power sector to find themselves in deep trouble in terms of long-term supply security and volatile electricity prices. The fire-fighting efforts provided wrong incentives that led to stranded costs for the sector and the country as a whole. De Almeida and Pinto provide an account of the Brazilian experience with such a reform and its endeavour to find an alternative solution. The new model Brazil has adopted abandons the wholesale competition, freezes the privatisation process, brings back state-ownership in the power sector and reintroduces long-term contracts for stability and long-term security.

While some countries have burnt their fingers with failed reform initiatives, others have followed a more cautious approach. These countries adopted a path of managed liberalisation by introducing incremental changes at a time. In most of these countries, state and the state-owned utilities still play a vital role in the power sector. Chinese power sector reform can be considered such an example. Han, Jiang, and Fan discuss the Chinese reform initiatives and highlight the challenges China faces in reforming its power sector. Similar is the case with another Asian power house, India. Thakur provides an account of the challenges for the reform in the distribution segment of the Indian power sector.

The search for alternative viable options continues as the standard reform falters and fails to deliver in an increasing number of cases. A logical approach is to strive at achieving improved performance of the state-owned enterprises through appropriate regulation and governance. While this area has received poor attention so far, it promises to be an area of increased focus in the future. Eberhard undertakes such an investigation for South Africa that has abandoned the standard prescription of power sector reform but is committed to maintaining high standards of performance. In a similar vein, Pritchard examines the future reform course for APEC countries. His study suggests that a competitive electricity market is often unsuitable for developing countries but enterprise level reforms can be more beneficial to them.

Reforms bring about changes in the decision-making process of the players that in turn, can have significant sectoral, economic, and environmental bearings. Shukla, Nag, and Biswas analyse the effects of post-reform firm-level changes in decision making through a case study of an Indian state. Their study focuses on the generation segment of the power sector and the analysis indicates that the reform has brought major changes in the operational performance of the sector through changed ownership, fuel choice, and technology selection.

The papers included in this special issue cover a wide range of issues pertaining to the power sector reform in developing countries. Although most of the studies are case studies of a particular system, there are lessons for others as well. Despite being papers in an academic journal, the findings, recommendations, and suggestions offered by the papers, I hope, will be useful to policy makers, practitioners, and academicians working on these issues in various parts of the world. I hope readers will enjoy reading this issue.

I would like to thank all the contributors of this special issue for their support and commitment to the special issue. I also thank those whose papers could not be included in this special issue, not because their story was less interesting but because ultimately a final selection had to be made. I also thank all the reviewers who worked under a very tight timeline and helped me in maintaining the standard of the reputed journal. I thank the Editor-in-Chief for allowing me to edit this special issue and for providing a complete free hand in designing the special issue. Finally, my sincere thanks go to the production team for their hard work in putting the papers together and in bringing the issue in a timely manner.