

**Draft Terms of Reference**  
**For**  
**Regulatory Tariff Consultant For Assistance In Determination of Tariff and**  
**Formulation of Regulations and Related Tariff Management Issues**  
To be engaged by the Bangladesh Energy Regulatory Commission under World Bank funded  
Project "Institutional Development of Bangladesh Energy Regulatory Commission"

**1. Background**

Bangladesh Energy Regulatory Commission (the Commission) has been established under the terms of Bangladesh Energy Regulatory Commission Act, 2003 (the Act), as an independent and impartial Commission for the energy sector (Electricity, downstream Gas and Petroleum). It is independent in the exercise of its functions that are in accordance with the provisions as laid down in the Act. The primary objective of establishing the Commission is to create atmosphere conducive to private investment in the generation, transmission and distribution of Electricity; transmission and distribution of Gas; transportation and marketing of Petroleum products. To ensure transparency in the management, operation and tariff determination in the sectors are to protect consumers' interest and to promote the creation of a competitive market in the country.

Up to now the Commission has issued licenses to six public utilities in the electricity sector for generation, transmission and distribution of electricity. Out of five public utilities, Bangladesh Power Development Board (BPDB) has both generation and distribution license. BPDB is the major buyer of electricity from most of IPPs, SPPs and sells power to distribution utilities. The Commission sets bulk electricity supply for BPDB, wheeling charge/tariff for transmission company and end users' tariff for all distribution licensees. In the Gas sector, Bangladesh Oil, Gas and Mineral Corporation (Petrobangla) and its five subsidiary companies are licensees of the Commission. The Commission sets downstream gas prices for Petrobangla and its five subsidiary companies. Bangladesh Petroleum Corporation and its two subsidiary companies are licensees of the Commission in the Petroleum sector. The Commission sets end user price of petroleum. Public utilities in the electricity and gas sectors are expected to file their Tariff Application in FY 2010-2011. As such a consulting firm of international repute is to be engaged by the Commission under the project for reviewing the Tariff Applications. The Commission has already adopted Electricity Generation Tariff Regulation, 2008 and has finalized Transmission Tariff Regulations and Distribution Tariff Regulations for both electricity and gas sector. Consulting Firm has to further review and analyze these Regulations and Tariff Structures for improvement, rationalization and harmonization including customization of financial models and software for tariff processing.

The Government of the People's Republic of Bangladesh has received a grant from International Development Association (IDA) for the Power Sector Development Technical Assistance Project, part of which has been allocated to the Commission for its institutional development and strengthening. With this financial assistance of IDA, the Commission is implementing a Technical Assistance (TA) project titled "**Institutional Development of Bangladesh Energy Regulatory Commission**". The overall objective of the TA project is regulatory capacity building of the Commission. It is intended that a part of the allocation would be utilized for

services of a Regulatory Tariff Consulting Firm for assistance in determination of tariff and formulation of regulations and related tariff management issues.

## **2. Scope of Services:**

The following are the Scope of Services of the Consulting Firm:

### **A Bulk Supply, Wheeling & End User Tariff determination for Electricity and Gas**

A.1 Public Utilities in the electricity and gas sectors are expected to file their tariff applications to the Commission in FY 2010-2011 & FY 2011-2012. The Consultant shall scrutinize, review, analyze and prepare preliminary tariff recommendation for the Commission before public hearing. The broad guiding principle in reviewing tariff application will be to ensure transparency, efficiency and economy in the use of resources and ensure financial viability of the utilities.

Reviewing of Tariff shall be guided by the following:

- The principles and methodologies specified by the Commission for determination of the tariff applicable to licensees;
- The generation, transmission and distribution of Electricity; transmission and distribution of Gas are conducted on commercial principles;
- The factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investments;
- Safeguarding consumers' interest and at the same time, recover the cost in a reasonable manner;
- The Tariff progressively reflects the cost of supply of Electricity and Gas at an increasing level of efficiency;
- The National Energy Policy and Tariff policy;
- The Tariff to reflect the cost of supply of Electricity/Gas and also reduces and eliminates cross-subsidy within a specific period;
- The promotion of cogeneration and generation of Electricity from renewable sources of Energy.

A.2 The Consultant shall attend the public hearings and meetings related to tariff and record the discussions, propositions and decisions. The Consultant will scrutinize all queries/questions proffered by stakeholders, responses by the licensee.

A.3 The Consultant shall submit Final Report incorporating suggestions, changes, observations, etc. recorded in the public hearings and those given by the stakeholders and accepted by the Commission.

## **B Review of existing Regulations and formulation of new Regulations**

B.1 The Consultant shall review, analyze and recommend for improvement, rationalization and harmonization of the following regulations:

BERC Electricity Generation Tariff Regulations, 2008  
BERC Electricity Transmission Tariff Regulations, 2010 (Final Draft)  
BERC Electricity Distribution Tariff Regulations, 2010 (Final Draft)  
BERC Gas Transmission Tariff Regulations, 2010 (Final Draft)  
BERC Gas Distribution Tariff Regulations, 2010 (Final Draft)

B.2 The Consultant shall prepare Tariff Regulations for Renewable Energy Sources based generation including methods for fixing ceiling investment cost per unit of power and ceiling Operation and Maintenance cost per unit of electric energy for each technology. The Consultant shall also recommend indicative benchmark tariff for the initial period spreading over certain years.

B.3 The Consultant shall prepare Tariff methodology and suggestions for feed-in tariff for energy supplied from consumers' RE generation and related metering in the Tariff Regulation in serial B.2

B.4 The Consultant shall study multi-year tariff (MYT) framework and its applicability/adaptability in Bangladesh.

B.5 The Consultant shall suggest methods for determining Tariff for harnessing surplus power from HFO/Diesel based Captive Power Generators.

B.6 The Consultant shall study the existing tariff structure and suggest appropriate structure with recommendations.

B.7 The Consultant shall develop and/or provide customized financial model or software for each of serial B.2 thru B.5.

## **C Training**

C.1 The Consultant shall impart hands-on training to the counterpart personnel of the Commission on methods of reviewing, analyzing & organizing required data, information that would be submitted by the applicant (licensee), determination of tariff and preparation of financial model and reports.

### **3. Tenure of Contract and nature of Assignment:**

3.1 Tenure: Tenure will be up to June 2011 or June 2012 if project period is extended. The summation of actual service will not be more than 24 man-months.

3.2 Assignment:

(a) For scope of services mentioned in section 2.A (Bulk Supply, Wheeling & End User Tariff determination for Electricity and Gas) assignment will be for individual tariff setting and it will be as and when basis. For any assignment the Commission will intimate with 15 (fifteen) days notice and work assignment will start on assumption. Each tariff setting duration will be around 2 man-months.

(b) For scope of services mentioned in section 2.B (Review of existing Regulations and formulation of new Regulations) assignment will start after effective date of contract on continuous basis.

(c) Hands-on training of counterpart personnel on total work process on assignment 3.2(a).

### **4. Qualification and Experiences:**

The Consultant must possess expertise in the following areas:

- 4.1 The Consultant must have sound understanding, adequate technical knowledge and practical experiences of the engineering, economics and financial analysis and accounting of (a) Generation, Transmission and Distribution of Electricity; (b) Transmission and Distribution of Gas;
- 4.2 The Consultant must have understanding of the Bangladesh legal, regulatory and energy scenario and developments over the last decade including the applicable policies, legal and regulatory framework and reforms;
- 4.3 The Consultant must have at least five years professional experience with proven experience of similar assistance (Electricity/Gas Tariff order, framing of regulations) to energy regulatory commissions, which would need to be demonstrated;
- 4.4 Having a professional team comprised of diverse backgrounds - Engineering, Accounting and Finance with practical knowledge of rules and regulations for tariff determination;
- 4.5 Expertise will include high level inputs in the Regulatory, Policy, Finance, Legal and Governance fields;

- 4.6 The Consultant shall provide dedicated manpower for the assignment. Any change in the work force may be done with equivalent expertise and on approval of the Commission.
- 4.7 The Consultant should have adequate financial capability and status to meet the financial obligations pursuant to the services to be rendered.
- 4.8 Ability to impart training to the Commission Staff on Tariff Application Reviewing and determination.

## **5. Deliverables:**

### **A Bulk Supply, Wheeling & End User Tariff determination for Electricity and Gas**

The Consultant shall provide consultancy and assist the Commission in examination, analysis and review of the tariff applications and determination of tariff. The assignment shall include the following:

- A.1 Furnishing the methodology and work plan of the assignment. In doing so, the Consultant will discuss with relevant officials including Members of the Commission to draw the work plan and will submit Inception Report.
- A.2 Analyzing and scrutinizing the filings for its conformity with the Act, Regulations, prescribed formats and accepted practices. Reporting shortcomings, discrepancies and data-gaps in the Tariff Applications. Seeking necessary clarifications from the licensee and examination of related documents to validate and firm-up the data.
- A.3 The Consultant will make scrutiny and review tariff application; pre-hearing submission, comments and reports etc. and prepare a model questions in relation to:
  - a) Cost calculation
  - b) Income and expenditure
  - c) Working capital
  - d) Rate of Return
  - e) Fixed assets
  - f) Fund Management
  - g) Operational Efficiency
  - h) Customer Services
  - i) Relevant operational ratios etc.
- A.4 Scrutiny will also cover all queries/questions proffered by stakeholders, responses by the licensee, analyzing of fixed and variable charges, cost of service calculations, development of revenue and tariff model and preparation of preliminary tariff recommendations in five hard copies and one soft copy in each case for comments and decisions of the Commission, which will be the Interim Report.
- A.5 Assistance in the public hearing and interactive meeting with different stakeholders as required by the Commission and will take notes of deliberations and make further scrutiny of comments, observations, suggestions and post-hearing submission and shall

submit draft tariff recommendations constituting the Draft Final Report. The Consultant shall make a presentation before the Commission.

- A.6 Prepare and submit the Final Report as per comments and directions of the Commission on the draft tariff recommendations contained in the Draft Final Report.
- A.7 The Commission will review the Final Report and award the tariff decision tentatively within 10 (ten) working days during which any queries and responses with the Consultant will be through e-mails.

## **B Review of existing Regulations and formulation of new Regulations**

The Consultant shall provide consultancy and assistance in reviewing the existing tariff regulations and formulation of new regulations.

- B.1 The Consultant shall review, analyze the existing generation tariff regulation and 4(four) final draft regulations for transmission & distribution of electricity and gas and submit report with recommendations for improvement, rationalization and harmonization of these regulations.
- B.2 The Consultant shall prepare Tariff Regulations for Renewable Energy Source based generation and Feed-in Tariff as required in serial 2.B.2 and 2.B.3 respectively.
- B.3 The Consultant shall submit report on study of Multi-Year Tariff (MYT) framework and its applicability/adaptability in Bangladesh.
- B.4 The Consultant shall suggest methods for determining Tariff for harnessing surplus power from HFO based Captive Power Generators.
- B.5 In formulating regulations/methodologies for items 2.B.2 thru 2.B.4, the consultant shall prepare discussion paper/consultation paper for floating the same before various stakeholders seeking their suggestions and comments as per order of the Commission in 5(five) hard copies and 1(one) soft copy.
- B.6 The Consultant shall assist in the public hearing if any as required by the Commission, The Consultant shall prepare and submit feedback report, with reply/clarification to the suggestions and comments with possible alternatives/modifications required in the regulations to address or satisfy the comments and suggestions proffered by the stakeholders in the public hearing and post hearing submissions. The report should be submitted to the commission in 5(five) hard copies and 1(one) soft copy for comments and decision of the Commission.
- B.7 The Consultant shall prepare and submit Interim Draft Regulations/Tariff Framework Report for comments of the Commission.
- B.8 The Consultant shall formally present the Draft Final Report in a stakeholders' seminar/workshop for its perfection.

B.9 The Consultant shall prepare and submit Final Report as per comments and directions of the Commission in 5(five) hard copies and 1(one) soft copy.

B.10 The Consultant shall provide and install customized financial model/ software for use by the Commission.

B.11 Any other relevant matter, if considered necessary.

## **6. Facilitation by Client:**

The Commission will ensure access to the available information. This should include information pertinent to the assignment. A coordination mechanism will be in place to review progress, provide guidance and advice. Project Director of the Commission will interact with the Consultant, provide relevant data, arrange discussions and assist as required. The Commission will also ensure the following;

6.1 Access to all relevant policy, regulations and reports pertinent to the assignment.

6.2 Office accommodation, Computer, Printing materials, Stationery, Photocopying services, Telephone services (Local) free of cost.

6.3 Facilitation in connection with the Government and others.