

DEVELOPING BEST PRACTICES  
FOR PROMOTING PRIVATE SECTOR  
INVESTMENT IN INFRASTRUCTURE

POWER

The views, conclusions, and recommendations presented here are those of the study consultants, and should not be considered to represent the official views of the Asian Development Bank or its member governments.

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ISBN No. 971-561-278-4  
Stock No. 010100

Published by the Asian Development Bank  
P.O. Box 789, 0980 Manila, Philippines

For more information on ADB, visit <http://www.adb.org>

## FOREWORD

This report is one of a series of five commissioned by the Asian Development Bank (ADB) to identify and recommend best practices to be followed and specific steps to be taken, by ADB's developing member countries in order to encourage both private sector investment and competition in infrastructure development. The study was financed through a \$600,000 regional technical assistance grant - RETA 5753: *Developing Best Practices for Promoting Private Sector Investment in Infrastructure*. This report focuses on the power sector; the other reports cover the road, water supply, airport and air traffic control, and port sectors.

Electricity is an essential input in the economy; an efficient and competitive power sector is therefore vital to a country's development. This report develops best practices for promoting private sector participation and competition in the power sector. It examines the optimum approaches to achieve benefits for consumers of electricity through restructuring, unbundling and privatization. It is hoped that the report will help ADB's developing member countries attract well managed and cost-effective private investment in the power sector.

The five reports have benefited from the support of and valuable contributions from many individuals, both inside and outside ADB. The reports were prepared by a team of individual consultants: Water Supply - Michael Porter of Tasman Asia Pacific; Power - Elliot Roseman of PricewaterhouseCoopers; Ports - John Arnold, an independent ports specialist; Airports and Air Traffic Control - Ian Jones of National Economic Research Associates; and Roads - Roger Allport of Haicrow Fox. In ADB, Sean O'Sullivan, Senior Public/Private Sector Specialist managed the technical assistance implementation with the help of Marcelo Minc, Project Economist. ADB staff in the Energy; Transport and Communications; and Water Supply, Urban Development and Housing Divisions as well as the Private Sector Group helped in guiding the direction of the study and in reviewing the outputs. In December 1998, a workshop, hosted by ADB as an integral component of the study, provided a forum for the exchange of ideas and experiences. Participation and contributions of delegates from many developing member countries and representatives from the private sector in the workshop were very much appreciated by ADB.

The publication of the five reports is especially timely as it coincides with the introduction of a new strategy for private sector development by ADB.

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## ABBREVIATIONS

ADB	- Asian Development Bank
BNDES	- Banco Nacional de Desenvolvimento Economico e Social (Brazilian Development Bank)
BOO	- build-own-operate
BOOT	- build-own-operate-transfer
BOT	- build-operate-transfer
BPA	- Bonneville Power Administration
CAMMESA	- Compañía Administradora del Mercado Mayorista Eléctrico, S.A.
DISCO	- Distribution Company
DMC	- developing member country
DOE	- Department of Energy
ENRE	- Ente Nacional Regulador de la Electricidad (National Regulatory Entity for Electricity)
ERB	- Energy Regulatory Board
ESP	- Energy Service Provider
FERC	- Federal Energy Regulatory Commission
FTR	- fixed transmission rights
GDP	- gross domestic product
IA	- Implementation Agreement
IOU	- investor-owned utility
IPP	- independent power producer
ISO	- independent system operator
ITF	- inside the fence
LMP	- locational marginal pricing
LOLP	- loss of load probability
MERALCO	- Manila Electric Company
MW	- Megawatt
NEM	- National Electricity Market
NPC	- National Power Corporation
PPA	- power purchase agreement
PRC	- People's Republic of China
PSP	- private sector participation
PX	- power exchange
RFP	- Request for Proposal
ROO	- rehabilitate-own-operate
ROT	- rehabilitate-operate-transfer
RPI-X	- price cap regulation
SPUG	- Small Power Utilities Group
T&D	- transmission and distribution
TNB	- Tenaga Nasional Berhad
UK	- United Kingdom
US	- United States
VPX	- Victoria Power Exchange

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