

**ASIAN DEVELOPMENT BANK**

**TAR:SRI 35006**

**TECHNICAL ASSISTANCE**

**TO THE**

**DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA**

**FOR**

**RESTRUCTURING THE POWER SECTOR—PHASE II**

**April 2002**

## **CURRENCY EQUIVALENTS**

(as of 1 April 2002)

Currency Unit	–	Sri Lanka Rupee/s (SLRe/SLRs)
SLRe1.00	=	\$0.0105
\$1.00	=	SLRs95.60

## **ABBREVIATIONS**

ADB	–	Asian Development Bank
CEB	–	Ceylon Electricity Board
FMIS	–	financial management information system
GWh	–	gigawatt-hour
IPP	–	independent power producers
LECO	–	Lanka Electricity Company (Pte) Ltd.
MOPE	–	Ministry of Power and Energy
PSRO	–	Power Sector Reforms Office

## **NOTES**

In this report, "\$" refers to US dollars.

## I. INTRODUCTION

1. In 1998, the Government of Sri Lanka decided to unbundle the Ceylon Electricity Board (CEB) into independent generation, transmission, and distribution companies, and also to establish an energy regulatory commission. This restructuring program was developed under ADB-funded technical assistance (TA)<sup>1</sup> (the phase I TA). To assist in the implementation of the restructuring program, the Government has now requested additional TA (the phase II TA). This TA is included in the 2002 Country Assistance Program for Sri Lanka. Fact-finding was carried out in October 2001.<sup>2</sup>

## II. ISSUES

2. The power sector in Sri Lanka struggled through the late 1980s and 1990s to satisfy the growing demand for electricity and also achieve financial sustainability. During this period it became apparent that the traditional mode of public sector finance and control of the power sector by one large public utility is not the best framework for meeting the current and future challenges in the power sector.

3. Recognizing the need for power sector reform, the Government published its power sector policy in 1998, which called for unbundling the power sector into separate companies for generation, transmission, and distribution. ADB and the World Bank supported this decision, and subsequently ADB approved TA (footnote 1) to advise the Government on the structure, operations, and management of the power sector and the entities within the sector. The World Bank also approved a facility amounting to \$500,000 to advise on the legal and regulatory aspects of restructuring the sector. The two consulting teams commenced work on the same date, and both are completing their work during the second quarter of 2002.

4. It was evident that the power restructuring process would require resources additional to those approved in phase I of the restructuring. However, in 1998 neither ADB nor the World Bank were certain of the Government's ability to move the restructuring process forward, and accordingly approved funds sufficient for the preparation stage of the restructuring process. The preparatory stage is now being completed, after some delays, and the Government is ready to embark on the implementation phase. The implementation phase is crucial to the success of the restructuring and it is appropriate to support the Government's request to provide international experience to ensure a successful implementation.

5. In terms of progress made under phase I, the Government, through its Steering Committee for Power Sector Reforms (the steering committee), which consists of top-level Government officials and representatives of the private sector, approved the new power sector structure on 6 April 2001. The approved unbundling of CEB and LECO calls for establishing (i) two hydropower generation companies and one thermal generation company, (ii) one transmission company with two subsidiaries for bulk-power activity (purchase and sales of electricity) and the transmission activity, and (iii) four distribution companies. An independent regulatory commission will be established to regulate the new power sector structure. The approved future power sector structure is in accordance with ADB's energy sector policy, and is appropriate for the local environment of Sri Lanka.

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<sup>1</sup> ADB. 1998. *Technical Assistance for Preparing the Power Sector Restructuring Project*. Manila

<sup>2</sup> The TA first appeared in *ADB Business Opportunities* in May 2001.

6. The draft reports covering the overall structure as well as specific areas of the power sector have been produced by the legal and operational consulting teams. These reports which incorporate options on major issues, have been submitted to the Government, through the steering committee, for its evaluation and decision making. This approach ensures that the decisions arrived at will (i) create a Sri Lankan solution to the issues, (ii) increase the ownership of the decision, and (iii) assure that restructuring will be implemented. The ADB consulting team has produced the following detailed reports: the engineering report, the personnel report, the financial report including the tariff report, and the draft implementation report. The finance and the draft implementation reports are being reviewed by the steering committee's subcommittees, and they are both scheduled to be considered by the steering committee during the second quarter of 2002.

7. The steering committee is currently focused on the draft electricity legislation, which was scheduled for presentation to the Cabinet in November 2001. However, the call for Parliamentary elections on 5 December 2001 delayed the consideration of the new legislation until after the elections, and the legislation was submitted to the Cabinet in March 2002. Following the deliberation by the Cabinet, the new electricity act will be presented to Parliament for its consideration.

8. The World Bank has been supporting the legal and regulatory aspects of the power sector reforms through grant funds, with the focus on the new electricity legislation. The current World Bank-funded program is divided into two phases. Phase 1 has covered the development of the new electricity legislation, and phase 2 will cover the establishment of the regulatory commission.

### **III. THE TECHNICAL ASSISTANCE**

#### **A. Purpose and Output**

9. The TA will support the actual physical unbundling of CEB's vertically integrated operations into separate Government-owned entities, each incorporated under the Companies' Act, and help establish and develop the three generation companies, the transmission company and the four distribution companies. The TA's objective will be considered achieved when these new companies and the regulatory commission have been established and are functioning in accordance with sound commercial business practices. The TA framework is in Appendix 1.

#### **B. Methodology and Key Activities**

10. The design stage (phase I) of the restructuring is scheduled to be completed by June 2002. After enactment of the new legislation, the regulatory commission is to be established and the commissioners appointed. Before that date, CEB's financial position should have been restored through collection of public sector receivables, elimination of unmetered supply points, and replacement of faulty meters.

11. In phase II, the Steering Committee, through its reform office and subcommittees, will oversee the work of a series of specialist groups and functional teams that report to them. Two full-time staff are required to manage the day-to-day operational process: a legal manager, who will be responsible largely for the effective establishment of the regulatory commission, its legal foundation, and its procedures; and an implementation manager, supporting the steering committee and the boards of CEB and LECO, and ensuring the timeliness and success of

implementation. Consultants will be engaged to support the legal and implementation managers.

12. The implementation stage (phase II) will commence prior to the end of the design stage, as a transition period is required to ensure a smooth commencement of the detailed implementation. In terms of ADB-funded consultants, phase I has fully utilized its allocation as of first quarter of 2002, and consultants are needed under phase II to maintain the momentum of the restructuring process and prepare for the detailed implementation tasks. The Government will be assisted by international and local consultants and focus on six interrelated work packages. The first is to provide advisory and project planning and management support to the steering committee. Other work packages are designed to (i) provide specialist support to the teams establishing the new companies; (ii) provide customer and financial management systems to ensure prompt collections and efficient management of financial resources; (iii) design and promulgate sound and effective governance procedures for directors, managers, and civil servants; (iv) develop and assist the introduction of detailed private sector style organization structures, recruitment procedures, and remuneration practices; (v) implement investigations to identify and ensure proper allocation of assets and liabilities among the new companies, to identify material risks and appropriate risk management actions, and to advise on appropriate capital structures and working finance; and (vi) design technical operational parameters, and procurement procedures as required for each new company.

13. Detailed planning and implementation of activities is to be the responsibility of dedicated teams of suitably qualified people drawn from CEB, LECO, and other institutions as deemed appropriate. The exact number of teams will be determined following the deliberations of the steering committee concerning the detailed implementation plan and the inception report of the consultants. The company teams and functional working groups will focus on specific areas like finance, tariffs, and financial management information systems (FMIS); human resources; governance; contracts and procurement; customer services; and future electricity supply.

### **C. Cost and Financing**

14. The estimated total cost of the TA is \$1.025 million equivalent, of which the foreign exchange cost is \$695,000 and the local currency cost is \$330,000 equivalent. ADB will finance \$800,000, which will cover the foreign exchange costs and \$105,000 equivalent of the local currency costs. The budget also provides for workshops for the officials and stakeholders of the new companies, and for travel costs for a Government observer to participate in the contract negotiations in Manila. The Government will contribute \$225,000 equivalent, mainly covering office accommodation and counterpart staff. Details of the cost estimates and financing plan are provided in Appendix 2. The TA will be financed on a grant basis from the ADB-funded TA Special Fund. Parallel cofinancing could materialize during the implementation stage.

### **D. Implementation Arrangements**

15. The Ministry of Power and Energy (MOPE) will be the Executing Agency for the TA. The Government-appointed Steering Committee for Power Sector Restructuring, composed of senior Government officers and chaired by the Secretary, MOPE, will supervise the restructuring work and guide the consultants and other associated work groups or subcommittees. The day-to-day work of the consultants will be done in close association with the Power Sector Reform Office (PSRO), which reports to MOPE and is responsible for the detailed work related to power sector restructuring matters. The steering committee will continue

to meet on a monthly basis, or more often if necessary. ADB staff will participate in these meetings.

16. Consultants will be engaged by ADB under the TA to assist the Government with the detailed restructuring of the power sector. For this work, an international consulting firm or consortium, in association with domestic consultants, will be recruited in accordance with ADB's *Guidelines on the Use of Consultants* and other arrangements satisfactory to ADB for the engagement of domestic consultants. The consultants will provide about 24 person-months of international consulting services for establishing the regulatory commission and the new generating, transmission, and distribution companies; and about 25 person-months of domestic consulting services to assist in the unbundling process. The consultants will have relevant experience in unbundling a power sector and establishing new companies. In particular, the areas of expertise sought are legal, corporate financial analysis and accounting, and power system planning and operations. The outline terms of reference for the consultants are provided in Appendix 3. The consultants will be required to follow the detailed implementation plan approved by the steering committee. The TA is expected to commence on 30 June 2002 and will be finished by 30 December 2003. The major reports required from the consultants and the number of months after TA commencement by when the reports should be submitted are:

- (i) an inception report to describe in detail the work program of the TA, with a time schedule and detailed work assignments (one month);
- (ii) monthly status reports describing progress of work, and status in accordance with the original work program (from the second month to the end of assignment);
- (iii) a draft final report describing the assignment on an overall basis, and highlighting any unfinished tasks (17 months); and
- (iv) a final report, which is the draft final report after incorporating the Government's and ADB's comments (18 months), including a suitable summary for posting on the ADB website.

17. ADB missions will meet with the consultants and the Government periodically throughout the TA period, to review progress and provide guidance as required.

#### **IV. THE PRESIDENT'S DECISION**

18. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$800,000 on a grant basis to the Government of the Democratic Socialist Republic of Sri Lanka for Restructuring the Power Sector—Phase II, and hereby reports this action to the Board.

## TECHNICAL ASSISTANCE FRAMEWORK

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p><b>Goal</b></p> <p>1 To ensure that in future electricity will be supplied in Sri Lanka in adequate quantities, in an efficient manner, and with tariffs that achieve full cost recovery overall.</p>	<ul style="list-style-type: none"> <li>• Ensure adequate total financing for power sector development, with total investments of about \$300 million annually to serve load growth of about 8%, or about 150 megawatts (MW) of new capacity per year in near future.</li> <li>• Ensure tariffs adequate to achieve full cost recovery through the establishment of an independent regulatory commission. The commission should review the tariff level at least once a year and introduce automatic pass-through items based on international market prices.</li> </ul>		
<p><b>Purpose</b></p> <p>1. Implement a framework for power sector development that will attract more private sector participation, and that will ensure adequate investments in new system capacity to meet load growth each year.</p> <p>2. Establish a management framework with performance incentives to improve efficiency and reduce operating costs. Ensure adequate autonomy for new companies.</p> <p>3. Adjust tariffs periodically to ensure</p>	<ul style="list-style-type: none"> <li>• Unbundle Ceylon Electricity Board (CEB) into several separate power companies, each with adequate autonomy, with performance incentives for management and employees, and with provision for eventual privatization of some of these companies.</li> <li>• Establish a new regulatory commission to regulate the activities of the new power sector companies, and to review and approve tariff adjustments.</li> </ul>	<ul style="list-style-type: none"> <li>• Government confirmed its intention in principle to reform the power sector through its policy paper of 1998. The establishment of the Steering Committee for Power Sector Reform in January 2000, with its Power Sector Reform Office enhanced the commitment. The minutes of the steering committee have proven to be a good monitoring tool of the reform process.</li> <li>• Copy of final legislation and confirmation that it has been enacted.</li> </ul>	<ul style="list-style-type: none"> <li>• Introduction of the new electricity legislation to cabinet and subsequently to Parliament.</li> <li>• Although there is support in principle for power sector restructuring at senior levels of Government, CEB, Lanka Electricity Company (Pte) Ltd. (LECO) and their unions are still nervous about this and they may resist efforts at meaningful reforms.</li> <li>• Private sector will need to be a major participant in future power system expansion. They will not invest, however, if tariff levels are inadequate. Tariff increases are required.</li> </ul>

Design Summary	Performance Indicators/Targets	Monitoring Mechanisms	Assumptions and Risks
<p>that adequate rates of return and full cost recovery are achieved, that cross subsidies are limited, and that retail prices are fair.</p>	<ul style="list-style-type: none"> <li>The new electricity act, which supports the major actions above, is presented to Parliament during 2002.</li> </ul>		
<p><b>Outputs</b></p> <ol style="list-style-type: none"> <li>Corporatize CEB into new separate companies for generation, transmission, and distribution.</li> <li>Establish an independent regulatory commission to regulate activities of the new power companies, and to review and approve required tariffs periodically.</li> </ol>	<ul style="list-style-type: none"> <li>Create the new power companies as legal entities, including two new generation companies for hydro and for thermal generation, a new transmission company, and several regional distribution companies.</li> <li>Transfer the existing assets and staff of CEB into the new companies; and establish separate offices and boards of directors.</li> <li>Establish a new regulatory commission, including appointment of commissioners and staff, and establish a new office.</li> </ul>	<ul style="list-style-type: none"> <li>Steering committee and the reform office directives to implement the detailed restructuring plan.</li> <li>Registration certificates for the new companies.</li> <li>Progress reports of Government and consultants.</li> <li>Appointment notices of the Government, and ensure funding of the regulatory commission's early years.</li> </ul>	<ul style="list-style-type: none"> <li>CEB and LECO unions may resist transfer to the new power companies.</li> <li>New regulatory commission may not be as independent as intended, and may still be subject to Government control or influence on major decisions.</li> </ul>
<p><b>Activities</b></p> <ol style="list-style-type: none"> <li>Implement the tasks outlined in the detailed implementation plan, with assistance from international and domestic consultants, to ensure the power sector restructuring.</li> <li>Implement power sector restructuring.</li> </ol>			
<p><b>Inputs</b></p> <ol style="list-style-type: none"> <li>TA will finance implementation consultants for second phase covering detailed</li> </ol>			

<b>Design Summary</b>	<b>Performance Indicators/Targets</b>	<b>Monitoring Mechanisms</b>	<b>Assumptions and Risks</b>
<p>implementation. World Bank TA will finance the implementation of the regulatory commission.</p> <p>2. Project implementation may require a possible ADB loan in 2002 of about \$110 million to finance the adjustment costs, and rural electrification developments.</p>			

**COST ESTIMATES AND FINANCING PLAN**  
(\$'000)

Item	Foreign Exchange	Local Currency	Total Cost
<b>A. Asian Development Bank Financing<sup>a</sup></b>			
1. Consultants			
a. Remuneration and Per Diem			
i. International Consultants	600	0	600
ii. Domestic Consultants	0	70	70
b. International and Local Travel	20	5	25
c. Reports and Communications	15	0	15
2. Workshops	0	20	20
3. Representative for Contract Negotiations	5	0	5
4. Contingencies	55	10	65
<b>Subtotal (A)</b>	<b>695</b>	<b>105</b>	<b>800</b>
<b>B. Government Financing</b>			
1. Office Accommodation and Transport	0	40	40
2. Remuneration and Per Diem of Counterpart Staff	0	150	150
3. Others	0	35	35
<b>Subtotal (B)</b>	<b>0</b>	<b>225</b>	<b>225</b>
<b>Total</b>	<b>695</b>	<b>330</b>	<b>1,025</b>

<sup>a</sup> Financed by the Technical Assistance Special Fund.  
Source: Asian Development Bank estimates.

## **OUTLINE TERMS OF REFERENCE FOR CONSULTANTS**

### **A. Scope of Work**

1. A management consulting firm, or consortia of international and domestic consultants, (the consultant), will be engaged to provide specialist support and assistance to the implementation of the power sector reforms and restructuring. The consultant will employ individuals with experience in project planning and management of complex change programs; as well as those covering a broad range of skills in restructuring, management, financial, financial management information system (FMIS), and technical operations in the power sector. The consultant team leader will be required to coordinate the work of all consultants providing inputs during the implementation process to provide continuity throughout the implementation period.

2. The scope of work of the Technical Assistance is divided into the following interrelated work areas: (i) Power Sector Reform Office (PSRO), particularly in planning, coordinating and expediting the many reform activities; (ii) legal support in the establishment of new companies; (iii) development of customer and financial management systems; (iv) support for human resources and management planning; (v) due diligence, review of assets and liabilities allocation to new companies; (vi) development of the metering system and the treasury management system for the bulk power company; and (vii) development of codes, standards, and benchmarks for the new companies.

3. During the inception phase of the Technical Assistance, the consultant will accept the implementation plan approved by the steering committee without qualification. The consultant will propose the appropriate positions for each work area, including the mix of international and domestic consultants, to complete all tasks in an efficient manner. While the outlined work areas address identified work requirements, other tasks requiring the consultant's input are likely to arise in the course of implementation. The team leader will coordinate these additional tasks.

### **B. Terms of Reference**

#### **1. Part A—Power Sector Reform Office Support**

4. The consultant will assist the steering committee and the PSRO to successfully implement the power sector restructuring project. The consultants, including the team leader, will be housed at the PSRO's office, and be responsible to the reform manager, but will report to the steering committee. The team leader will therefore act as a senior adviser to the steering committee and coordinate the work of all consultants engaged to support and assist the functional working groups, and new companies' establishment teams.

5. Specific tasks include the following:

- (i) Provide advisory support to the steering committee, the Boards of Ceylon Electricity Board (CEB) Lanka Electricity Company (Pte) Ltd (LECO), and other senior parties involved in implementing the reforms and maintaining senior Government support for the reform program.

- (ii) Support the awareness program for CEB and LECO staff and unions, the community, and other stakeholders. This will include setting the strategy for the approach and the channels to be employed for the various audiences.
- (iii) Review work programs or plans submitted by third parties and ensure conformity with the implementation plan.
- (iv) Provide overall project management, ensuring that the schedule and costs are maintained, and coordinate the large number of teams working under the implementation plan.
- (v) Provide regular progress reports to the reform manager and advise the reform manager where necessary on the overall workplan and allocated tasks.
- (vi) Prepare the statement of corporate intent for all new companies.

## **2. Part B—Legal Support in Establishment of New Companies**

6. The consultant will provide the appropriate level of legal support for all working groups in the establishment of the new companies, in accordance with Sri Lanka's laws.

## **3. Part C—Customer and Financial Management Systems**

7. The consultant will support the project manager of the FMIS working group in identifying, procuring, and implementing suitable modern customer and financial management systems for all new companies. In this, the consultant and the FMIS working group will work closely with the new company establishment teams. The new FMISs are anticipated to include (but not be limited to) customer billing, cash management, general ledger and financial reporting, payroll, human resources, asset record, procurement and inventory control, cost accounting, budgeting, and variance reporting.

8. Given that the new companies will be established simultaneously, the consultant will review the benefits of delivering a consistent and uniform FMIS solution for all new companies in accordance with national legal, accounting, auditing, and general best practices for meeting financial management information needs. The consultant will also ensure that new FMISs are compatible with new bulk power metering and billing systems.

9. Specific tasks include the following:

- (i) Prepare draft requirement system definitions for all new companies, after reviewing and summarizing the relevant demands to be met by the FMISs.
- (ii) Based on the review of requirements, propose general hardware and software specifications for the FMIS solutions.
- (iii) Review options for procurement of the FMIS for each type of new company taking into account the FMIS systems already available to current government-owned utilities; the availability, costs and benefits of off-the-shelf software; and specific software development needs. Analyze different approaches and recommend the system for procurement (off-the-shelf with minor customization

preferred), including the possibility of different packages depending on the degree of customization and specialization required for each type of utility.

- (iv) Assist as necessary in the procurement process, specifically in clarifying bidder's quarries and evaluating bids and technical specifications.
- (v) Assist in the supervision of installation and implementation by the selected supplier(s)/integrator(s). Suppliers will be expected to supply all hardware and equipment; install, test, commission, convert/upload existing data; provide training; and oversee trial operation of the system.

#### **4. Part D—Human Resource and Management Planning**

10. The consultant will assist the human resources working group in organization design, recruitment, staff appraisal, and remuneration practices. The consultant will work with new company establishment teams to ensure that: (i) new company are appropriately and economically staffed; (ii) appropriate modern human resources planning, management, and remuneration policies and practices are established; and (iii) staff training and development programs that meet new companies' short- and long-term needs are prepared.

11. The consultant will also assist the Governance Working Group to establish and document in manuals the best practices for governance of new companies. The roles and responsibilities of boards collectively and of chairmen and directors severally, Government shareholders (or their surrogates) and officers, and managers need to be clearly understood. Codes of conduct and disciplinary codes need to be established. Training programs will be needed to ensure widespread and uniform understanding of the new companies' own and others' roles with respect to their direction and management.

12. Specific tasks include the following:

- (i) Review and finalize organizational structures for the new entities, taking into account the experiences of CEB and LECO in implementing successful commercial approaches. This will include details of the delegation of powers, and sample job descriptions of key personnel.
- (ii) Prepare a policy paper outlining recommended transitional arrangements for selection, engagement, and conditions of employment for staff in new companies.
- (iii) Determine future of human resources availability, skill mix, and overall productivity levels. Identify medium- and long-term staffing and skill deficiencies and formulate recruitment strategy and action plans.
- (iv) Formulate and document human resources strategies and policies (terms of employment, personnel guidelines, salaries and benefits, performance measurements, promotion, retirement schemes, etc.) for the new companies.
- (v) Help prepare a detailed training program for the transition phase to a commercial organization.

- (vi) Formulate a training strategy covering training policies and procedures. Identify training requirements and feasible cost-effective means of achieving the identified requirements, including “twinning arrangements,” external experts, in-house training, and external training.
- (vii) Assist the steering committee in its efforts to define, document, and implement appropriate governance in the new companies. This will include preparing a paper that includes policy recommendations for Government approval of the best practices regarding governance issues.

#### **5. Part E—Due Diligence, Review of Assets, and Liabilities Allocation**

13. The consultant will ensure that a consistent structure of accounts and financial statements of the new companies is prepared, including the opening financial statements for each company. The consultant will review and adjust recommendations regarding the assumptions utilized and the financial structure of the new companies, such as asset and liability structure, debt/equity ratio, and other financial arrangements to ensure financial viability of the new companies.

14. Specific tasks include the following:

- (i) Appraise and recommend any adjustments to the assets and liabilities to be transferred from CEB and LECO to the new companies.
- (ii) Estimate the working capital of CEB and LECO and prepare a proposal for the transfer of working capital or funding the working capital requirements of the new companies.
- (iii) Update the data required to generate the FMIS.
- (iv) Prepare a cash flow for the residual CEB to ascertain the shortfall in funding, if any, and make recommendations on commercial borrowing to finance the shortfall. Prepare the disposal/divestiture plan for the noncore business activities transferred to the residual CEB.
- (v) Review the financing of CEB and LECO assets.

#### **6. Part F—Metering System and Treasury Management System for the Bulk Power Company**

15. **Metering System.** Existing metering arrangements are designed and used only for statistical purposes and are unsuitable to support commercial electricity trading, for which accurate measurement of power and energy flows is critical. The consultant with experience in power system metering and bulk power trading will provide overall operational and technical support in setting up bulk power metering and trading operations between the new companies.

16. Specific Tasks include the following:

- (i) Investigate the transmission network configuration (including generation supply and proposed distribution offtake points) and appraise the adequacy of the existing meters and communication system.

- (ii) Determine the parameters required for the metering system, investigate other comparable systems, and make recommendations on the basis of proven technology and best practices.
- (iii) Review options for procuring the systems and hardware, and evaluate any suitable packaged solutions.
- (iv) Prepare performance specifications for the hardware and software, as well as documentation for the installation, commissioning, and 24 months of operational support, together with capital and operating cost estimates.
- (v) Help prepare and issue bidding documents, and respond to bidder's queries and evaluation of bids.
- (vi) Help supervise installation and implementation by the selected supplier.

17. **Treasury Management System.** The payments for the purchase of power from generation companies, independent power producers (IPPs), and small hydro producers and for the sale of electricity to the distribution companies will be facilitated through agreements. To accomplish this goal, and to ensure proper management of funds, the bulk power company will have to maintain an efficient billing system and a good treasury management system including efficient treasury function. Accordingly, the consultant is required to (i) provide overall technical and operational support as required in the establishment of a bulk power trading system, which should also include a detailed transaction mechanism and setting up of efficient treasury function; and (ii) coordinate with the FMIS team in designing bulk power billing systems.

## 7. Part G—Codes, Standards, and Benchmarks for the New Companies

18. The consultant will assist the establishment teams in the development of codes and standards—which include best practices for the smooth operation of future generation, transmission, and distribution companies—and operational benchmarks based on these codes and standards.