

# Energy and Resources Group Spring 2007 Colloquium Series (ER295)

## April 9, 2008



### **Amol Phadke**

Post Doctoral Fellow in the Energy Analysis Department  
Lawrence Berkeley National Laboratory

**How Many Enrons? Electricity Reforms in Developing Countries:  
Outcomes, Challenges and New Directions**

**110 Barrows Hall / 4:00 p.m.**

Since the early 1990s, many developing countries invited private power producers to build power plants as a first step towards reforming their publicly owned electricity sectors. These reforms were based on the rationale that public sector is inefficient and promoting private sector will improve efficiency, reduce the burden on public funds, and lower prices. However, private sector participation was often marked with controversies, scandals, and legal disputes like the ones associated with Enron's power project in India where Enron and a state utility were accused of non-transparently signing an overpriced contract.

In the context of many such controversies surrounding private power projects, I examine the stated capital costs of all large gas based private power projects in eight developing countries constructed after the initiation of reforms in the early 1990s. I find that the projects which did not face effective regulatory scrutiny or competition for their selection, which was the case for a large fraction of these projects, have on an average a mark-up of 50%. This indicates a mark-up of over \$500 million for certain projects. My results show that reforms focused on promoting private sector participation may not have worked in terms of getting competitively priced projects and indicate the importance of effective competition or regulation.

Most electricity sector reform efforts are focused on the supply side while opportunities of improvements on the demand side are largely ignored. In this context, I review certain recent initiatives in India which focus on energy efficiency that might address some of the most pressing problems in the Indian electricity sector.