

MINUTES OF THE 24TH EXECUTIVE COMMITTEE MEETING
OF SOUTH ASIA FORUM FOR INFRASTRUCTURE REGULATION

DATE: 22ND JULY, 2022; 04:00 PM IST ON MS TEAMS

The meeting was chaired by Mr. Samdrup K. Thinley, Chairperson, South Asia Forum for Infrastructure Regulation (SAFIR) & CEO, Bhutan Electricity Authority, Bhutan. He welcomed all members to the twenty fourth (virtual) Executive Committee (EC) meeting of SAFIR. The list of participants is at **Appendix**. Thereafter, Deputy Chief (RA), CERC provided a brief on the agenda of the meeting.

AGENDA 1: CONFIRMATION OF THE MINUTES OF THE 23RD EXECUTIVE COMMITTEE MEETING

Deputy Chief (RA), CERC informed the EC members about the action taken on various points in the minutes of 23rd meeting of EC and sought confirmation of the minutes placed before the Committee. After discussion, the minutes of 23rd meeting of EC were confirmed.

AGENDA ITEM 2: SAFIR STUDY ON “REGULATORY PRACTICES FOR INNOVATION: CROSS LEARNING’S FROM INFRASTRUCTURE SECTORS 2021”

1. Deputy Chief (RA), CERC apprised Executive Committee members that, in accordance with SAFIR's budget, SAFIR Members - IICA and CUTS Institute for Regulation and Competition had presented proposals to SAFIR Secretariat for conducting a study in SAFIR. Following an analysis of both proposals, the Executive Committee members had awarded the study to IICA, which had proposed to conduct a study on "*Regulatory Innovations and Practices - Cross Learning's from Infrastructure Sectors 2021*".
2. Thereafter, Dr. Abha Yadav, Associate Professor, School of Competition

Law & Market Regulation, IICA (a member of SAFIR) made a presentation on “*Regulatory Practices for Innovation: Cross Learnings from Infrastructure Sectors*” (**Annexure-I**). The presentation highlighted the inter-relationship of regulation and technological innovations across the identified three infrastructure sectors i.e., Electricity/Energy, Roads/National Highways and Seaports among the three South Asian countries i.e., India, Bangladesh, Sri Lanka which can be identified as measures of regulatory practices, key technological innovations or advancements promoted by regulators that created positive or negative impacts over time (as identified through secondary and primary sources).

3. The key features of the presentation included the following:
 - a. The study explored the broader issues in the respective infrastructure sectors and assessed key regulatory challenges and innovations.
 - b. The researchers examined the interface between regulation and innovations and suggested possible solutions in the form of some suggestions/recommendations for introducing technological innovations which may provide genuine grounds for some amendments in the existing regulatory regime.
 - c. For the literature review, the researchers extracted the best practices in the global context in the context of three main objectives of research.
 - d. The study concludes that regulatory regimes that unlock the economic potential of new technologies should be a priority. For effective regulations, technology can navigate these issues, and stimulate demand for new products or services. Therefore, the much-needed impetus is to bring in regulatory reforms which in itself can be a powerful stimulus to innovation.
4. Member, Bangladesh ERC noted that the study report's focus area is broadly relevant to the situation that is now prevailing in their electricity sector. He added that both their government and their Regulatory Commission have prioritized the use of technology in the electricity sector. In order to evaluate the performance of their industry, they are attempting to implement uniform systems of accounts in the electricity utilities. He stated that the study report

will be subject to further observation and that comments and suggestions would be submitted after evaluating the report.

5. Chief (Regulatory Affairs), CERC suggested that the report may be circulated among the EC members for an in-depth reading and for comments and suggestions. He also requested that comments and suggestions of EC members should be sent to SAFIR Sectt preferably within 4 weeks. The report can then be modified depending on the feedback/comments and suggestions from all the members. Further, he added that because the report is a compilation of best practises, it can be approved by circulation among the members for final vetting and seeking approval without any formal meeting. After approval, the report can then be uploaded on the SAFIR website.
6. After discussion, the EC members decided that all member countries share their comments and suggestions to SAFIR Secretariat in four weeks' time.

The meeting ended with vote of thanks to the Chair.

APPENDIX**LIST OF PARTICIPANTS OF THE
24TH EXECUTIVE COMMITTEE MEETING OF "SAFIR"
HELD ON 22ND JULY, 2022**

SL. NO.	NAME	ORGANIZATION
01.	Mr. Samdrup K. Thinley CEO, BEA & Chairman, SAFIR	Bhutan Electricity Authority, Bhutan
02.	Mr. I.S. Jha Member	Central Electricity Regulatory Commission (India)
03.	Mr. Mohammad Abu Faruque Member	Bangladesh Energy Regulatory Commission (Bangladesh)
04.	Mr. Gamini Herath, Deputy DG	Public Utilities Commission of Sri Lanka, Sri Lanka
05.	Mr. Harpreet Singh Pruthi Secretary, CERC	Central Electricity Regulatory Commission (India)
06.	Dr. Sushanta K. Chatterjee Chief (Regulatory Affairs), CERC	Central Electricity Regulatory Commission (India)
SPECIAL INVITEES		
07.	Mr. Dilli Bahadur Singh, Chairman	Electricity Regulatory Commission, Nepal
08.	Dr. Abha Yadav Associate Professor	Indian Institute of Corporate Affairs (India)
SAFIR SECRETARIAT		
09.	Ms. Rashmi Somasekharan Nair Dy. Chief (Regulatory Affairs)	CERC, New Delhi (India)
10.	Mr. P.M. Antony Asst. Secretary	SAFIR / CERC, New Delhi (India)
11.	Mr. Saurabh Principal Research Officer	CERC, New Delhi (India)
12.	Mr. Kushal Pal Research Associate	SAFIR, New Delhi (India)

REGULATORY PRACTICES FOR INNOVATION; CROSS LEARNINGS FROM INFRASTRUCTURE SECTORS 2021



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INTRODUCTION

The study is titled '*Regulatory practices for Innovation: Cross learnings from infrastructure sectors*' and aims to provide academic & practice-led information and analytical content on learnings analyzed across infrastructure sectors.

A cross-sectoral comparison shall be studied based on three chosen infrastructure sectors approved by the SAFIR.



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BACKGROUND CONTEXT

The concern for study is whether infrastructure authorities will be able to spot the technological breakthroughs and inventions as they are quick and flourish in an ever-changing environment.

A study of regulatory practises is necessary to analyse the effect of innovation, whether good or bad, and to contribute to the body of knowledge of regulatory studies. Thus, there is a need to *understand the impact of different regulatory practices on technological innovations in the infrastructure sector.* Additionally, the experiences gained from one sector can serve as learning for other infrastructure sectors.



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OBJECTIVE OF THE STUDY

- I. To review literature on the interrelationship between regulation and innovation.
- II. To analyse the regulatory practices that promote innovations across the infrastructure sectors in South Asia or in India as a case study:
 1. To identify the key technological innovations introduced in three infrastructure sectors in the last one decade.
 2. To identify the role of regulatory practices in promoting these innovations and prepare a temporal macro level view of impacts on innovation.
- III. To identify and assess the potential of replication of aspects of innovative regulations as a learning to other regulators of the region.

HYPOTHESIS

- The proposed hypotheses of the research will describe, explain and explore the impact of statutory regulations and technological innovations on the infrastructure regime. It shall also administer the effectiveness of the innovative practices introduced by the Indian regulators, within the research Universe



SCOPE OF THE STUDY

The general purpose of the study is to understand the interrelationships of regulation and technological innovations across the identified three infrastructure sectors which can be identified as measures of regulatory practices, key technological innovations or advancements promoted by regulators that created positive or negative impacts over time (as identified through secondary and primary sources).

This study also explores the broader issues in the respective infrastructure sectors and assess key regulatory challenges and innovations.

The information will be gathered from both primary and secondary sources, i.e., Interviews with regulatory authorities and other important players as well as data from multilateral banks that have dealt with good regulatory practises, secondary studies/annual reports/online material available in the public domain.

THE THREE INFRASTRUCTURE SECTORS FOR THE STUDY

The three-sectors chosen for the study includes Electricity/Energy, Roads/National Highways and Seaports.

The three sectors proposed to be taken up are Electricity/Energy/Power, Roads/National Highways and Seaports as these *are synergistic and interconnected*. Electricity line is one key utility service that finds the right of way alongside roads/highways. Seaports are dependent on the roads and rail networks for land distribution of freights, they receive. These sectors have been in operation within a standardized system in which secondary research on technological innovations can be undertaken for harmonization.

Keeping in lines with the Asian Development Bank's (ADB) study which has noted that South Asia (SA) seems to severely lag in the development of infrastructure to make way for sustained economic growth, this study shall focus particularly on India, Bangladesh, Sri Lanks (I-B-S).



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RESEARCH APPROACH

The research takes a three-stage strategy, integrating qualitative and quantitative approaches in a mixed-method approach.

Innovation may be central economic agenda in the developed economies as it could lead to multi-facets of growth, such as higher productivity, seamlessness in execution, encouragement to competitiveness, etc. Therefore, technological or digital innovation in the context of regulation and its practices within the south Asian region needs to be understood. The research project is certainly intended to contribute to the existing literature regulatory processes and reforms which should take into account the effects of regulation due to and on innovation as well as the implications of technical innovative changes for designing of a regulation.

The researchers therefore examine the interface between regulation and innovations and suggest the possible solutions in form of some suggestions/recommendations for in introducing technological innovations which may provide genuine grounds for some amendments in the existing regulatory regime.

DEFINING 'REGULATION' FOR STUDY'S PURPOSE

For the study's purpose, the researchers have use the OECD's (1997) definition, which says that a regulation is the execution of rules by public authorities and governmental entities in order to impact market activity and the conduct of private participants in the market economy.

Further regulation is broadly undertaken in the below mentioned four ways for infrastructure purposes:

1. Regulation by Government;
2. Regulation by independent regulators;
3. Regulation through contracts;
4. Self-regulation led by market forces.



BEST PRACTICES CONTEXT

From the literature review, the researchers have taken out the best practices in the global context in the context of three main objectives of research.

- *To review literature on the interrelationship between regulation and innovation*

For this the reference has been made to:

- a. Singaporean experience on regulatory and technological aspects:
- b. Canadian experience on regulatory reforms

- *To analyze regulatory practices that promote innovations across infrastructure sectors as a case study, (as per availability of open-source material)*

For this the reference has been made to:

- a. The European Union's better regulation agenda
- b. UNCTAD 2021 innovation report

- *To identify and assess the potential of replication of innovative regulation aspects as learnings to other regulators of the region*

For this the reference has been made to:

- a. USA
- b. United Kingdom
- c. Singapore
- d. Korea
- e. United Arab Emirates



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SOME INSIGHTS FROM THE SECONDARY DATA ON THREE COUNTRIES UNDER DETAILED PRIMARY STUDY

- I. **BANGLADESH**: A brief analysis of innovation in Bangladesh Bank shows that lack of innovation in use-cases, meaningful partnerships among market actors, and an early enabling policy environment are some of the reasons holding back digital financial inclusion in Bangladesh.
- II. **India**: The Indian government acknowledges the growing significance of innovation in advancing economic and social results and boosting global competitiveness. As a result, there is a significant government effort to restructure India's economy from one based on factors to one based on innovation.
- III. **Sri Lanka**: The PUCSL-regulated power industry in Sri Lanka has highlighted a number of difficulties linked to fuel supply for energy generating.



ANALYSIS OF THE ROUNDTABLES

- According to the TAMP, there are various changes happening in the way various cargos are handled at the port level.
- RFID readers are installed on toll plazas across various highways which can track the real time movement of containers.
- when PPP concessioners will have full flexibility even on the tariff matter, technological advancement in the cranes which are equipped with artificial intelligence and internet of things might be significant in port operations.
- CERC is currently thinking of the next level of innovation and use of technology in the regulatory function of CERC, i.e., the use of artificial intelligence. AI could be used to monitor the performances of stakeholders better.
- Electricity market in Bangladesh is reasonably different from other countries as there is only one power purchaser and distributor along with multiple producers which makes its working model unique. Technology adoption in the organization can help in making the process smooth and bringing the three utilities less than one tariff setting system to make it a uniform accounting system. Therefore, BERC has a broader work area, i.e., energy as a whole.

CONCLUSION

Technology often changes the underlying cost and competition structure in an industry, leading to demands for new regulatory regimes. Regulatory reform itself can be a powerful stimulus to innovation in most.

As per our study, the primary data reveals that more than 92% of respondents agree that technological change has played a central role in promoting regulatory reform and less than 8% respondents seem to be neutral with the statement. Technology has been utilized to cut down the communication gap between the regulators and state transmission and determination of tariff.

As per the collected responses, around 85% of the respondents believe that harmonization of regulation is required and will help the markets to grow. Therefore, harmonization of all regulations across states/union territories is not possible, given their different economic, social and cultural backgrounds.

- The study concludes from the secondary and primary analysis a positive correlation and impact in-between regulation and technological innovation.
- On analysing the case study Broad aspects noted herein are in process improvements in file processing, stakeholder engagements, clearing of files and cases, data analysis, speed improvement.
- The potential for replication of innovative regulation aspects as learnings to other regulators of the region has been discussed with the focus on learning from the central levels to state organisations, and then extending to foreign partners for mutual benefit and to promote trade promotion and other infrastructure development components.

Therefore, **regulatory regimes that unlock the economic potential of new technologies should be a priority.** Markets may move faster and differently than the regulators in development of new products and services. New products may not have existing regulations and this may lead to social or economic challenges. For effective regulations, technology can navigate these issues, and stimulate demand for new products or services. Therefore, the much-needed impetus is to bring in regulatory reforms which in itself can be a powerful stimulus to innovation.

THANK YOU!



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