

Inception Report

Mechanism to Ensure Sustainability of Consumer Societies

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Submitted to
Public Utilities Commission of Sri Lanka

Submitted by
Energy Forum

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Inception Report

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1. Background

Public Utilities Commission of Sri Lanka (PUCSL) was established by the Public Utilities Commission of Sri Lanka Act, No 35 of 2002 (PUCSL Act), to regulate economic, safety and technical regulation of the electricity industry with the enactment of Sri Lanka Electricity Act, No. 20 of 2009 (Electricity Act), in April 2009.

The Commission is required to protect the interest of the consumers, amongst others, to be heard and to be assured that their interests will receive due consideration, and to consumer education.

The commission, as required under section 29 of the PUCSL Act, has appointed a Consumer Consultative Committee (CCC) to protect the interests of consumers. The CCC discharge its function through various means including organize a consumer network which hope to be provide a forum within which consumers can share their views and concerns with each other and with the CCC, and through which they could participate in regulatory and policy making process.

Due to lack of consumer activism in the country, a successful consumer network could not be established as yet. However, the Commission initiated establishment of regional consumers' societies through the CCC as a primary attempt to get consumer participation in regulatory process. Accordingly, five (5) societies are being established in each province consisting of members representing domestic consumers in the electricity sector. As at end of July 2012, twenty five (25) consumer societies have been established in five provinces.

In this connection, the Energy Forum on behalf of the Commission conducted this study to explore further opportunities and to establish a mechanism to ensure the sustainability of Consumer Societies.

2. Objectives of the study

1. Advise the Commission of suitable strategies, including organizing a consumer network to get the effective participation of consumers in the regulatory process
2. Study and report on:
 - a. the self-sustainability of:
 - i. Regional Consumer Societies (RCSs) establish under the CCC;
 - ii. Consumer societies at Divisional Secretary Division level, proposed to be formed with the representatives of existing successful community based village level societies (e.g. welfare societies)
 - iii. Any other forms of consumers societies proposed under item 1 above,
 - b. the suitability of aforementioned consumer network to:
 - i. Create awareness and disseminate information to consumer/general public on: consumer rights, safety, efficient use of energy, etc., and
 - ii. Consult consumers/general public on matters relating to the regulation of the electricity industry e.g. setting of tariff & charges, development of standards on service quality, etc.

3. Activities conducted

3.1 Desk Review of Related Literature

Reviewed following documents.

1. The Role of Consumer Organizations in Electricity Sector Policies and Issues- National Association of Regulatory Utility Commissioners (NARUC) USAID
2. Best Practices in Consumer Services- USAID
3. Constitution of the Regional Consumer Societies
4. Need for Establishing a National Electricity Consumer Society - Energy Forum
5. A guild to consumer Protection - Consumer Affairs Authority
6. Global Energy Charter of Consumer International - November 2008
7. Policy position on consumer voluntary action on climate change - Consumers International
8. Poor people's Energy Outlook :2012 - Practical Action
9. Regulatory Manual (Section 4)- PUCSL
10. The Terms of Reference, Consumer Consultative Committee- PUCSL
11. Study on Consumer Satisfaction of Electricity Supply and Efficient Use of Energy - Draft Final Report- PUCSL
12. Summary Report of Public Consultation on 08-04-2013- PUCSL

3.2 Key Persons Interviewed

	Name of the person	Date of interview
1.	Mr. Sunil Wimalasuriya, President, National Electricity Consumer Movement	25-4-2013
2.	Mr. Y. P. Dasanayake, Coordinator, Federation Of Electricity Consumers' Societies	26-4-2013
3.	Consumer Consultative Committee, PUCSL	29- 4-2013
4.	Mr. Ranjan Karunanayake, Coordinator, Green Movement of Sri Lanka	30-4 -2013
5.	Mrs. I. K. Inoka Sanjeevani, Investigation Officer, Consumer Affairs and Information Unit, Consumer Affairs Authority (CAA)	13-5-2013
6.	Mr. D. S. Hettiarachchi, President, Kolonnawa Consumer Committee	16-5-2013
7.	Mr. K. A. Abeyratna, Malwala Regional Consumer Society, Sabaragamuwa Province	17-5-2013
8.	Mr. TissaPadukka, Idangoda Regional Consumer Society, Sabaragamuwa Province	17-5-2013
9.	Mr. Dhanuska Darmapriya, Dobagaswinna Regional Society, Sabaragamuwa Province	17-5- 2013
10.	Mr. Dileepa Witharana - Practical Action/ Open University	08-5-2013
11.	Mr. Saman Ratnapriya, Trade Union Leader, Convener, Viduli Bila WediKirimata Erahi Mahajana Viyaparaya	14-5-2013
12.	Mrs. Amali Kalupahana, General Secretary, National Workers Congress	14-5-2013
13.	Mr. Madushanka Amila Mahawatta, Ex-Coordinator Rural Electrification Program, Ceylon Electricity Board, Kandy District	27-5-2013
14.	Mr. Ratnayake, DGM, Central Province, CEB	27-5- 2013

4. Findings of the Desk Review and Interviews

1. Internationally recognized Consumer Rights

Internationally accepted basic consumer rights¹:

1. to satisfaction of basic needs
2. to safety
3. to be informed
4. to choose
5. to be heard
6. to redress
7. to consumer education
8. to a healthy environment

Energy related Consumer rights²:

1. **Satisfaction of Basic Needs: Access** - universal access to energy services, following the principles of affordability and sustainability
2. **Consumer education & to be informed: Customer care and support** - There must be contractual rights to service. It is necessary to identify the consumer rights clearly in order for people to exercise them. Low cost procedures for connection must be developed, such as connection fees payable over a period following initial connection. Contracts must protect consumers against arbitrary disconnection and should inform them of all tariffs and charges, which should not be subjected to arbitrary variation. Disconnection for non-payment must only be carried out as a last resort. Billing must be accurate and verifiable by independent assessors in the event of disputes. Clear warning must precede scheduled interruptions.
3. **Choose: Choice and flexibility** - Alternative and varied sources of energy provision must be encouraged. Choice of convenient payment methods should be made available to all consumers.
4. **Redress & to be heard: Mediation and Redress**- There must be comprehensive and fair procedures for complaints and claims available free of charge; consumers must not have to pay for service, which they have not received due to interruptions; compensation systems should preferably be developed.
5. **A healthy environment: Sustainability** - Actions should be taken to reduce wasteful energy production and consumption patterns and promote the supply of sustainable energy, reduce the use of traditional non-renewable sources of energy such as hydrocarbons and promote sustainable alternatives.
6. **Fairness**: The principle of equitable distribution of service must apply, regardless of social category or geography. Price setting is a matter for local political decision but needs to take into account factors such as the population's capacity to pay, costs of production, historic prices and rate of return on capital (regardless of public or private).
7. **Special Assistance**: Special programs are needed to address the needs of poor consumers - the development of 'targeted' measures to help poor consumers is likely to be more effective than in discriminate subsidies. Subsidies should come from government or through cross-subsidies from locally dominant industries or other consumers. Special protection is needed for particularly vulnerable consumers, eg the elderly and young children, especially regarding protection from disconnection.
8. **Governance and Consumer Influence**: There should be autonomous, clearly identifiable regulation of prices and performance standards supported by effective legal powers

¹'A guild to consumer Protection' - The Consumer Affairs Authority of Sri Lanka

²'Global Energy Charter' - Consumers International (CI)

regardless of ownership. Through consumer participation and representation in the regulatory process and monitoring, governments must ensure that the views of local communities are properly considered to safeguard their interests, and that options are thoroughly studied at key moments of decision.

2. Consumer Networks - International Experience

The consumer organizations typically have two roles³:

1. The organization deals with individual consumers, handling consumer complaints and at times acting as a facilitator between the consumer and the utility or the regulator
2. The organization focuses on policy issues, economic, legal, social, and environmental issues affected by energy and regulatory policy.

Nature of the Consumer Organizations: Most of the consumer organizations are legally registered; their leadership is usually elected by the general members. The governing bodies of most organizations meet on a monthly or quarterly basis. However, by and large, the general members of these groups meet only once a year. Most consumer organizations follow a typical non-profit practice having about 10 board members. This allows diversity to ensure adequate representation of different perspectives, while keeping the board to a manageable size.

The most groups have a relatively small number of staff. More than 80% of consumer organizations in world-wide use volunteers to assist with their work. For instance, in Bangladesh, the Consumer Association of Bangladesh relies on a network of more than 250 volunteers to disseminate consumer information outside of the capital of Dhaka. The Federal Consumer Advocate in Mexico, a government agency funded by appropriation from the Mexican Congress, engages university students to assist in its outreach efforts. The Consumer's Rights Defense Committee of Bolivia has approximately 150-200 volunteers and the Consumer Unity & Trust Society (CUTS International) - India has volunteers working in 150 villages of the Rajasthan Province at the grassroots level.

Funding & Sustainability of consumer organizations: The consumer organizations face financial constraints that affect their ability to provide services. At the same time, the consumer organizations realize the importance of having in-house staff with knowledge about the electricity sector, in addition to public relations experts, in order to better serve their constituents.

Consumer organizations are funded by a variety of mechanisms. The majority of the responding consumer organizations are funded wholly or partially through government appropriations, fees on regulated utilities, donor support, and donations. Other funding sources include membership dues, fees from publications or training programs, and advocacy.

In the United States, most consumer advocates are funded by fees on regulated utilities which are passed on to the consumer through the utilities' rates. For instance, the Citizens' Utility Ratepayer Board of Kansas represents residential and small business consumers and receives its funding from levies on utility rates. This model is also used outside of the United States. Alternatively, the Consumer Council of Zimbabwe, established in 1975, is 100% government funded.

Like a regulatory agency, offices of consumer advocates in the United States are politically influenced because their leadership is usually appointed by the governor of the state. However, because the funding mechanism of most officers of consumer advocate is independent from the normal governmental budgetary process, the agencies have a degree of autonomy. By being funded

³"The Role of Consumer Organizations in Electricity Sector Policies and Issues" the National Association of Regulatory Utility Commissioners (NARUC) USAID

through a levy on utility rates, the consumer advocate is not beholden to the legislature to apportion funds (though, in many states the legislature reviews the budgets of all independent agencies). This funding structure allows consumer advocates to have some political autonomy, maintaining “an arm’s length” relationship with the government, utilities, and other stakeholders.

Trade organizations and some government-funded consumer groups have stated that their policies are influenced by their sources of funding. Overall, the survey conducted by USAID demonstrated that consumer organizations strive to preserve their independence from their funding sources, serve consumers’ needs, and participate in the electricity sector on very limited budgets.

In transitional and developing countries where both consumer associations and regulators have only been established within the past 15 years, many such organizations indicated that their organizations are significantly dependent on donor funding and donations. While trade groups may find membership dues to be a reliable source of operating funds; this is not the case for the majority of consumer associations, especially those that serve the general public. As only 7% of the organizations represent trade groups, other avenues of support may be necessary for the sustainability of consumer associations currently dependent on donor funding. Majority of the consumer networks do not deal with only electricity consumers’ rights, they have multipurpose approaches to depend other rights of the general consumers.

Most established organizations have formal staff, experts and source of funding to implement their activities. Regular membership fees and donor funding arrangements ensure organizational sustainability and professional outlook of their activities. Interests groups, academics and representatives of trade and professional entities strengthen the membership in which volunteers play a significant role in mobilizing and propaganda activities among the consumers.

Experience of Consumer Networks in some selected Countries

- **Electricity Consumer Network (ECON), Karnataka State, India:** Karnataka Electricity Regulatory Commission (KERC) has constituted an Electricity Consumer Network (ECON) to develop a consumer network in Karnataka to ensure effective consumer participation in regulation process. Nine interested consumer advocacy organizations (non-government organizations) have been brought together by ECON, from the four electricity zones of Karnataka, to network amongst themselves and with technical and research organization for this purpose. KERC will support ECON for a period of three years by helping it to access funds and providing it other secretarial and logistics assistance. Once ECON establish itself as a credible and effective intervene on behalf of the general consumers, in the regulatory process, KERC may fund it through charge included in the electricity tariff. Thus, self-appointed groups who take up consumer issues have become the official representatives of consumers of electricity (not necessarily with the knowledge or consent of the consumer) to negotiate electricity reforms with the state government. ECON is based on the premise that safeguarding consumer interests as well as equitable pricing and service delivery are more achieved by a small group of committed, knowledgeable consumers networking with expert organizations and individuals in the energy sector.
- **The Commission for Energy Regulation (CER), Ireland:** CER is the independent body responsible for overseeing the liberalization of Ireland Energy Sector. It is committed to wide-ranging public consultation process to inform decision about the Irish electricity sector. A series of public meetings and events are held annually attracting consumers and other interested parties. The CER also from time to time publishes consultation documents via web based communication and

print media to obtain consumer feedback however CER has no specific program for maintaining a consumer network.

- **Consumer Advisory Committee on Utilities (CACU), Jamaica:** The CACU is an independent group of consumers, established in 2001 to provide the Office of Utilities Regulation (OUR) in Jamaica with a forum where it could receive consumers' views broad regulatory issues as well as their perspective on issues affecting relationship between utilities and consumers. The CACU is comprised of fourteen (14) members drawn from civil society/ consumer organizations and individual members of the public. CACU plays a leading role in consumer service issues in Jamaica and allows OUR to remain in touch with consumer needs and to be responsive as a consumer advocate. CACU also provides valuable qualitative and quantitative information on Utility service delivery and consumer satisfaction to OUR.
- **The Zambia Consumers Association (ZACA), Zambia:** This was created in 1998; one year after the Energy Regulatory Board (ERB) of Zambia began operations. While faced with limited staff (less than a dozen full and part-time staff), the association represents domestic consumers of electricity and advocates very actively. Furthermore, the ZCA is a member of the Metering Standards Committee, along with the ERB, other trade associations, utilities, government agencies, and universities.
- **The Consumer Council of Zimbabwe (CCZ), Zimbabwe:** The Council was emerged in 1975 while the regulator for Zimbabwe was not created until 2005. The Consumer Council of Zimbabwe works steadily to increase its capacity and regulatory knowledge on such issues as pricing, competition, social protections, environmental, and regional matters. In particular, the Council focuses on the quality of consumer service and has created a good working relationship with the regulator. The Council communicates on a regular basis with the regulator about consumer and social issues such as energy conservation, tariff increases, and potential electricity shortages. The CCZ has participated in the few public meetings that the regulator has had to date. The Consumer Council of Zimbabwe launched its new website in July 2006 (www.czz.org.zw). In addition to strengthening its internal expertise, the Council also provides information on the purpose of regulatory agencies and emphasizes the need for citizens to take responsibility and educate themselves.
- **The Consumer Association of Bangladesh (CAB), Bangladesh:** CAB is a non-governmental, non-political, non-profit voluntary organization founded in 1978 in Dhaka, Bangladesh. The primary objective of CAB has been to generate awareness about consumer rights and responsibilities among the Bangladeshi people. The majority of CAB's funds come from membership dues, which are supplemented by donations and support from donor organizations. CAB employs 10 full-time staff and has its own office and a network of 250 volunteers outside of Dhaka that help raise awareness about consumer issues. In addition to its base in Dhaka, CAB has encouraged the development of 47 district committees (out of 64 districts nationwide) with each district committee having at least 100 members. CAB charges 200 taka (approximately \$3 USD) to join and 100 taka (\$1.50 USD) in annual dues. The CAB's participation in energy issues has been minimal because of the lack of an outlet for voicing consumer concerns.
- **The Protection of Consumers' Rights (PCR) NGO in Armenia** is a prime example of the success that consumer organizations can achieve when they receive international donor funding. During its 10 years of existence, PCR has engaged in a variety of projects ranging from food safety to health care and general consumer rights. PCR's project "Consumers' Rights Initiative in Public Utilities in Armenia," included a public awareness campaign and the monitoring of public utility services in Armenia. The PCR has created a consumer resource center, hotline, and detailed tri-

lingual website (www.consumer.am). With solid sources of funding, PCR has built up a network of 1,000 constituents and partners, including non-governmental organizations, governmental agencies, and international organizations.

- **The Consumers' Association (CA) of Malta**, established in 1982 and legally recognized under the Consumers' Affairs Act, is one of the organizations that is financed solely by membership fees and receives no assistance from the government. The membership fee is set at one Maltese lira (approximately \$3 USD) to allow all citizens to join. In addition, the CA is staffed exclusively by volunteers and states that it operates very effectively on a limited budget.

3. Consumer Networks - Sri Lankan Experience

Need for establishing consumer societies

The overall satisfaction level of the electricity consumers in Sri Lanka is very high; however the 'Satisfied' and 'Highly satisfied' consumers were only concerned about quantity and quality of power⁴. The 'Dissatisfied' consumers though they are small in numbers were the consumers who were keen on other aspects such as getting satisfactory answers to the complains-made, getting accurate bills, easy payments, and speedy connections & reconnections. Therefore though the overall consumer satisfaction level in Sri Lanka is very high, the satisfaction level may drop with the increase in consumer awareness on their rights and responsibilities.

The survey revealed that the consumers were not aware of the basic facts that should be known as electricity consumers. As an example the date of billing is not checked by 85% of the consumers. Last month payment mentioned in the bill is not checked by 81% of the consumers. The actual reading of the Meter is not read by 95% of the consumers. About 90% of the consumers were not aware that safety in electricity supply is an important consumer right. Further about 94% of the customers were not aware how the bill is calculated.

The survey report concludes that the two key constraints for the active electricity consumer participation in decision making is the lack of awareness of their right to engage in the decision making process and absence of a strong consumer movement. None of the consumers interviewed during the survey was a member of a consumer society. People in higher income groups were more concerned about joining a consumer society (65%) when compared with lower income (less than Rs. 20,000 per month) groups (30%). The government (43%) and private (42%) employees and people who are retired (41%) were keener on joining consumer societies over the others (20-30%). Most of the consumers prefer to join a consumer society facilitated by the CEB (53%). Another 33% were willing to join a Community Based Organizations (CBO) and only 14% to work with a society formed Consumer Authority.

Regional Consumer Societies (RCS) established under CCC

The CCC members have started setting up Regional Consumer Societies (RCS) as per the guidance given by the commission. So far the members of CCC have established 25 RCSs in five provinces. Regional CCC members have obtained the support of the Grama Sevaka through the Divisional Secretary to identify potential fifteen (15) village leaders from different villages to establish a Regional Consumer Society at Divisional Secretariat level. Five of the members of CCC has managed to form a Provincial Network each consisting of five (5) Regional Consumer Societies. RCS intent to meet at least one's in two months to share their views and concern on new electrification schemes and

⁴Study on Consumer Satisfaction of Electricity Supply and Efficient Use of Energy- PUCSL, 2013

connections with the Consumer Consultative Member. CCC representative of the North and East had a difficulty to bring village leaders together, due to prevailing political situation. He has managed to attend some of the consumer related activities with the CEB provincial DGM.

The members of RCS are village leaders however they do not represent any organization. They were asked to joint by GS as these officers regularly communicate with them for the rural activities. Some RCS members had participated in awareness programs organized jointly by the Divisional Secretary and the CCC member. Mobilizing and networking of RCS is purely based on the capacity of the respective CCC member in that province.

Most of RCS members with the help of CCC member have conducted awareness programs in their villages. They take electricity as an agenda item of the meetings of CBOs such as Village Development Society, Death Aid Donation Society and Community Welfare Societies for conducting awareness programs. In those meetings, they shared information on energy conservation tips, safety precautions and attending to matters relating to the electricity bills and network breakdowns. Further, RCS members have organized awareness programs at schools and Divisional Secretariat offices. Energy conservation was the main topic of those programs and shared information related to the regulatory role of the PUCSL. Recently, through CCC members, the PUCSL has communicated the information regarding tariff proposal and developed standards. Accordingly, three RCSs have submitted their comments to the PUCSL.

No membership fee is collected as it is prevented by the constitution of the RCS. Members of RCS contribute on a voluntary basis. They do not have clear idea how to generate funds for the activities of RCS.

RCS are not adequately recognized by the regional CEB officers and they do not attend to complaints made by the RCSs on improper jobs done by local contractors of the utility. Lack of coordination and understanding between the utility and the RCS has become a main barrier for providing a better electricity services to the consumers.

Electricity Consumer Committees (ECC) established by the CEB

The CEB in 2011, under the instructions of the Ministry of Power and Energy has established Electricity Consumer Societies in Areas. The Electricity Consumer Committees (ECC) were established by the Electrical Superintendent (ES) at the primary grid substation level covering the villages fed by the transformer. The activities of the ECC were facilitated by the Coordinator of the Rural Electrification Program of the Ministry of Power & Energy with the support of Area Engineer and the ES.

The inaugural meetings of the ECC were summoned by the Area Engineer by sending a notice to consumers through Meter Reader.

The objectives stated in the constitution of the ECC:

1. To give an active support of the consumers for the functions of the CEB
2. To pay attention to important responsibilities of the consumers
3. To obtain the support of other stakeholders and build mutual understanding between the CEB and consumers to provide efficient and effective service
4. To maintain better coordination between the CEB and consumers.

As these ECC were formed by the CEB the objectives are aimed at supporting the CEB rather than serving the consumers. Most of the ECCs formed was inactive as there was no firm program for the ECCs.

One of the main activities of the active ECCs was to organize a Shramadana with the members of ECC in every three months to clear the way leaves. CEB officers and maintenance staff of the regional CEB office also participated at these Shramadana and carried out entire maintenance work of that area. This event functioned as mobile service of the CEB and the consumers took this opportunity to resolve some of their issues relating to new connections, billing and meter testing. With these events CEB has reduced its regular maintenance costs of the distribution lines. Consumers were able to obtain services of the CEB in an effective and efficient manner and to get uninterrupted power supply. The voluntary involvement of consumers in ECC led the management to deduct the overtime payments of maintenance workers of the utility which led to dissatisfaction among those workers.

Setting up ECC was entirely mobilized by the ministry however, few CEB officers considered this as an opportunity to serve the consumers. With the change in the cabinet portfolio in January 2013, the ECC process has come to a standstill.

Case Study on Electricity Consumer Committees (ECC) in the Kandy District

Regional Engineers Areas: Yatinuwara, Nawalapitiya, Kandy, Galagedara, Katugastota, Kundasale

Background: Ceylon Electricity Board (CEB) - Central Province Area is managed under the Deputy General Manager (DGM-Central Province) and seven Regional Engineers. Under each and every Regional Engineer, there are about 2-3 Regional Engineers Divisions (Depots) to carry out their services and maintenance activities. There was an attempt to establish Electricity Consumer Committees (ECC) at 33kV/230V Transformer level (Primary Grid Substation) where few villages are covered. This was initiated by the Provincial DGM of the CEB under the instructions given by the Ministry of Power & Energy (MOPE) in 2011. ECC was mobilized by the Coordinator of the Rural Electrification Program of MOPE with the support of Regional Electrical Engineer and the Regional Electrical Superintend of the CEB. Accordingly 18 Electricity Consumer Committees were established in the Kandy District.

Objectives:

There are 4 objectives stated in the constitution of the ECC:

- To give an active support by the consumers to successfully implement day to day activities of the CEB
- To educate the consumers about their responsibilities
- To build mutual understanding between the CEB and Consumers to carry out an efficient and effective service
- To maintain a better coordination between the CEB and Consumer Committee under the instruction given by the Ministry of Power & Energy

The motto of the ECC is "*Jana Balayen Savi Javayak*" (Sturdy Power through Peoples Power) with a vision of empowering electricity consumers for the progress and betterment of the Ceylon Electricity Board.

Composition of ECC

The five to Seven members including office barriers of the executive committee were elected by the consumers living within the transformer service area. By the official position of DGM of the Central Province is the Advisor to the ECC. Meetings are summoned by the Regional Electrical Engineer in every two months at village level by sending a notice to consumers through Meter Reader.

Activities of ECC

The CEB agreed to obtain certain services from ECC for a fee. The services to be obtained were mainly on way leaves, pre-construction works of new distribution lines, maintaining the street lights etc. CEB requested ECC assistance to get information on illegal connections. Further CEB has agreed to improve the quality of supply and to educate the consumers on energy conservation measures. Further CEB accommodated written complaints the ECC on service related matters. The complains were mainly on regular breakdowns of supply lines due to unreliable wooden poles, delay in clearance of way leaves and unnecessary delays in new connections. The ECC organized Shramadana in every three months for way leaves clearance. The CEB officers and maintenance staff participated at Shramadana and carry out entire maintenance work of that area on that day. Consumers took this opportunity to resolve their issues relating to new connections, billing and meter testing.

Benefits for the Utility

As a result of ECC activities, the regional office managed to minimize the costs of maintenance of the distribution lines and work assigned to sourced contractors. Further, the efficiency and effectiveness of such services were also improved for having uninterrupted power supply to rural areas.

Benefits for the Consumers

It was evident that after establishment of ECC, the quality of power supply improved. With the presence of Regional Engineer and his officers at the village ECC meetings conducted in every two months. This was like a CEB mobile service to the village to attend to consumer grievances. CEB recognized the role of ECC and later requested to register the organization at Regional Engineers Office for them to make some payments for the work done. However this arrangement was materialized.

Barriers & Obstacles

Setting up of the ECC was a proposal of the Ministry and there was a political will to make it successes. Some of the CEB officers recognized this as an opportunity however other considered this as an additional work. Some of the administrative level regional officers were not happy with process as the ECC activities brought considerable transparency in dealing with the consumer affairs and maintenance of rural electrification programs. As result of the voluntary involvement of consumers in ECC, the CEB area management was able to deduct the overtime payments of the maintenance workers. At the end this had a negative impact on the process as the monthly income of the CEB workers reduced.

Sustainability

ECCs in Kandy District was mobilized during the period of September-December, 2011. Within short period of time 18 ECC were established. The Coordinator of Rural Electrification Program of the MOPE was a key to success the process. Later, the coordinator faced difficulties in obtain consent from the CEB officials not only for further expansion but also for maintaining the existing ECCs. The ECC was fully depended on the utility structure and political motivation. As there was a Ministerial portfolio change the Ministry discontinued this program and the ECCs established was abandoned.

National Electricity Consumer Movement

National Electricity Consumer Movement (NECM) was originally established by the Energy Forum in 2010, however it was evolved as a network of Regional Consumer Societies (RCS), and Electricity Consumer Committees (ECC) in 2012. The Movement consists of two hundred and ten (210) consumer societies island-wide. The main objective of the Movement is to participate and present the views of the electricity consumers during the regulatory process (i.e. when setting up tariff, standards, procedures and policy matters). NECM carried out a campaign during the 2013 electricity tariff revision and participated in consultation process initiated by the PUCSL.

The Movement obtained a significant media coverage for its events and was invited to participate at different discussion forums to share its views. The activities of NECM were so far facilitated by the Energy Forum with the support of the Green Movement of Sri Lanka. However this functions as a loose network without any constitution or registration.

NECM has no firm linkages with RCSs and ECCs at present. Lack of resources to coordinate and conduct activities was the main reason for this situation. NECM with its recent tariff campaign is recognized as the umbrella organization of electricity Consumers in Sri Lanka and if properly nurtured it has a potential to be the nucleus of the future electricity consumer movement.

ViduliBila Wedi Kirimata Erahi Mahajana Viyaparaya

Trade unions (TU) and non-governmental organizations conducted a campaign against the electricity tariff hike in 2013. The initiative came from the public and private sector trade unions and eventually 24 organizations got together and formed a movement named ViduliBila WediKirimata Erahi Mahajana Viyaparaya. The trade unions came forward to attend to members' grievances with increasing cost of living due to the electricity tariff hike. It was well supported not only by the members of TUs but also by the general public. However, such a movement cannot last long as it is only campaign front against a burning issue. Further the movement is skeptical about the role of PUCSL as most of the trade unions believe that setting up a regulatory body is a step towards privatization of state owned enterprises.

Federation of Electricity Consumers Societies

Federation of Electricity Consumer Societies (FECS) is an umbrella organization formed by the Energy Forum in 2002 for ensuring the sustainability of the community owned off-grid renewable energy schemes. These schemes are owned and operated by Electricity Consumers' Societies (ECS). All electricity consumers are members of this ECS and there about 200 such schemes in operation providing electricity to about 10,000 families.

FECS is one of the leading partners of the National Electricity Consumer Movement (NECM) and it mobilizes off-grid communities for safeguarding their energy rights by representing them at different national and provincial level forums. FECS plans to expand their services to other off-grid villages as well.

There are about forty Thousand households that do not have the access to the grid and FECS plans to get the support of the PUCSL and Sri Lanka Sustainable Energy Authority (SLSEA) to reach and organize those communities.

Consumer Organizations formed by the Consumer Affairs Authority (CAA)

There are hundreds of consumer societies and consumer cooperatives across the country formed by the CAA for protecting the rights of consumers; however most of them are currently defunct. CAA is currently implementing a fresh program at GS level to educate general public on consumer rights and on actions that can be taken by the consumers for protecting their rights⁵. This awareness program targets to establish consumer societies where ever possible. Such consumer societies will be registered under the Consumer Affairs Authority (CAA). As consumer societies cannot sustain in the long run, CAA plans to mobilize welfare and voluntary societies such as Funeral-aid organizations, Community Development Societies, etc. at village level. The CCA has received a significant number of complaints from consumers; however its focus is limited to the consumer goods and not on the services. When CAA receives any complaints on other services, it directs the matter to the relevant agency. For example if CAA received any complaint on electricity service, they direct it to the PUCSL.

The Consumer Affairs Authority's GN level program is implemented in some areas in Colombo, Kalutara and Trincomalee Districts. Under this program, CAA and Divisional Secretary of Kolonnawa Division have jointly summoned a meeting through the Divisional Central Committee of Senior Citizens⁶. Senior Citizens Committees consists of experienced ex-civil servants, retired bank officers, private sector executive level members, and teachers. Through this voluntary group, the CAA has influenced their members to set up Consumer Committees to oversee the illegal trading practices of local merchandises and enhance the consumer awareness on consumer goods. As a follow up to the meeting there are 20 Consumer Committees formed in the Kolonnawa DS Division.

Responses received during the public consultation process of the PUCSL of the 2013 electricity consumer tariff revision

There were 275 written responses to the PUCSL request for public comments on the CEB proposed electricity tariff revision-2013. Some of the respondents were representing consumer societies, Trade Unions, NGOs and industrial organizations. This gives a clear indication that there is a concerned group of electricity consumers in the society who are already closely monitoring the functions of the utility. This can be considered as a strength, and be used as the starting point for strengthening the electricity consumers in Sri Lanka.

5. Discussion of Alternative Mechanisms for establishing a Consumer Network

Consumer Consultative Committee (CCC)

The Consumer Consultative Committee (CCC) is established under 'The Public Utilities Commission of Sri Lanka Act, No. 35 of 2002¹.

⁵Mrs. I. K. Inoka Sanjeevani, Consumer Affairs and Information Unit, Consumer Affairs Authority (CAA)

⁶Mr. D. S. Hettiarachchi, President, Kolonnawa Consumer Committee

According to the section 29 (3) of the Act the functions of the Committee shall be to-

- (a) Advise the Commission on appropriate standards to be prescribed or determined under this Act
- (b) Monitor whether the needs of the consumers of goods or services provided by any public utility industry are being satisfied; and
- (c) Promote awareness or the standards prescribed or determined under this Act and the rights of consumers with respect to those standards.

The section 29 (2) of the Act says that the composition of the Committee shall be as prescribed by regulation.

The Section 2 of the Consumer (Composition of the Consultative Committee) Regulations No. 1 of 2009 notified under the Gazette by the Minister of Plan Implementation on 07th December, 2009 describes the composition. Sub Section 2 (a) of the regulation says that CCC should consists of "nine persons to represent the nine Provinces appointed by the Commission: such persons shall be selected from amongst persons who have demonstrated a keen interest in consumer affairs within their respective provinces and who have responded to an advertisement published by the Commission, which advertisement has been published in one daily newspaper in the Sinhala, Tamil and English languages.

In addition there will be three persons selected by the Commission from amongst the persons who possess knowledge relating to each public utility industry and one person each from Federation of Chambers of Commerce and Industry of Sri Lanka, National Chamber of Commerce of Sri Lanka and Ceylon Chamber of Commerce nominated by the respective chambers.

Though representatives from Industrial chambers has adequate capacity to represent their organization and chambers, but provincial members do not have such capacity to represent their respective provinces or domestic consumers. Selection of provincial CCC members is not based on actual interests of their consumers; therefore, it is difficult for them to mobilize regional consumers. In this context, the representatives from Chambers are more dominate within the CCC. If commission is willing to have strong consumer network, it is necessary to establish strong CCC which can have real roots to the consumer network and voice their grievances and capability to advice to the commission on consumer matters. Sustainable consumer network needs adequate representation and recognition from the Commission and its mechanism to function effectively.

Consumer Network

One of the activities of CCC stated in the Regulatory Manual Section 4.3.3 of the PUCSL for discharging the CCC functions is to organize a Consumer Network for sharing consumer views and concerns with each other and with the CCC.

Purpose of establishing a consumer network⁷

1. to function as a forum to share the views and concerns with each other
2. to provide inputs on regulatory and policy matters to CCC
3. to provide means for the CCC to consult with the consumers and to survey them
 - a. Assess high quality electricity supply service through consumer feedback
 - b. Make them aware on rights and responsibility of consumers in electricity sector
 - c. Obtain consumer feedback in decision making process on introduction of the standards of services, tariff revision etc.

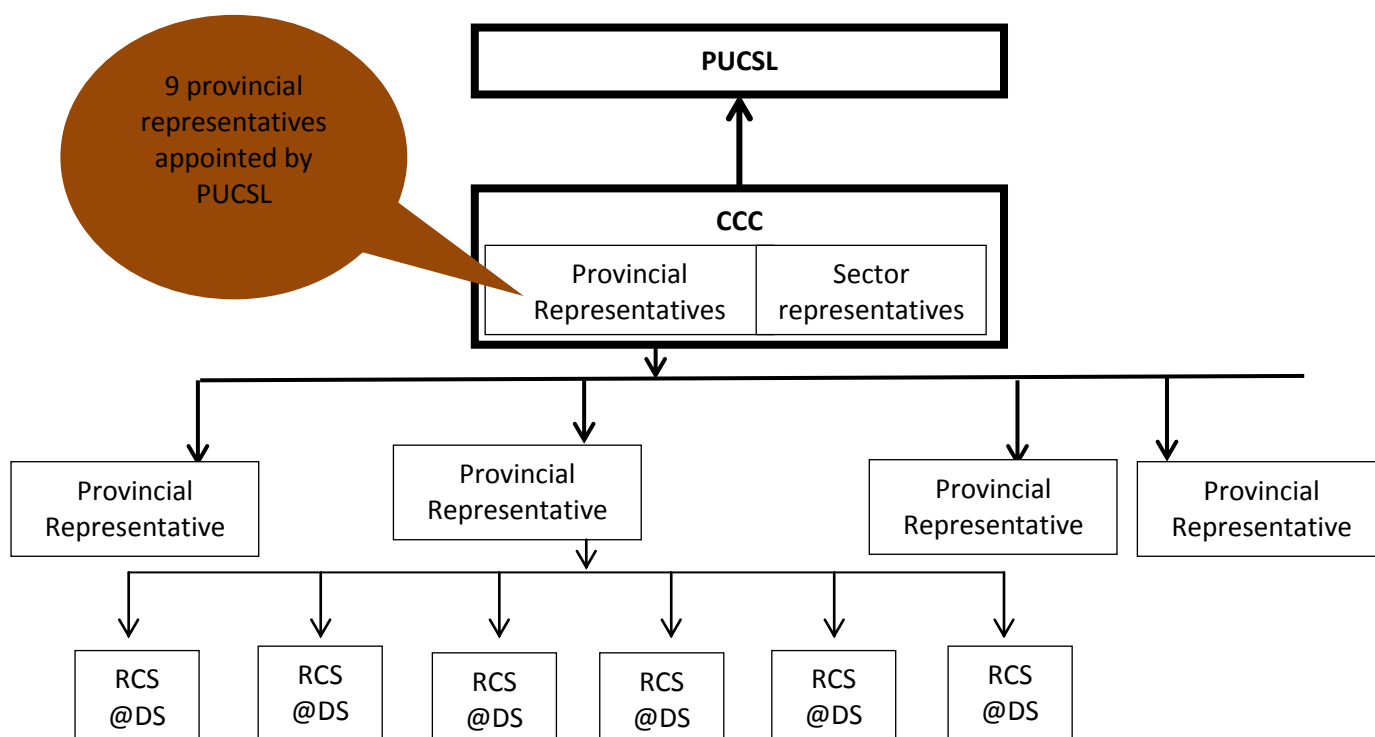
⁷The section 4.3.4 of the Regulatory Manual of the PUCSL

- d. Enhance public awareness on role of the PUCSL
- e. Obtain help in carry out the formal way leave procedures
- f. Obtain help to carry out activities discharged by PUCSL

In addition the CCC has taken a decision to form Regional Consumer Societies (RCS) island-wide under the supervision of the PUCSL appointed Provincial representative of the CCC.

The structure introduced by the PUCSL and CCC proposal for setting up the consumer network is presented in this report as Alternative 1. This study also proposes an alternative to this existing setup and it is presented as the Alternative 2.

Alternative 1: Establishment of Regional Consumer Societies (RCS)



The provincial representatives of the CCC are appointed by the PUCSL and they provide a voluntary service. One of their tasks is to establish RCSs in their respective provinces.

The constitution of RCSs to be established by the Provincial representatives of CCC describes the nature of the society to be established (Annex 1). Accordingly the purpose of establishing Regional Consumer Societies⁸ is to improve the quality of service in different areas by submitting proposals by regional consumer societies and educate PUCSL through CCC.

Weaknesses of the model

The electricity consumer movement in Sri Lanka has become an active sector as the consumers and a number of organizations were actively engaged in responding to the tariff proposal in 2013. However none of these consumers and organizations other than the industrial organizations is represented at the CCC. The industrial sector representatives in the CCC are strong and well

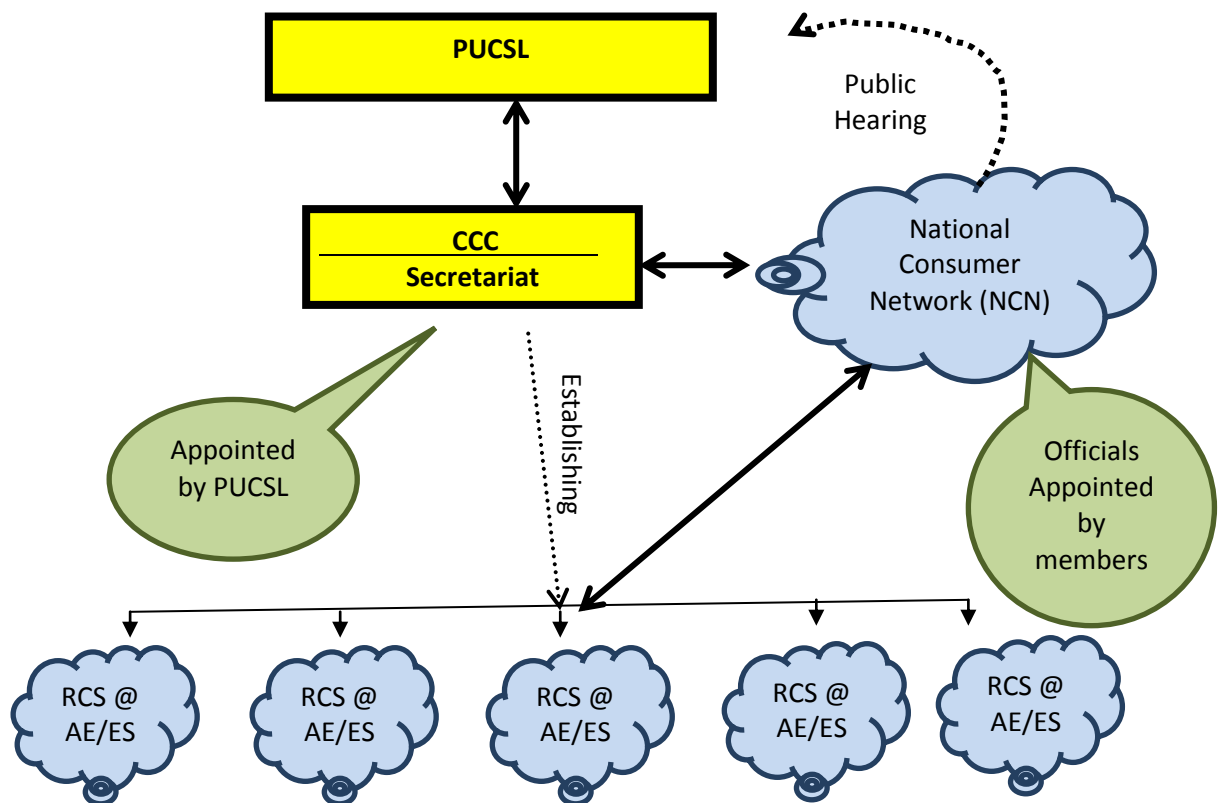
⁸ The constitution of the RCS

organized however the activities conducted by the CCC so far, has not had a significant impact on organizing and educating ordinary electricity consumers in Sri Lanka.

The selection criteria used for selecting the members for the CCC and the emphasis on appointing provincial representatives may likely to be the reason for this unsatisfactory situation. It is premature to appoint provincial representatives to the CCC in the absence of provincial level consumer networks. One of the major weaknesses of current selection criteria is that the CCC members are in the committee as individuals and not as representatives of any organization or a consumer group.

Further there is no coordinating body or a desk to facilitate consumer networks and the sector has to depend on the individual CCC provincial members. Coordinating and networking activities is very critical and is essential for strengthening the consumer movement in Sri Lanka.

Alternative 2: Working with existing organizations and networks



It is proposed to:

1. Restructure the CCC and appoint members for the CCC from the representatives of already active organizations (Chambers, NGOs, TUs, FECS, RCSs, ECCs , etc.)
2. Establish and facilitate the National Consumer Network (NCN) consisting of active organizations (Chambers, NGOs, TUs, FECS, etc.)
3. PUCSL to establish a secretariat for the CCC (housed outside the PUCSL) and assign the tasks of facilitating the CCC and the NCN. Functions of the Secretariat:
 - handle the secretariat work of CCC
 - implement the decisions made by the CCC
 - formulate the annual plan of the CCC, access funds from and report to PUCSL
 - establish and facilitate the NCN

- formulate training modules for the consumer societies
- establish, build the capacity of the RCSs and link them with respective ES/AE offices of the utility and NCN

Members of CCC will be appointed by the PUCSL after reviewing the selecting criteria of the PUCSL. However the office bearers of the National Consumer Network will be appointed by the members of the network and it is supposed to function as an independent civil society organization. Actions of the CCC and the actions of NCN which are funded by the PUCSL will be implemented through the Secretariat of the CCC. The secretariat will be responsible for administration and financial accounting of the CCC and NCN proposed and PUCSL funded activities. The other projects funded by other funding agencies can either be implemented by the secretariat or by any other member organization of the network decided by the NCN.

6. Discussion of findings on the self-sustainability of RCS and suitability of consumer networks

6.1 The self-sustainability of:

i. Regional Consumer Societies (RCSs) established under the CCC;

Grass-root level and geographically distributed representation of electricity consumers is vital for any kind of consumer network, however it is not an easy task to set up and sustain an entirely new society for the purpose of protecting the electricity consumer rights.

It is not recommended to go ahead with establishing RCS due to following reasons:

- Starting the process of strengthening the consumers by establishing RCS is not recommended as it will take a long time to cover a fair cross section of the consumers in Sri Lanka. The provincial representative of the CCC will not be in a position to conduct awareness programs on his own as the program needs to be conducted according to a training module.
- The proposed RCSs are dedicated for looking after the rights of the electricity consumers in the village. The actions to be conducted by the society will include attending to service related matter such as break downs, new connections, damage, and disconnections. Further it is expected to provide inputs at the public hearings. There is a difficulty in ensuring a continuous program for the consumers and the societies to be formed as the actions are needed only when the need arise which is occasional.
- The members of the society will not contribute financially to conduct the activities of the society as the return for the individual consumer is minimal.
- Coordinating such societies in large numbers will be a challenge to the provincial representative who is working voluntarily.

ii. Consumer societies at Divisional Secretary Divisional level, proposed to be formed with the representatives of existing successful community based village level societies (e.g. welfare societies)

Number of Community Based Societies (CBO) work at the village for the benefit of community. Each society has one or two core functions catering to an important requirement of its members. These societies are well functional and sustainable as activities of the society are either financed by an external organization such as Samurdhi, Sarvodaya, etc. or with financial contributions of the members/villagers (i.e. funeral aid societies, Senior Citizens Societies).

Selecting one such organization from the village and building the capacity of the leaders of it to safeguard the consumer rights of the members of the organization is a possibility. However in order to attend to resolve any consumer issue relating to the utility, respective AE or ES office should recognize the role of the CBO as a consumer society. Education alone will not give direct benefit to the consumer and therefore, it will not be an easy task to sustain such an initiative. Hence the program for building capacity of the CBOs should be conducted initially as pilot projects only in the areas where the officers of the AE and ES areas of CEB/LECO are willing to accept the role of the CBOs. As the capacity building program need to be conducted with the consent of the respective utility office and designed and conducted by trained personnel, it is important that the program should be conducted by the CCC secretariat and not by an individual of the CCC. Mobilizing of community leaders, organize of RCSs and bring those societies into a network are not an easy tasks for Provincial CCC members to carry out because their capacity and the background are not apposite to implement the tasks at village level. With the success of the pilot projects it will be possible to replicate in the other areas as well.

Sustainability of such initiatives will depend on number of factors. One core issue will be financial constraints. PUCSL may need to financially support certain programs to ensure continuity of consumers' related actions of those CBOs. On the other hand if properly planned the utility may be able to assign certain tasks such as way-leaves clearances to generate income to the society benefitting both parties as shown in the case study (Annex 1).

iii. Any other forms of consumer societies

The process should start with the consumers who are knowledgeable about their rights. It is important to recognize that there are number of organizations in Sri Lanka who are already involved with electricity consumer rights related matters. Organizing them and further strengthening them should be a priority. Establishment of the NCN with the participation of the organizations who responded to the public hearing held in April 2013 should be the first priority. A brainstorming session with them will give a better understanding about the aspirations of such organizations.

Supporting selected consumer concerns related research proposals of the energy sector organizations will add value to the sector activities.

6.2 The suitability of aforementioned consumer networks to:

i. Create awareness and disseminate information to consumers/general public on: consumer rights, safety, efficient use of energy, etc.

Consumer awareness of their rights and responsibilities depends on number of factors. The PUCSL study on consumer satisfaction revealed that the high-income consumers are more concerned on their rights than the other. Educational level and employment are two other key factors. Further awareness creation alone will not generate enthusiasm among the consumers, but need to show that acting on consumer issue produces results.

In this context it is better to educate the consumers who are already curious to know further details in the power sector. It is important to discuss the power sector issues such as consumer tariff, quality of power and safety, power plant dispatch, contracts with IPPs, renewable energy tariff, transparency in procurement, net metering, generation, transmission, and distribution planning, and energy conservation measures in depth with the consumers who wish to know further details. Thereby it is possible to have a group of educated consumers to voice their concerns when the need arise. For this purpose it is possible to conduct a series of discussions (monthly) with the National

Consumer Network on different topics to get a better understanding about the different viewpoints on each topic.

The outcome of such discussions and can be shared with other organizations interested in consumer rights through continuous capacity building programs and new bulletins.

ii. Consult consumers/general public on matters relating to the regulation of the electricity industry e.g. setting of tariffs & charges, development of standards on service quality, etc.

Consulting consumers on matters relating to the regulation is important and essential for healthy regulatory regime. The consumers should be well informed and prepared for consultations. Availability of adequate information and conducting background studies accommodating consumer concerns is important for the consumers to provide useful inputs to the regulators. Hence it is necessary for the PUCSL to support studies conducted by the consumers on internalizing the social and environmental concerns in power sector planning.

7. Recommendations

Networking

1. After carefully studying the two alternatives discussed in this report it is recommended to select the 'Alternative 2: Working with existing organizations and networks' for implementation.
2. Establish a network consisting of consumers who responded to the PUCSL public hearing in 2013 March (NGOs, TUs, Senior Citizens, Professionals, University Academia, Students and Activists), the representatives of ECCs established by the CEB and RCSs established by the PUCSL. It is important to conduct a brainstorming session with them to get their proposals for finalizing the CCC restructuring process and for formulating the strategy of the NCN.

Capacity building

3. Prepare a training module for training the leaders of different Organizations and a reader friendly educational tool kit on electricity consumer rights and responsibilities to be used by the consumer activists.
4. Support conducting studies on power sector core issues such as consumer & power purchasing tariff, IPP agreements, coal and oil purchasing, renewable energy, net metering, long-term planning in the power sector and transparency in decision making. The outcome of these studies will be contributing to formulate position papers of the NCN to be used during public hearings.

Financing

5. The international experience on consumer organizations indicate that the majority of the consumer organizations are funded wholly or partially through government appropriations, fees on regulated utilities, donor support, and donations. Other funding sources include membership dues, fees from publications or training programs, and advocacy. At the initial stage it is not possible to sustain the programs by charging a fee from the consumers and therefore it is recommended for the PUCSL to have an annual allocation of about Rs. 5 million for consumer networking programs in Sri Lanka to facilitate the process at the initial stage. Once the consumer movement is well functional, the consumers will recognize the financial and other benefits of having the consumer societies and will contribute financially to sustain the societies.

Implementing

6. Formulate a 3-year implementation plan for the CCC & NCN and a detailed action plan for the year 1.
7. Make necessary changes to section 4.3.1 of the regulatory manual of PUCSL and change the structure of CCC to get active participation of NGOs, TUs and off-grid communities (FECS) or to change the evaluation criteria for selecting national and provincial representatives for CCC to be used when filling the vacancies of the CCC. (As per the section 4.3.1 of the regulatory manual, PUCSL reviews the composition of the CCC every three years.)
8. As per TOR of this study one of the deliverables (deliverables 5) is to adopt the recommended mechanism with respect to the organizing of a consumer network, through managing five (5) RCSs established in the Sabaragamuwa Province, as a pilot project, for a period of six (6) months. The consultant is expected, at minimum, to: (a) meet and discuss with the members of RCSs by visiting the respective five (5) villages twice: at the beginning of pilot project and before/at the end of period and (b) monitor closely whether the objectives of the Commission are being met. It is proposed to modify this clause and to replace the deliverable with the action mentioned in no 2 & 6 of this recommendation.
9. It is proposed to extend this consultancy agreement and assign the task of facilitating the CCC and NCN processes to implement the recommendations mentioned above and function as the Secretariat of the CCC.

Annex 1: Constitution of the RCSs

Annex 2: Constitution of the ECCs in the Central Province