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Ministry of Energy and Natural Resources  
Royal Government of Bhutan  
Thimphu

**BHUTAN**  
Believe

**SECRETARY**

MoENR/SEC/CAB/14/2024 279

24th June, 2024

The Secretary,  
Cabinet Secretariat  
Thimphu

**Subject: Submission of Legislative Proposal and Legislative Impact Assessment report on the Electricity Act of Bhutan, 2001**


Dasho,

In accordance with the Cabinet directive vide letter no. C-3/144/2023/1662 dated 05.06.2024 to conduct a Legislative Impact Assessment (LIA) for the Electricity Act of Bhutan (EAB) 2001, the Ministry initiated the LIA process by framing and circulating the survey questionnaire to the key and relevant stakeholders. The survey questionnaire was aimed to assess the gaps and the issues in the existing Act and whether there is a need for amendment and consolidation as an Energy Bill.

The survey responses were analyzed to understand any strength, shortcoming, issues and opportunities regarding the existing EAB and therefore served as a basis for drawing inferences to support the compilation of the LIA report. From the survey, 81.3% of the respondents agreed for the amendment of the EAB and 62.5% agreed for a consolidated Act as "Energy Act" covering all domains of energy. Given the gap analysis and the survey responses, the Ministry proposes for formulation of the Energy Bill.

In this regard, the Ministry would like to submit the Legislative Proposal and LIA report on the EAB 2001 for endorsement by the Lhengye Zhungtshog. The Ministry's approved note, Legislative Proposal and the LIA report are being submitted for your kind perusal.

With warm regards,

  
(Karma Tsering)  
**SECRETARY**



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Ministry of Energy and Natural Resources  
Royal Government of Bhutan  
Thimphu

**BHUTAN**  
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Copy to :

1. The Honorable Minister, MoENR, for kind information.
2. Director, DoE, MoENR, Thimphu.
3. CEO, ERA, Thimphu for kind information.
4. Chief Legal Officer, LSD, MoENR, Thimphu

**LEGISLATIVE IMPACT ASSESSMENT REPORT ON THE ELECTRICITY ACT OF  
BHUTAN, 2001**

**Ministry of Energy and Natural Resources  
Royal Government of Bhutan**

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# LEGISLATIVE IMPACT ASSESSMENT REPORT FOR THE ELECTRICITY ACT OF BHUTAN 2001

## 1. TITLE OF THE PROPOSAL

- 1) Type of Legal Measure: Energy Bill (Amendment of Electricity Act, 2001 and rename it as “Energy Bill”)
- 2) Lead Ministry/Commission/Agency: Ministry of Energy and Natural Resources (Department of Energy; Electricity Regulatory Authority)
- 3) Date of approval of Legislative Proposal: July-August, 2024
- 4) Expected Date of Adoption Day/Month/Year: 2026

## 2. THE BACKGROUND OF THE PROPOSAL

### *(1) Details of how and why the proposed legislative change has arisen*

During the civil service reform process, the Office of Attorney General (OAG) was tasked to review the laws which will be impacted by transformation reform and a team was formed by the OAG with relevant lawyers from Ministries and Agencies. The review was undertaken to align the laws with the new structure of the civil service reform to consolidate laws with similar objectives and have more efficient & effective service delivery through the laws.

A total of 46 Acts were reviewed, which were expected to be impacted by the reform and restructuring of civil service. Out of which, 13 Acts were to go through major changes, 4 under medium changes and 29 under minor changes. Thereafter, the decision was made to have a reform Act for restructuring and then followed by amendments of the laws by the relevant sectors. On 22nd October 2022, Reform Act of Bhutan 2022 was passed by the 8th Session of the Third Parliament.

Thereafter, in compliance with the Civil Service Reform Act 2022, the Ministry of Energy and Natural Resources (MoENR) has been instructed by the Cabinet Secretary vide letter no: C-3/144/2023/1662 dated 05.06.2023 to conduct a Legislative Impact Assessment (LIA) for the Electricity Act of Bhutan (EAB), 2001.

In light of the Cabinet directives, a stakeholder consultation meeting was convened on 26.01.2024 between the Electricity Regulatory Authority (ERA) and the Department of Energy (DoE) to initiate the LIA process. During the meeting, it was agreed to conduct a survey to gather broader perspectives/views from key and relevant stakeholders on challenges/issues associated with the implementation of existing EAB and the need for amendment/new Energy Bill. The survey questionnaires were framed to identify gaps and issues within the existing Act,





to reflect the recent developments and evolving nature of the energy sector including ensuring the robust long-term growth of the energy sector.

***(2) Detailed background information that provides a context for the objective of the proposal and the policy that is to be implemented***

The EAB 2001 was enacted during the 79<sup>th</sup> Session of the Parliament in July 2001 that mainly provided a legal basis for the establishment of Bhutan Electricity Authority (BEA), restructuring of electricity supply industry, development of technical regulations, private sector participation, functions of the Minister and assigning the roles and responsibilities for the Regulator to regulate the electricity industry. Accordingly, after the enactment of the Act in 2001, the electricity industry was restructured in 2002 by separating the policy, regulatory, and operational activities of the power sector i.e. the then Department of Power was restructured into Department of Energy, BEA, and Bhutan Power Corporation respectively while Chhukha & Tala were run as a corporation and a construction Authority. They were later amalgamated as generation entities under DGPC in 2008. Further, there are numerous Acts like Land Act, Water Act and Environment Act that were passed after the enactment of the EAB, requiring harmonisation and alignment.

The Fourth and Fifth Session of the Second Parliament held in 2014 and 2015 directed the erstwhile Ministry of Economic Affairs to review the EAB as the Act lacked clarity regarding the plans and policies to fulfil the required objectives of the concerned sector. It was also pointed out that the Act lacked clear responsibilities and accountability of the different stakeholders of the sector.

In view of the above, the erstwhile Department of Hydropower and Power Systems reviewed the Act in consultation with relevant stakeholders in 2015. The first draft Bill was submitted to the Ministry in June 2018 and subsequently circulated to relevant stakeholders for views/comments. Further, the Cabinet vide letter No. C-3116/107 dated 27.03.2019 had directed the Ministry to come up with an Energy Bill, as a whole, encompassing every aspect of energy instead of Electricity Act. Following the Cabinet directives, a high-level stakeholder consultation was conducted where it was deliberated on the relevance and complexities involved in formulating Energy Bill vis-a-vis with Electricity Act. Following this, it was submitted to the Cabinet that the need to finalise the Electricity Act during that period was seen to be of utmost importance as it reflects the holistic and sustainable electricity generation from renewable energy resources. Accordingly, the cabinet has approved the recommendation of the meeting and directed to amend the EAB. Thus, the draft Bill was then submitted to the OAG through the Cabinet in June 2019 in keeping with the Rules of Procedure (ROP) for Drafting and Reviewing of Bills and Delegated Legislations 2018 of the OAG. The legal vetting by OAG was completed in June 2020. The final draft of the Electricity Bill was then submitted to Cabinet on 21.07.2020. However, Cabinet vide letter no. C-3/69/2020/655 dated 05.08.2020 deferred discussions on the Bill, since Sustainable Hydropower Development Policy (SHDP) 2021 was not yet approved by the Government. Subsequently, after the approval of





the SHDP 2021 by the Government vide order no. C-3/84-86/2021/876 dated 17.03.2021, few amendments to the Bill were found necessary in keeping with the provisions of the revised policy and the same were incorporated accordingly to bring coherence and harmonization. The revised Electricity Bill was then submitted to the Cabinet on 05.04.2021 for deliberation in the Parliament. However, Cabinet order no. C-3/88/2021/922 dated 26.04.2021 did not approve the Electricity Bill based on the reasoning that the proposed Bill required thorough deliberation given the new scope of the energy sector. Following this and in view of the ongoing transformation initiatives, the Electricity Bill was not taken up further.

Considering the above and with the adoption of the Civil Service Reform Act of Bhutan 2022, which involved changes in the institutional structures, the formulation of the Energy Bill is being proposed. The same is also considered based on the legislation reviews by the RCSC and the OAG whereby EAB 2001 was listed as one of the 46 legislations for amendment given the impacts due to the reform process.

### ***(3) The detailed description of the issue that the proposal is expected to address***

The existing EAB mainly provides a basis for the establishment of BEA and assigning its roles and responsibilities for regulating the electricity industry. There are overlapping provisions concerning policy, planning and regulatory functions that were assigned to the regulator in the EAB (such as determination of electricity subsidy, royalty aspects, issuance of permit for survey & investigations). In addition, post 2001, numerous institutional reforms were undertaken in the power sector and recently the establishment of power system operator and creation of the Department of Energy through merger of related departments (DHPS and DRE). The EAB also lacks clarity on proper structuring of the Regulator in terms of formation of authority members, terms and conditions, and criteria of members. Further, the EAB does not adequately address the energy security, efficiency & conservation, adoption of emerging and evolving technologies (energy storage, pumped storage hydropower and batteries, hydrogen, etc.), market liberalization, deviation settlement mechanism (DSM)/Grid Discipline Mechanism (GDM), consumer rights, cross border energy trade, regional grid integration, etc. The Act also sets out capping for exemption of license (<500kW), which needs to be revisited, considering the evolving energy situation and national prioritization. The scope of the EAB is limited to electricity and does not address the whole spectrum of energy resources, development and supply concerning solar, wind and other energy resources.

Considering the myriads of issues in the existing Act, it is proposed to formulate the Energy Bill with broadened scope to encompass the entire energy ecosystem like resources, its development, supply, utilization, energy security, institutional arrangements, private sector participation, emerging technologies, smart grids, cyber security, reliability, energy efficiency, markets, power trading, ancillary services, climate resilience, investments, etc. Hence, the proposed Energy Bill



would bring clarity in mandates (roles & responsibilities) of policy makers, regulators, utilities, consumers, and private sector to ensure accountability, transparency, efficiency and reliability in the harnessing and utilization of energy. The Bill will ensure long term growth strategy of the sector through development of sustainable and financially viable energy resources, adoption of emerging technologies, promotion of electricity trading through regional integration & market mechanisms, and promotion of energy efficiency & conservation measures to ensure efficient use of energy resources. The Bill will also ensure efficient investments in the energy sector and private participation. Besides, it will also ensure consistency and harmonization with related Acts and policies.

***(4) The social, economic and environmental effects including unsustainable trends of the issue***

***Social Impacts:***

The proposed Energy Bill is expected to bring following social changes/impacts:

- 1) Enhance transparency in the sector through clear delegation of roles & responsibilities to ensure efficient and effective service delivery.
- 2) Ensure adequate, affordable, quality and reliable supply of electricity for safety and economic benefits of consumers.
- 3) Ensure fair private participation in the energy industry.
- 4) Promote fair and transparent pricing through market mechanisms.

***Economic Impacts:***

- 1) Enhance energy security through diversification of energy resources.
- 2) Enhance export of electricity through market participation to discover competitive prices and value for renewable energy.
- 3) Drive industrial development through provision of adequate & reliable supply.
- 4) Raise financing to ensure investments in energy resources development.
- 5) Promote energy efficiency & conservation to reduce electricity demand and optimal use of resources.

***Environmental Impacts:***

- 1) Minimize impact to the environment while harnessing energy resources.
- 2) Sustain carbon neutral status
- 3) Decarbonize the regional grid through export of clean energy
- 4) Catchment conservation and protection

***(5) The risks inherent in the initial situation***

The only inherent risk would be concerning adaptation and compliance during the initial implementation.





## ***(6) The underlying motive forces***

### ***a) What would happen under a “non-action” scenario?***

- i. Lack of clarity in roles and responsibilities of various institutions including overlapping functions causing implementation & accountability issues.
- ii. The institutional arrangement after the reform has changed deviating from the Act which will be left without revision.
- iii. Establishment of an energy market platform to discover the prices may not have a legal footing.
- iv. The existing Act lacks provisions for DSM/GDM for ensuring grid disciplines and market mechanism.
- v. The existing Act is focussed mainly on hydropower development and does not provide development of other energy resources; therefore, this can hinder embracing other innovative and emerging energy technologies including smart grids and cyber security.
- vi. There is rising import and use of fossil fuels leading to energy emission growth. Therefore, a clean energy transition should be mandated through the legal means.
- vii. The electricity demand has been growing at a rapid pace and is expected to increase significantly in the near future necessitating import of power for a foreseeable future which needs to be adequately guided by the law.
- viii. The existing Act has set a cap for exemption of license upto 500kW and this needs to be reviewed and revised considering the evolving energy landscape and national priorities.
- ix. The Act is silent on the regional grid integration and cross border trade of electricity which is becoming increasingly paramount for energy trade.
- x. Rural electrification has been achieved and therefore should be removed from the provisions.
- xi. Private participation in electricity distribution is not covered therefore cost competitiveness and efficient service delivery may be impacted.
- xii. Licensing of Electricians to oversee the electrification and safety of supply to the households including regular inspection needs to be mandated through the law as residential fire incidents are becoming common.
- xiii. Demand side management is not included in the existing Act which needs to be included as it is important activity to curtail the demand and ensure efficient resource utilization.
- xiv. The present Act has empowered the Minister to be the final authority which needs to be reviewed in keeping with the industry practice and quasi-judicial independence.

### ***b) Affected stakeholders***

- i. Ministry/NLCS: Bring clarity in the institutional structure, roles & responsibilities and harmonize with existing laws.
- ii. Utilities: Bring in more clarity in the operating procedures, which will facilitate efficient service delivery and drive financial prudence and investment decisions besides private participation in distribution services.



- iii. Consumers: Consumers will experience better services with improved service delivery by the utilities through strict compliance to the regulatory requirements and ensuring access to safe, reliable, & affordable electricity.
- iv. Private investors/developers: Enabling framework for private participation in electricity industry business.

***c) Previous initiatives and existing Legal Measures that are deployed to solve the issue/problem***

- i) Government Policies (Sustainable Hydropower Development Policy, Alternative Renewable Energy Policy, Energy Efficiency & Conservation Policy, Domestic Electricity Tariff Policy)
- ii) Filled the implementation gap through issuance of rules and regulations
- iii) Executive Orders from Government
- iv) Sector specific directives from parent agencies (policy guidance and orders)
- v) Mutual consultative approach

**3. MAIN OBJECTIVE OF THE PROPOSAL**

***(1) The comprehensive objective intended to be achieved and the expected impacts, outputs and outcomes***

The main objectives of the revision of the EAB are as follows:

1. Harmonize with other relevant laws (Land Act, Water Act, Environment Act, and Civil Service Reform Act)
2. Broaden the scope under the new Energy Bill
3. Bring clarity in institutional structure, mandates, powers & functions, roles & responsibilities of policy makers, regulator, system operator, utilities, markets, traders, consumers, prosumers etc.
4. Enhance accountability, transparency & efficiency, for robust growth of the sector
5. Ensure for the long-term growth strategy of the sector in terms of renewable energy resource development, adoption of emerging technologies, market development, consumer rights, cross border energy trade and regional grid integration.
6. Create an enabling environment for involvement of the private sector in the renewable energy resource development.
7. Promote energy efficiency and conservation through development of standards/labelling and promotion of energy efficient technologies.
8. Steer energy transition through reduced use and import of fossil fuels substituted by clean



electricity.

9. Ensure climate-resilient energy system and long term national energy security.

***(2) Account of any previously established objectives***

The EAB, 2001 was mainly formulated to restructure the power supply industry focusing on electricity generated through hydropower and mechanism for licensing and its regulations and when there was no elected government. The Act also established Bhutan Electricity Authority as an autonomous body for regulating the power sector.

***(3) The rationale for the objective***

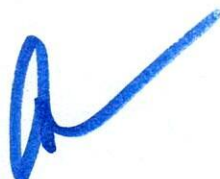
The rationale for the above objectives 3 (1) are to:

- a) Specify clear structure, mandates, roles and responsibilities for efficient performance of the sector.
- b) Frame enabling regulatory frameworks to enable and adapt with the changing dynamics of the sector.
- c) Enlarge or broaden the scope of Act to cover all aspects of energy.
- d) Diversify the energy resources through development and promotion of other energy resources to provide reliable and secure electricity supply to domestic consumers and increase export of electricity for economic growth.
- e) Bring better transparency and accountability to the participants of the sector including the policy maker, regulator, utilities, etc.
- f) Facilitate cross border energy trade and regional grid integration to enhance the reliability and energy security.
- g) Create enabling environment for engagement of private sector.
- h) Reduce energy intensity through promotion of energy efficiency and conservation measures and adoption of energy efficient technologies.
- i) Sustain Bhutan's long-term carbon neutral mission by reducing energy emissions through fossil fuel substitution.
- j) Embrace new energy technologies such as green hydrogen, Battery Energy Storage System (BESS), etc. to have a broadened energy portfolio and reservoir/pumped storage projects to ensure climate resilience and national energy security.

**4. POLICY RATIONALE FOR THE PROPOSAL**

***(1) Clear statement of the issues or problems the proposal is intended to address***

The Energy Bill intends to address the following issues and problems:





- i. Inconsistencies in roles of policy makers, regulator, utilities (generation, transmission, distribution) and system operator.
- ii. Overlapping provisions in the existing Act concerning policy, planning and regulatory functions that were assigned to the regulator in the EAB
- iii. Numerous institutional reforms undertaken post 2001 and after the recent civil service reform pertaining to the energy sector.
- iv. There is no impetus on the adoption of emerging and evolving technologies (energy storage, pumped storage hydropower and batteries, hydrogen, etc.)
- v. Lack of market liberalization provisions to affect competition and enhance efficiencies.
- vi. Lack of clarity on the 500kW capping for exemption of license.
- vii. Inconsistencies with other laws (Land Act, Water Act, Environment Act, etc.)
- viii. No clear provisions on energy diversification and energy security.
- ix. The establishment of a domestic electricity market, cross border energy trade, and regional grid integration are not covered in the current Act.
- x. Electricity pricing mechanisms need to be revisited.
- xi. Demand-side management is not covered in the EAB.
- xii. The scope and coverage of the existing EAB is limited to electricity which needs to include the whole energy spectrum.
- xiii. Private sector participation needs to be enhanced and greater clarity brought out.

***(2) Why legislation rather than an administrative arrangement, is required***

- a) Legal Framework: Given the broad arena of issues that the present proposal is seeking to address, legislation will provide the required legal framework that defines the rights, obligations and responsibilities of all parties involved in the electricity industry (Govt./policy maker, producers, distributors, regulator, consumers, prosumers, etc.);
- b) Stability & Predictability: Laws offer stability and predictability to the industry by providing clear set of rules and regulations that govern its operation which is crucial for long-term investment planning and development of robust infrastructure;
- c) Public accountability: Regulations established through law will be subject to public scrutiny and democratic process thereby ensuring accountability, transparency, fairness & trust among all stakeholders and upholding the public interest;
- d) Enforceability: The legislation will provide a mechanism to enforce through legal channels like regulatory body including courts to enforce compliance, prevent abuse and promote fair competition; and
- e) Legal protection: The legislation will provide protection of consumer rights while addressing environmental sustainability, social and public policy objectives.

Taking cognizance of the above, administrative arrangements will have challenges in enforcing the compliance measures and related penalties for violation. Further, there are dispute redressal mechanisms where there is a need for legal authority to exercise its quasi-judicial powers.



***(3) A clear explanation of the policy to be implemented - what has to be done and why?***

The new proposal intends to revise the EAB in entirety and propose an Energy Bill by considering and addressing the challenges and concerns as mentioned above.

**5. OPTIONS AVAILABLE TO ACHIEVE THE OBJECTIVES**

***(1) The basic approach to reach the objective***

The basic approach to reach the objective is to revise the EAB, conduct extensive stakeholder consultations to consider issues or challenges currently faced or are likely to be faced in future. In addition, to conduct proper analysis for holistic and long-term growth of the sector in contributing to the nation's economic growth by ensuring energy security.

***(2) Policy instruments that have been considered earlier and the reason for its failure***

The EAB has been proposed for amendment in the past following the directives of the 2nd Parliament where the Electricity Bill was submitted during the previous Government, however, it was deferred based on the reasoning that the Bill required thorough deliberation with new scope in the energy sector.

***(3) The options available and rationale for all options***

Considering the aforementioned issues, the most preferred option is to revise the Electricity Act through formulation of new Energy Bill.

***(4) Design and stringency levels that have been considered***

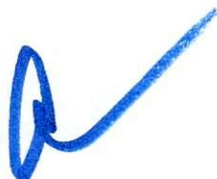
The proposed bill will have more dynamic provisions on the compliance while there will also be revision on the procedures to make them more investment and business friendly.

***(5) The options that have been discarded***

The option of partial amendment or amendment of a few sections were discarded as these options will not solve or address the issues of the existing EAB.

**6. IMPACTS EXPECTED FROM THE DIFFERENT OPTIONS IDENTIFIED**

***(1) The expected positive and negative impacts of the options selected, particularly in terms of economic, social and environmental consequences including impacts on the management of risks, in particular:***





**a. The administrative compliance cost**

Not applicable.

**b. The impact on the budget, and**

Some budgetary support will be required as proposed in the 13FYP (Nu. 1 million) to revise the EAB, undertake stakeholder consultations, translations, etc.

**c. Creation of new institutions**

To cope with the evolving regional energy landscape and to ensure competitiveness and maximization of returns for renewable energy, it may foster growth of market institutions both domestic and regional which shall be a sister agency of an existing utility.

***(2) Potential conflicts and inconsistencies between the economic, social and environmental impacts that may lead to trade-offs and related policy decision***

The revision of EAB and formulation of the Energy Bill sees no conflicts between economic, social and environmental impacts requiring trade-offs other than harmonization.

***(3) Impacts of particular social group, economic sector or region***

The formulation of the Energy Bill will bring positive impact to society by ensuring adequate, safe, affordable, reliable and secure electricity supply which will contribute to the socio-economic growth of the nation. Further, it will facilitate regional trade & integration contributing to regional cooperation and decarbonization.

**7. JUSTIFICATION OF THE PREFERRED OPTION**

***(1) The recommended option and rationale and reasons***

Legislative arrangement, i.e., to revise the existing Act and formulate a new Energy Bill considering the rationale and reasons as discussed above.

***(2) Have any accompanying measures to maximize positive impacts and minimize negative impacts been taken***

The proposed Bill is expected to maximize positive impacts and minimize negative impacts through extensive stakeholder consultations.

## 8. POWERS AND FUNCTIONS, DECISION MAKERS, DELEGATES AND REVIEW OF DECISIONS

### *(1) Clarity of powers and functions*

The proposed bill will delineate powers and functions of the Ministry, the concerned Department, Utilities, System Operator, and the Regulator.

- a) The Ministry of Energy and Natural Resources will be mandated with powers and functions to provide policy guidance.
- b) The Department of Energy as an apex agency will be responsible for formulating roadmap, national policy, plans & programmes, masterplans, rules & guidelines to facilitate sustainable energy resource development including promotion of cross-border and regional energy trade.
- c) The Electricity Regulatory Authority as a quasi-judicial body will be responsible for efficient regulation of the power sector to provide safe, reliable and affordable supply of electricity through development of enabling regulatory frameworks, issuance of licenses, determination of tariffs, ensuring compliance and enforcement, performance of licensees and dispute settlement.
- d) Generation utilities shall be responsible for interalia construction, operation and maintenance (O&M) of power generating plants.
- e) Transmission utility will be responsible for construction, O&M of the transmission systems for integration of domestic power systems and transmission access for wheeling of power, both domestic and exports/imports.
- f) Distribution utilities will be responsible for construction, O&M of the distribution system and infrastructure for reliable domestic supply and realize costs from the consumers.
- g) System Operator shall be responsible for planning, coordination, balancing supply & demand for efficient operation of national and integrated grid to ensure grid discipline, security and reliability.
- h) National Power Market Platform shall facilitate purchase and sale of electricity and ancillary services for discovery of competitive prices for both domestic and export.
- i) Electricity traders shall facilitate purchase and sale of electricity.

### *(2) Decision-maker and delegates*

The policy decisions will be made by the Ministry based on the recommendation of the Department of Energy while ERA as a regulator shall exercise its full authority and power in exercising its regulatory functions to ensure fair electricity market growth.

### *(3) Decision criteria*

The decision rendered by each of the organizations mentioned above shall not be discretionary and arbitrary. All decisions shall be based on the relevant provisions of the law.





#### ***(4) Review of decisions***

There will be a separate dispute settlement mechanism under the ERA to address any disputes raised by the parties and the consumers before going to the court of law. If the disputes are related to matters of policy concerns, the same shall be dealt with by the Ministry and the RGoB.

### **9. STAKEHOLDER CONSULTATION**


#### ***(1) Which interested parties were consulted, when in the process, and for what purpose?***

Various stakeholders were consulted during the process of conducting the LIA for the existing EAB by framing and circulating survey questionnaires (attached as *Annexure-I*) besides meetings. The survey questionnaires were aimed to assess the EAB implementation gaps, addressing emerging issues and taking the sector forward. The survey questionnaire was shared to relevant stakeholders such as MoENR (Department of Energy-DoE, Department of Forest and Park Services-DoFPS, Department of Water-DoW, Department of Environment & Climate Change-DoECC, Electricity Regulatory Authority-ERA, Bhutan Power System Operator-BPSO), Competition and Consumer Affairs Authority (CCAA)-MoICE, National Land Commission Secretariat (NLCS), Druk Green Power Corporation (DGPC), Bhutan Power Corporation (BPC), Punatsangchhu Hydroelectric Project Authorities (PHPA-I&II) and Bhutan Chamber for Commerce and Industry (BCCI).

#### ***(2) What are the results of the consultations?***

The responses for the survey questionnaires were received from agencies and organizations such as ERA, DoE, BPC, private construction companies, CCAA, Kurichhu Hydropower Plant, Quality Gases Private Limited, and Rirab Construction Company. The responses received from the agencies and organizations were thoroughly analyzed to understand any strength, shortcoming, issues and opportunities regarding the existing EAB and therefore served as a basis in drawing inferences to support the compilation of the LIA report and this proposal. The consolidated feedback and recommendations from the stakeholders are as below:

1. Among the respondents, 81.3% agreed for the amendment of EAB (DoE, ERA, BPC, CCAA, BCCI)
2. Among the respondents, 81.3% agreed that the service delivery will be improved through amendment of the EAB by bringing out clarity in terms of roles and responsibilities; strict enforcement of service quality standards by utilities to ensure reliable power supply; incentivizing cost effective investment and driving efficiency to provide effective services; setting up logical TAT for service deliveries to the customers/end users; inclusion of new and innovative ideas (like smart metering, AI, etc.); and adoption of globally trusted service delivery models.
3. From the survey, 62.5% of the respondents agreed that there should be a consolidated Act like the "Energy Ac" covering all domains of energy to ensure energy security of the nation.





4. The respondents pointed out the need to bring clear roles and responsibilities of the policy maker, regulator, utilities, consumers, other service providers, etc. with the broadened scope of the sector.
5. Few respondents also highlighted the importance of embracing new energy technologies (pumped storage hydro, hydrogen, etc.)
6. Few respondents shared that there is a need for easy accessibility for temporary connections and setting/supplying transformers at project/construction sites.
7. The respondents also pointed out the need to improve reliability and quality of power supply especially in rural areas.
8. A lot of responses also implied the need to promote and develop other renewable resources.
9. The respondents also found out that clarities regarding right of way (ROW) and easement rights for power infrastructure were also required. Utility is subjected to new rules like needing to pay lease rent for the ROW in the state land. Lease rent for land in the urban areas is too high, therefore it was suggested that the Act look into charging minimal lease rents.
10. It was also suggested that following aspects be included: how to redress aggrieved consumers through efficient refund/compensation; means to penalize the electricians/ electricity distributor if there are fire incidents caused due to wrong wiring/fittings and lines; and demand-side management which are not covered in the EAB. In addition, few of the respondents also proposed designing penalties for supplier on power failures and reliability issues; and to provide incentives to customers for unreliable power supply.
11. Few respondents also made suggestions for the introduction of a dynamic tariff mechanism and energy market establishment.
12. The responses also highlighted the need for improvements in compliance and enforcement to enhance performances of licensees.
13. The need for the enhancement for private sector participation and clarity on it was also frequently raised by the respondents.
14. Since the license exemption is limited to 500kW the respondents felt that this requires review and revision, including delicensing of generation. Energy generation license upto certain capacity or RE technologies should be delicensed. Further, licensing of Electricians/Engineers to certify the electrical installations was found to be a key requirement before release of supply to the households and energizing the electrical facilities/equipment.
15. The respondents felt that the constitution of Authority Members for ERA was unclear.
16. Several responses covered mandating or encouraging implementation of energy efficient technologies and practices to reduce energy consumption and cost, thereby contributing to energy conservation and environmental sustainability.
17. A lot of respondents were of the view that privatization for development of solar power projects and hydropower projects upto medium scale capacity could help promote private participation and investment which would eventually enhance national human capital.
18. The survey also demonstrated a lot of emphasis on FDI and Public-Private Participation by the respondents and suggested that it should be opened for project development including operation ownership for new energy technologies.





19. Floating of Public IPOs for raising project investment for both domestic and foreign Residents was proposed by the respondents to be promoted and adopted/implemented.
20. A few respondents indicated that the maximum authority was vested on the Minister and no independence to the regulatory body.

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**LEGISLATIVE IMPACT ASSESSMENT QUESTIONNAIRE FOR ELECTRICITY  
ACT OF BHUTAN, 2001**

**Section 1**

Name:

Designation:

Name of the Organization/ Agency:

1. Are you aware of the existence of the Electricity Act of Bhutan, 2001?
  - a) Yes
  - b) No
2. Is there a relevance of the electricity Act to your organization/agency?
  - a. Yes.
  - b. No
3. Is there a need to amend the Electricity Act, 2001?
  - a. Yes.
  - b. No.
4. Why do you think there is no need to amend the EAB?

**Section 2**

1. List down and describe some of the changes in the scope of the EAB, 2001 that are impacted after the recent national transformative initiatives?
2. What are the shortcomings in the existing Electricity Act?
3. Specify the areas that may require improvement or amendment to ensure the maximum effectiveness of legislation?
4. What new areas should be incorporated in the Electricity Act to ensure the accelerated growth of the public and private sector and efficient management of energy?
5. Will service delivery be improved through amendments of the EAB, 2001?
  - a. Yes
  - b. No
6. Please provide reasons for your response to Question 5.
7. List down any strengths or limitations in Electricity Act.
8. Identify any sections in the EAB that are redundant.?
9. How does the redundant sections, if any, have contributed to the challenges faced by your organization or Agency?
10. Are there any conflicting sections in EAB, 2001 in relation to other existing Acts?
  - a) Yes, If Yes please specify
  - b) No
11. If you answered yes in Question 10, please explain further on how there are conflicting sections in the Electricity Act and other existing Acts.



### Section 3

1. Should there be a consolidated Act like the Energy Act, covering all domains of energy to ensure energy security of the nation?
    - A) Yes
    - B) No
  2. Please provide reasons for your response in Question 1 of Section 3.
  3. Please share any additional suggestions or recommendations (not covered in the previous questions) you have for enhancing the effectiveness and relevancy of the Electricity Act.
-



## Cabinet Secretariat

## Tashichho Dzong

C-3/144/2023/1662

5 June, 2023

All Ministries/Constitutional/Autonomous Agencies

Thimphu

**Subject: Legislative Impact Assessment and implementation of Civil Service Reform Act.**

Dear *Dasho(s)*,

As you are aware, pursuant to the Civil Service undergoing the transformation process, the Royal Civil Service Commission and the Office of Attorney General began to review legislations which had been impacted by the reform process. Forty-six existing legislations had been identified, impacted and required amendment.

As the Principal Act “The Civil Service Reform Act 2022”, legitimizing the reform process has been passed as an Urgent Bill during the 8th Session of the Third Parliament, the Lhengye Zhungtshog directs every Ministry/Agencies to review the legislations impacted by the Civil Service Reform and readjust accordingly. The LZ also directs the Ministries and concerned agencies to initiate policy reviews, formulations surrounding amendment of impacted legislations and prepare in that line to undertake the LIA processes.

The list of 46 existing legislations identified as impacted by the reform process are attached herewith.

This has reference to the 144<sup>th</sup> Session of the Third *Lhengye Zhungtshog* held on May 23, 2023.

With warm regards,

Kayde  
(Kesong Deki)

Offg. CLO, Legal Section

for n.a

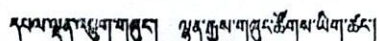
house

5/5/23

**Copy to:**

1. PS to Hon'ble Prime Minister, Gyalyong Tshokhang, Thimphu.
2. Hon'ble Minister, Ministry of Foreign Affairs and External Trade, Thimphu.





**Cabinet Secretariat**

## Tashichho Dzong

List of existing Legislations Impacted by the Civil Service Reform requiring amendment.

	Agency	List of Acts
1	MINISTRY OF ENERGY AND NATURAL RESOURCES	1. Forests and Nature Conservation Act. 2. Environmental Assessment Act 2000 3. National Environment Protection Act of Bhutan 2007 4. Waste Prevention and Management Act of Bhutan 2009 5. Water Act of Bhutan 2011 6. Electricity Act 2001
2	MINISTRY OF INDUSTRY COMMERCE AND EMPLOYMENT	7. Information Communication and Media Act 2018 8. Industrial Property Act of Bhutan 1995 9. Copyright Act of Kingdom of Bhutan 2001 10. Consumer Protection Act 2012 11. Bhutan Standards Act 2010 12. Bhutan Postal Corporation Act 1999
3	MINISTRY OF AGRICULTURE AND LIVESTOCK	13. Seed Act 2000 14. Pesticides Act 2000 15. Biodiversity Act 2022 16. Livestock Act 2001 17. Cooperative (Amendment) Act, 2009
4	MINISTRY OF INFRASTRUCTURE AND TRANSPORT	18. Road Safety and Transport Act 1999 19. Road Act 2013 20. Bhutan Civil Aviation Act 2013 21. Tenancy Act 2015
5	MINISTRY OF HEALTH	22. Food Act 2005 23. Biosafety Act 24. Plant Quarantine Act 1993 25. Medicine Act 2003 26. Narcotics and Psychotropic substance and Substance Abuse Act 2015 27. Tobacco Control Act 2010

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