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ENERGY GOVERNANCE INITIATIVE ASSESSMENT MONGOLIA



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LIST OF ABBREVIATIONS

SIK	State Ikh Khural
MMRE	Ministry of Mineral Resources and Energy
ERA	Energy Regulatory Authority (up to 2012)
ERC	Energy Regulatory Committee (since 2012)
NDC	National Dispatching Centre
CRES	Central Region Energy System
WRES	Western Region Energy System
ERES	Eastern Region Energy System
AURES	Altai-Uliastai Region Energy System
CRETG	Central Region Electricity Transmission Grid
WRETG	Western Region Electricity Transmission Grid
UBEDN	Ulaanbaatar Electricity Distribution Network
DSEDN	Darkhan-Selenge Electricity Distribution Network
EBEDN	Erdenet-Bulgan Electricity Distribution Network
BSEREDN	Baganuur-South-Eastern Region Electricity Distribution Network
UBHN	Ulaanbaatar Heating Network
DHN	Darkhan Heating Network
SOSC	State-Owned Shareholding Company
SOLLC	State-Owned Limited Liability Company
EDN	Electricity Distribution Network
CHPS	Combined Heat and Power Station
HPS	Hydro-Power Station
WPS	Wind Power Station/farm
SPS	Solar Power Station
DPS	Diesel Power Station
PL	Power Line
LH	License Holder
RE	Renewable Energy
WB	World Bank
USAID	US Agency for International Development
GHG	Greenhouse Gases
CDM	Clean Development Mechanism
EIA	Environmental Impact Assessment
TPS	Thermal Power Station

FOREWORD

Energy is an especially significant sector of infrastructure that directly affects the national economy, sustainable development of the country and the quality of life of the general public. When the energy sector is in crisis, the life of the whole country deteriorates. That is why the energy policy, its implementation and regulation issues attract special attention.

Up to the present, in Mongolia the state has managed almost all energy production, its transfer and distribution. With sharp economic growth in recent years, the demand for energy has increased in the same measure. Construction of energy facilities required huge investment and a large part of foreign loans and assistance was spent on its renovation. With pressing issues such as the need to improve living standards of population, reduce social disparity and lessen environmental degradation, there is an urgent need to make the energy sector policy planning, implementation and monitoring even more accountable, transparent and open to the general public.

The Open Society Forum in cooperation with the Central Eurasian Project presents an Energy Governance Assessment, which was implemented with an aim to support strengthening of good and responsible governance in the energy sector. The assessment process was conducted with an Electricity Governance Initiative toolkit developed by the World Resources Institute (USA) and the Prayas Energy NGO (India) to assess capacity, transparency, public participation and accountability of (i) the regulatory process and (ii) the policy process of the sector with 68 indicators.

The Energy Governance Initiative follows a principle of participation of all stakeholders that operate, participate in activities of this sector and benefit from the sector, including state, business, research organizations, NGOs, efficient participation of local communities and citizens. The parties have their own duties and responsibilities and while only some have the authority to make official, final decisions, they all should have an opportunity to voice their opinions and influence decision-making. Furthermore, it is planned to establish a council on cooperation of all stakeholders that will be in charge of managing implementation of the initiative at the national level.

We organized a consultative meeting in November last year. The minutes of the meeting are enclosed in the report in order to deliver to our readers important issues addressed in that meeting. The average assessment of the Mongolian Energy Governance is 3.15 /out of 5/, which illustrates significant issues that need to be improved in the policy and regulatory processes and implementation of decisions made in the sector.

That is why, based on assessment results and suggestions put forward during the consultative meeting, the OSF is planning to pay further attention to energy governance issues by establishing a civil society coalition to express their position.

The present assessment was carried out based in on information and the situation of the sector in 2011 and the first half of 2012. As a result of the parliamentary elections in June 2012, there have been changes in the structure of some public bodies, including the energy governance structure. For instance, the Ministry of Mineral Resources and Energy has been replaced by the Ministry of Energy, and the state implementing agency, the Energy Authority, was disbanded and its duties were transferred to the Ministry.

However, at present there have been no major changes related to the policy and regulation in the energy sector.

We would like to extend our gratitude to the research team that successfully implemented the work commissioned by the OSF, thus giving an opportunity to present you this research.

P. Erdenejargal
Executive Director of Open Society Forum

INTRODUCTION

The energy sector is an especially significant part of the infrastructure, the national economy and for sustainable national development, and the quality of life for the general public depends on it directly.

The Open Society Forum, in cooperation with the Central Eurasian Project, began implementation of the Energy Governance Initiative in 2011, with the aim of supporting national development by strengthening good and responsible governance in the energy sector, which is of fundamental importance in people's every day life.

In English, the initiative is called the Electricity Governance Initiative. Since in Mongolia electricity production is inseparable from heating production, and policies and regulations of these industries are regulated by the same laws under the same ministries and agencies, the initiative is viewed in the frame of the general energy sector.

The energy sector is an especially significant part of the infrastructure, the national economy and for sustainable national development, and the quality of life for the general public depends on it directly. If the energy sector falls into crisis, it will most likely directly affect every part of society. Therefore the energy policy, its implementation and its regulation are issues that attract special attention.

Up to the present, the state has managed almost all energy production, transfer and distribution. With sharp economic growth in recent years, the demand for energy has increased in the same measure. With pressing issues such as the need to improve living standards, decrease social disparity, and reduce environmental degradation, there is an urgent need to make energy sector policy planning, implementation and control even more accountable, transparent and open to the general public.

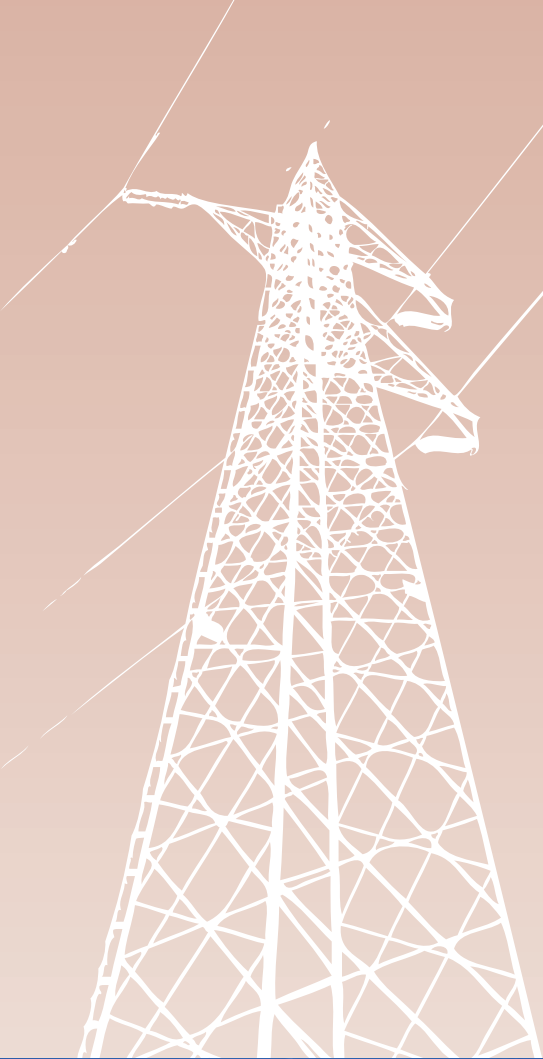
The Energy Governance Initiative is in principle based on active participation of all stakeholders involved in and/or benefitting from this sector, including public, business and research organizations, NGOs, local administration and the general public. Each stakeholder has rights and responsibilities, while only some have the authority to make final, official decisions. However, all should be able to express concerns and influence decision-making. That is why it is planned to establish a council involving cooperation between all stakeholders in the energy sector, with a mechanism for the management and implementation of the initiative at the national level.

We have conducted training sessions for stakeholders with experts from countries that have implemented this initiative, to learn from their experience.

The present assessment was carried out based in on information and the situation of the sector in 2011 and the first half of 2012. As a result of the parliamentary elections in June 2012, there have been changes in the structure of some public bodies, including energy governance. These include a change in membership of the Standing Committee on Economy, which covers energy issues. Although Mr. Tleihan, an energy professional, was re-elected to the SIK, he has not yet become a member of that committee.

The MMRE has been replaced by the Ministry of Energy, and MP M. Sonompil has been appointed Minister. The state implementing agency, the Energy Authority, was disbanded and its duties transferred to the Ministry.

At present there are no new major decisions relating to policy and regulation of the energy sector. The issue of location of a fifth power station to be built in Ulaanbaatar has been discussed several times by the government, but as yet there has been no final decision, which in our opinion confirms our conclusions arising from the assessment process.



About the Energy Governance INITIATIVE ASSESSMENT



In Buren soum, Tuv aimag, 2011. Photo by Ts.Batbaatar

The energy sector's legal environment has been reformed, sector restructuring has taken place, there has been transition to market relations and creation of major conditions for promoting competitiveness and establishing an independent regulatory mechanism. However, many experts, the general public and consumers believe that implementation of these measures has been slow and unsatisfactory. In general, our assessment confirms that conclusion. Recommendations have therefore been developed to improve energy governance in Mongolia, to make it accountable, transparent and open, and to increase public participation.

An assessment of Energy Governance in Mongolia was the first step in this initiative, the first attempt to evaluate the quality of governance in the energy sector.

The assessment process was conducted with an Electricity Governance Initiative toolkit developed by two non-profit research institutes: the World Resources Institute (US) and the Prayas Energy NGO (India). There was a determination of a framework of laws and regulations, policy formulation, regulation systems and processes and statistics needed for each question. Information was then collected from various sources; this was analyzed and synthesized; and finally answers were evaluated according to the toolkit methodology.

A short overview of the Mongolian energy sector has been included as an introduction to the assessment report. We believe that this will help application of the energy governance assessment results and questionnaire answers to the present situation of the industry.

The Energy Governance assessment involved two main directions: policy and regulatory processes. Structures, decision-making and implementation of each process, and impact on environmental and social issues, were all evaluated.

Policy Process	Institutions	Policy formulation	Implementation	Environmental and social (ES) issues
Regulatory Process	Institutions	Operations	Implementation	

In total, 68 indicators with 3-8 questions each were completed. Assessment was made, applying explanations and documentation to governance quality indicators, as to whether certain issues of the energy sector were properly dealt with.

Assessment involved meeting with representatives and officials of the State Ikh Khural (SIK, the Parliament: in this parliamentary republic, the President has the right to veto parliamentary decisions), line ministries and agencies, to obtain information; analysis of the processes of development and approval of laws and regulations relating to the energy sector; studying the new Energy Law, the Renewable Energy Law, parliamentary and government resolutions relating to those laws, and resolutions of line ministries, as well as regulations on prices and tariffs; studying energy sector regulations developed by the ERA; participation in debates on the laws; interviews with relevant officials; and case studies.

Using completed indicators and evaluation of each part, an assessment of the present situation of energy governance in Mongolia was arrived at.

The energy sector's legal environment has been reformed, sector restructuring has taken place, there has been transition to market relations and creation of major conditions for promoting competitiveness and establishing an independent regulatory mechanism. However, many experts, the general public and consumers believe that implementation of these measures has been slow and unsatisfactory. In general, our assessment confirms that conclusion. Recommendations have therefore been developed to improve energy governance in Mongolia, to make it accountable, transparent and open, and to increase public participation.

EXECUTIVE SUMMARY

In the frame of an objective to introduce in Mongolia the Electricity Governance Initiative implemented worldwide, a detailed survey that evaluated the present condition of policy and regulatory processes in the energy sector was conducted throughout 2012 with participation of civil society organizations working in this field and researchers.

At present the energy sector in Mongolia meets the basic energy needs of the country. Nearly all towns and settlements are connected to different energy systems and rural households dispersed on the vast territory of the country widely use renewable energy resources.

When an analysis of the sector was implemented, a conclusion was made that the sector is facing a very important stage of development. On the one hand, due to a rapid economic growth use of electricity and heating has increased enormously in the past few years. On the other hand, since main electricity production facilities were built during the past socialist era, i.e. before 1990, in the near future these power stations will not be able to meet such a great demand. A need to build new electricity sources was discussed by everyone, the decision-makers, researchers, business people and consumers, but real work has not been done despite ongoing debate and several decisions. Work on construction of the fifth power station, which is vital for Ulaanbaatar, where nearly half of the total population resides, has been put aside several times. The issue of providing reliable sources of electricity to the mining industry in the Eastern region has not yet been resolved and the debate is still going on. It is difficult to believe that our country that has abundance of coal faces such problems.

In the future the energy sector faces a challenge of not only meeting the present needs of country, but foreseeing development perspectives of the country and its growing demand in order to expand and increase its capacity, to introduce new energy sources.

At present, the state participation in the energy sector remains dominant. Since prices and tariffs have been deliberately maintained at a certain level as they were considered fundamentally important for the total economy, energy companies had limited opportunity to introduce important technological innovation, to improve their efficiency and reduce their expenses, which led to constant criticism. This method is evaluated differently by different people, but

the majority concludes that such measures were inevitable because of the crisis and hardships faced by the national economy since 1990, poor living conditions of the population and their poor purchasing power.

The situation has changed gradually in the last decade. Many sectors and companies became successful and a substantial part of population has better living conditions and greater purchasing power, which creates conditions for a reform in the energy sector.

Along with introduction of prices and tariffs based on the market principles, construction of new power stations and grids, a reform of governance should be made in the first place. We have full grounds to say that it has started.

By 2012 the main policy and legal documents in the energy sector have been renewed. The development objectives and ways to achieve them have been determined on the basis of the overall development prospects of the country, the demand, environmental and safety requirements, scientific and technological progress. First of all, a clear objective was put forward – to make a complete transition of the energy sector to market relations in the four years from 2010 to 2014.

The research team that conducted the energy governance assessment of Mongolia studied the above mentioned policy documents, laws and regulations, their implementation, the mechanism of their implementation and, most importantly, outcomes, which were shown on clear facts and examples.

The structure of the electricity governance, its fundamental elements and attributes are in place in our country. For instance, although there is lack of a specific unit on energy issues in the Parliament, the Economic Standing committee paid special attention to the energy issues. It is illustrated by a complete legal reform made in the sector in the past few years.

The energy regulatory mechanism meeting international standards has operated for the last decade. The energy regulatory committee is autonomous from the line ministry, has a representation of businesses and consumers (its structure and composition was expanded according to the new Energy Law last year) and it has a proper office and appropriate financial and information resources. While in the first years decisions about changes in prices and tariffs were made with use of administrative methods, which attracted much criticism, lately regulators have learnt to take into account consumption and purchasing power of different consumer groups and started making gradual changes using indexation. However, in order to implement a decision for the energy sector to operate without losses starting from 2014, the sector needs to carry out research, plan measures to be implemented in the remaining years. There is lack of detailed calculations, and if they are there, they are non-transparent and were developed without participation of consumers and public.

One other duty of the ERC is issuance of licenses. It was observed in the previous years that external or political influence was great in granting a license to build new energy sources, electricity grids, heating networks and infrastructure. Costly, economically inefficient high voltage power lines built in locations with a small population were usually built under pressure from MPs elected from given constituencies and political parties that strived to implement their action plans.

While such decisions might be justified by their social importance, a license to build a new power plant in UB has failed, but decisions to build energy sources in Oyu Tolgoi and Tavan Tolgoi in Umnugobi aimag based on deposits in these places were approved by the State. These steps contradict the policy of developing an integrated energy system in the country and create a debate about favoring interests of certain companies.

In the course of the survey it was determined that processes that take place before the ERC makes a decision are not transparent, participation of general public and researchers in decision-making is low, their opinions are not received. This fact creates conditions for the regulatory process to be influenced by politics and businesses.

Another example of a great influence of politics on the energy sector is structural changes and staff replacement related to a different political force, which became a ruling party after the 2012 parliament elections.

The ministry of Mineral Resources and Energy was divided into 2 ministries, one of which is a Ministry of Energy, which might be a positive step with regard to the interests of the sector. Replacement of the Minister and the Deputy Minister had to be accepted, because these are political positions. It is difficult to say if disbandment of the Energy Authority was a wise step. However, it is necessary to say that sustainability of governance and its continuity might be lost.

The state secretary of the ME was replaced due to political reasons, the head of ERC, appointed a few months ago, was dismissed and a politician representing the new ruling party was appointed. Although there should be 5 regulators, one of them is still not appointed even though several months passed. Meanwhile, resolution of such issues as granting licenses for new energy sources, making changes in prices and tariffs is delayed.

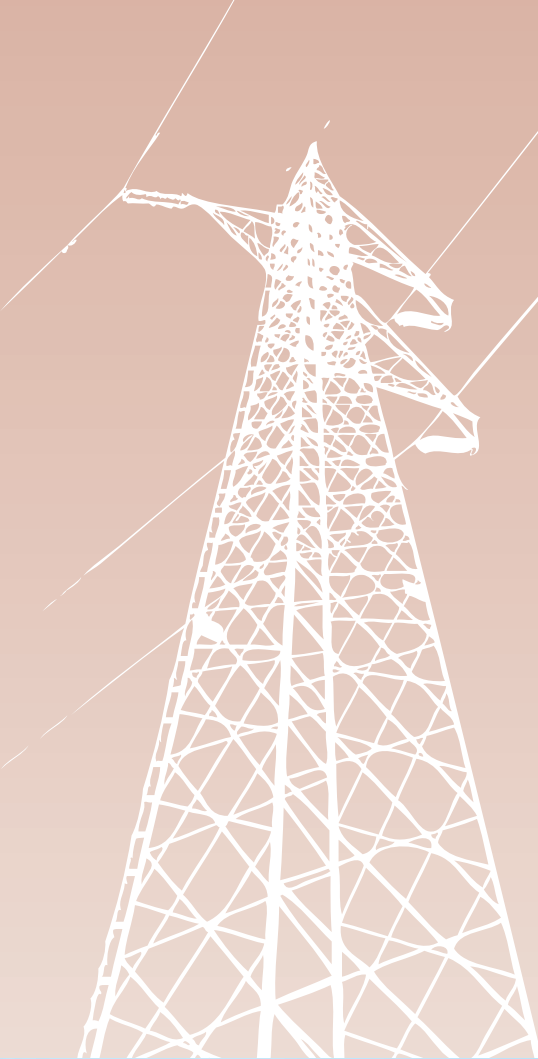
In conclusion, energy governance in Mongolia reached an appropriate level as a system. It has satisfactory authority, the process of developing policies, programs laws and regulations is relatively open. However, many examples in the course of the study showed that a final decision is made in a very non-transparent way. The issue of staffing is a similar situation.

Therefore, it is necessary to really introduce seemingly simple, but key principles of good governance in the energy sector, namely transparency and openness, rather than changing anew the present policy and regulatory system. We view that it is the basic condition for resolution of pressing energy governance issues, determined in the course of the study.



ULAANBAATAR

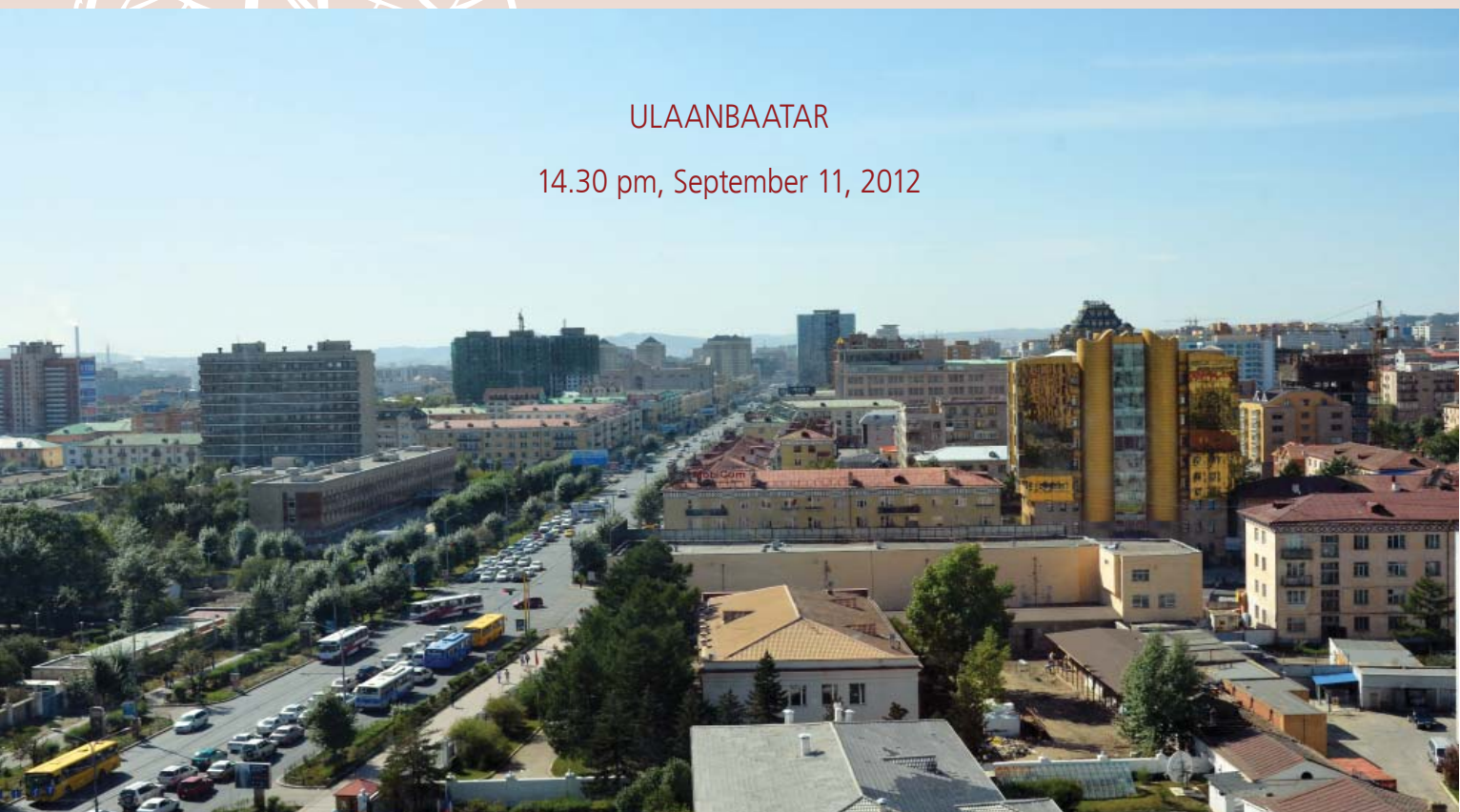
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OVERVIEW OF THE ENERGY SECTOR

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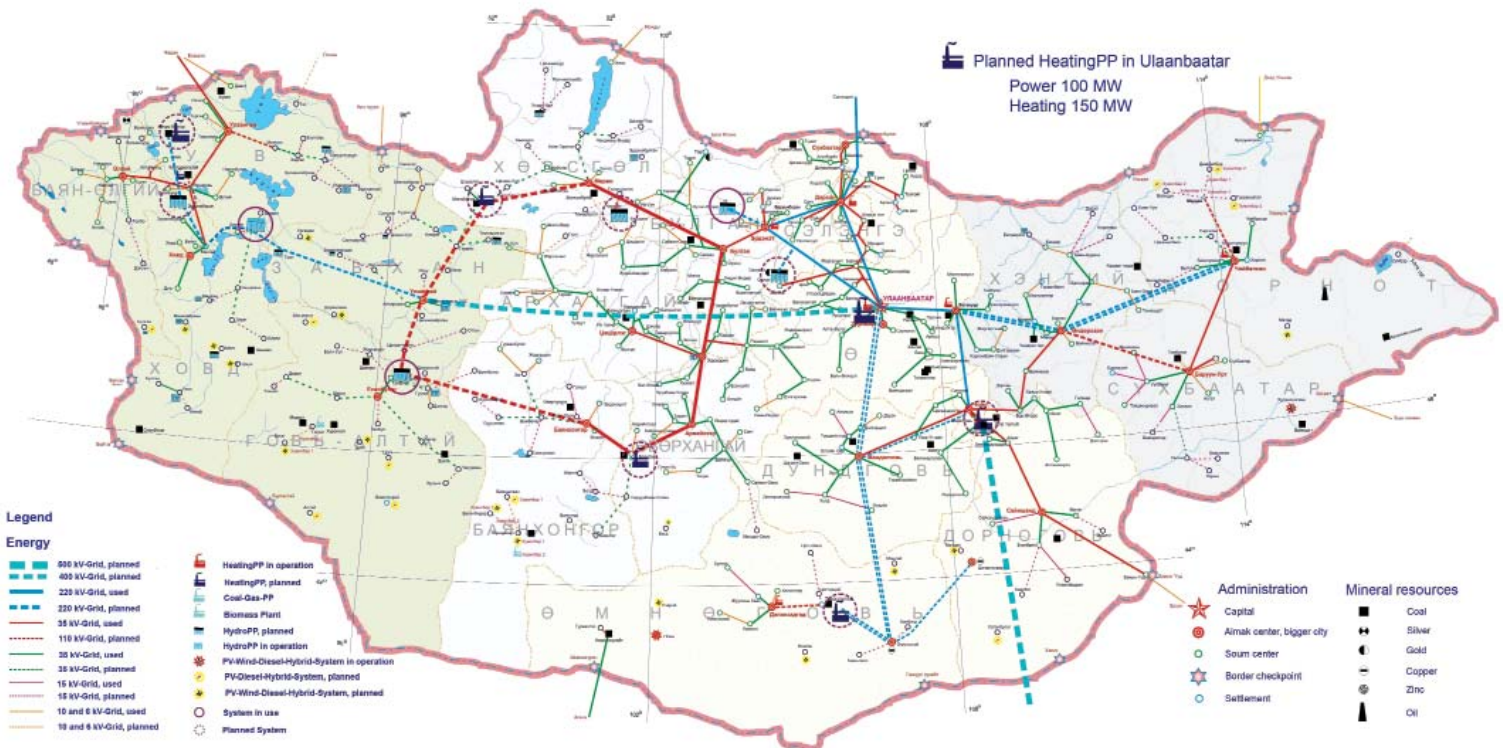
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OVERVIEW

Mongolia has four separate energy systems: the Central Region Energy System (CRES); the Western Region Energy System (WRES); the Eastern Region Energy System (ERES); and the Altai-Uliastai Energy System (AUES). Dalanzadgad and Ukhua-Khudag CHP stations operate autonomously.

MONGOLIAN ENERGY SYSTEM: THE PRESENT AND FUTURE DEVELOPMENT SCHEME



The table below shows the capacity and range of the current energy sources in Mongolia.

Systems	Source, capacity (MW)	Range	Links to other energy systems	Population covered	
CRES	TPS-2 - 21.5MW TPS-3 - 136MW TPS-4 - 560MW Darkhan TPS - 48MW Erdenet TPS - 28.8MW Total - 794.3MW CRTPS, Darkhan, Erdenet, Ulaanbaatar, Baganuur TPS	Ulaanbaatar, Darkhan, Erdenet city, Arkhangai, Bulgan, Gobisumber, Darkhan-Uul, Dornogobi, Dundgobi, Orkhon, Uvurkhangai, Selenge, Tuv, Khentii, Khuvsgul Aimags (270 soums)	220kW line connected to Buryat Republic Energy System (in the Russian Federation)	1,650,000	
WRES	Dornod TPS - 36 MW	Dornod, Sukhbaatar aimag soums	Although connected to CRES by a 110kW line, this line is not operating	55,000	
ERES	Durgun Hydro Power Station (HPS) - 12MW	Uvs, Bayan-Ulgii, Khovd aimag soums	Connected by a 110kW line to the Russian Krasnoyarsk Energy System	11,5000	
AUES	Taishir HPS - 11MW	Zavkhan, Gobi-Altai (31 soums)	-		
Autonomous	Dalanzadgad TPS - 6MW	Umnugobi	-	28,000	
Autonomous	Ukhaa-Khudag CHPS	Umnugobi	-		
Autonomous	Soum centers and small settlement solar, wind and steam PS (11 HPS, 6 combined solar and wind PS, 3 solar PS, 5 wind PS)	Zavkhan, Gobi-Altai Umnugobi, some soums of Dornogobi (in total 22 soums)	No	270000	
	Power generators used by herder households	150,000 herder households	No	500,000	
Source types ¹	Total	CHPS	Import	Diesel	Renewable energy (RE)
Capacity (MW)	1047.6	835.5	134.4	46	31.7
Percentage		79.8	12.8	4.4	5.4

¹ MMRE webpage www.mmre.energy.mn

The survey findings demonstrate an urgent need for construction of new power sources, since in 2013-2015 domestic sources will face a capacity shortfall.

At present power produced by the CHPS with that imported from Russia completely meets the demand of the central region. With high-voltage lines set at 794.3 MW (potential capacity 627MW) connected to the Russian system, up to 240MW can be received. However, plant equipment is outdated; the newest CHPS-4 in Ulaanbaatar started operating in 1981.

Demand for power is increasing by 5-7% each year.

A gap in peak load of the energy system is filled by power from Russia; in 2007 the gap was 98MW, in 2010 it reached 70MW. The power supply will barely suffice for some years, but heating, for Ulaanbaatar, faces serious problems. There is need for a new CHPS or heating station to manage peak load, and more power from Russia will be needed to maintain reserve capacity at an appropriate level.

At present five combined heating and power production plants (CHPS-4, CHPS-3 and CHPS-2 in Ulaanbaatar, Darkhan CHPS and Erdenet CHPS) are operating in the frame of CRES. Choibalsan CHPS operates in ERPS, Dalanzadgad and Ukhua-Khutag CHPS operate in Umnugobi aimag.

The survey findings demonstrate an urgent need for construction of new power sources, since in 2013-2015 domestic sources will face a capacity shortfall.

New power sources include Mogoin Gol CHPS (30-60MW, 2011-2013); Dalanzadgad extension of 3 MW (added in 2011); the 100MW extension of the Dornod source (2012-2013); CHPS-5 in Ulaanbaatar and Tavan Tolgoi CHPS (2011-2015).

New power lines and networks will need to be built for electricity transmission to consumers from both operating and new plants².

FINANCIAL AND ECONOMIC PROFILE OF THE ENERGY SECTOR

In 2010 CRES, WRES and ERES produced 3,989.7KW/h of electricity with CHPS, 1,105 million KW/h with HPS, imported 180.8 million KW/h of electricity, exported 21.2 million kW/h, and distributed 2,746.9 million kW/h of electricity and 6,399,700 gigacalories of heat.

Companies with energy production licenses earned in total 285.5 billion MNT in 2010, with expenditure of 325.6 billion MNT, resulting in losses of 46.1 billion MNT from basic activities and losses of 23.2 billion MNT after tax. With six price and tariff re-regulations (2002, 2005, 2007, 2008, 2009, 2011), sales income went from 96.5 million MNT in 2001 to 280 million MNT in 2010, an increase by 2.9 times.

Since 2001 the price of power sold to the Central region has grown by 1.5 times, the tariff for housing heating has risen by 1.65 times and tariffs for household heating have risen by 2.5-3.75 times. The sales income of 18 power companies has risen by 142 billion MNT, 2.5 times that of 2001.

² GoM Action Plan 2008-2012

The industry has been supporting private investment and private management, and most small heat supply companies in urban and rural areas are privatized.

Along with many positive outcomes of energy industry regulation, there is one major problem that remains unresolved, even after sector structural reform: debts and receivables. The imbalance of these between energy producers, mines, providers and consumers has meant that companies are experiencing a shortage of capital sources and are financially unstable.

REFORM OF THE ENERGY SECTOR

After the 2001 enactment of the Energy Law, the government approved Resolution 164 on structural reform of the energy sector. The centralized structure set up in the socialist era was disbanded and 18 independent companies were established, including state-owned shareholding companies of energy producers and distributor networks and the National Dispatching Center.

The industry has been supporting private investment and private management, and most small heat supply companies in urban and rural areas are privatized.

The government showed support for initiatives of private investors and issued licenses for wind power stations and large capacity CHPs.

In 2011 the privately-managed Uliastai Energy LLC started operating and the Darkhan-Selenge power distribution network became a 100% private company. The Bayankhongor power distribution network LLC and the Khuvsgul power distribution network are both locally-owned companies.

2010 industry statistics indicate that a total of 73 companies had received 173 licenses (ten kinds) for provision of different services related to energy.

DEVELOPMENT POLICIES AND STRATEGIES OF THE ENERGY SECTOR OF MONGOLIA

Development of the Mongolian energy sector is based on major documents approved by the SIK, including the Comprehensive Policy for National Development, the Program for an Integrated Energy System and the National Program for Renewable Energy.

The development strategy for the fuel and energy sector takes into account internal and external factors of the current situation and follows the principle of correlation between economic and energy development, as below.

- In coming years to establish coal CHPs to meet the growing demand for energy in the mining and construction sectors.
- To build coal CHPs exploiting Mongolia's rich coal resources to export large amounts of electricity to neighboring countries.
- To build an HPS able to resolve the question of CRES load and reserve generators.
- To resolve the threatening shortage of heating capacity in Ulaanbaatar, Darkhan and Erdenet by building a heating plant to operate 3-4 months a year to meet peak load or by building a CHPs.

SIK decisions have been diverted because MPs tend to make decisions favoring small-scale interests of their electoral districts, which has led to expansion inefficient power lines and development of inadequate sources.

- To carry out a comprehensive study into the best way of heating soum centers and settlements, to build heating sources using coal gas, improved coal, and liquefied combustible gas.
- By gradually increasing energy prices and tariffs with the aim of covering costs.³

The Program for an Integrated Energy System, a fundamental policy document determining sector development up to 2040, proposes the following objectives.

- To set up an independent, reliable energy supply system and create a highly profitable production structure.
- To choose optimal locations for power stations for the export of energy.
- To determine an energy saving policy, to introduce new and effective technology, to reform energy source structure with renewable energy resources to ensure reliable energy supply in central and local areas.
- To secure a reliable regional energy supply by building new energy sources, hydro-power stations and high-voltage power lines in an integrated energy system that provides for effective economic mode and operations.
- To improve the legal industry environment and management, in line with market conditions, and to increase private sector participation in the fuel and energy sectors.

In 1999 there was approval of the National Program for 100,000 Solar Gers, aiming to supply renewable energy to rural areas, and in 2005 a National Program on Renewable Energy was approved and implemented. The Renewable Energy Law was enacted in 2007, creating the necessary legal environment for further development of renewable energy sources.

Implementation of these policy documents on the development of a legal industry environment has not been satisfactory. SIK decisions have been diverted because MPs tend to make decisions favoring small-scale interests of their electoral districts, which has led to expansion inefficient power lines and development of inadequate sources.

ENERGY REGULATION

With the 2001 establishment of the Energy Regulatory Authority (Energy Regulatory Committee since 2012), energy regulation has been in place for over a decade.⁴ The ERA lays claim to the following achievements.

- Tariff income of license holder companies has increased.
- License-holders have begun receiving performance-based bonuses.
- Performance audits are conducted.
- License-holder activities are monitored and rated.
- Power blackouts are measured by international indexes.

³ Preliminary feasibility study of expansion of the Western Energy system (MEA, 2011, pp 365).

⁴ Energy regulation in the decade /compilation for the ERA 10th anniversary, 2011. UB, 250 pp

SIK Resolution 72 mandated the government to take policy and organizational measures to start a transition to market relations as from 2014, using price indexation and gradual increases in prices and tariffs.

- The first agreement on the purchase of wind-power was reached under the Renewable Energy Law.
- There has been transparency of price and tariff regulation and increased public participation in regulatory activity.
- Statistical indicators of the energy industry are published annually.
- An international body evaluates ERA activities.

Creation of tariffs that enable energy producers and networks to achieve financial independence is an urgent issue in the energy sector. However, prices and tariffs for electricity and heating sold to companies and enterprises by license-holders are not determined on the basis of the real costs of operation. Rather, energy tariffs are fixed for political purposes. SIK Resolution 72 mandated the government to take policy and organizational measures to start a transition to market relations as from 2014, using price indexation and gradual increases in prices and tariffs.

PRIVATIZATION LESSONS, PRESENT POLICY

In 2001 there was structural reform in the energy sector as part of the transition to market relations; the state-owned plants were reorganized into state-owned shareholding companies. Up to the present they have not been privatized. However, of the 73 companies that received 173 licenses (ten kinds) for provision of various energy services between 2001 and 2011, most were private.

In 2011, licenses to build new energy sources were issued to the East Energy Development LLC (600MW CHPS); to United Power LLC (18MW CHPS); Sainshand Wind Park LLC (52MW wind park); Clean Energy LLC (50MW wind station); AB Solar Wind LLC (100MW wind station); Idener Global LLC (50.4MW WPS); Oyu Tolgoi LLC (44MW diesel station and 72MW heating plant); and the Civil Aviation Authority (443MW solar power plant). All these (except the CAA) are private companies.

With the 2010 enactment of the Concession Law, the legal grounds were laid for private investment in state- and locally-owned assets, without privatization. At present Uliastai Energy LLC (privately managed) operates on the basis of an energy production concession agreement.

Under the Concession Law, energy sources with private investment, as well as those with investment directed to further privatization, are included in the list of concessions approved by Government Resolution 198.

With the 2010 enactment of the Concession Law, the legal grounds were laid for private investment in state- and locally-owned assets, without privatization.

Name of concession recipient	Type of concession	Work and services to be rendered	Selection method
Tavan Tolgoi CHPS	Build-own-operate	Build the power plant, produce energy, own	Tender
CHPS-5	Build-own-operate	Build the power plant, produce energy, own	Tender
Dornod CHPS	Build-own-operate	Build the power plant, produce energy, operate, transfer	Tender
CHPS-3 HK project	Renovate-operate-own	Produce electricity and heating, operate, own	Tender
Erdenet CHPS	Renovate-operate-own	Produce electricity and heating, operate, own	Tender

At present studies and calculations are being carried out in this field.



Nearby the Combined heat and power station- 3, 2011. Photo by Ts.Batbaatar

Energy governance
**ASSESSMENT,
CONCLUSIONS AND
RECOMMENDATIONS**



ASSESSMENT SUMMARY

Assessment of the present state of energy governance in Mongolia was carried out using an international methodology; answers were given to 68 indicators with 3-8 questions related to policy (36) and regulatory (32) processes. These were then analyzed and assessed on a scale from 1 (low), 2 (low-medium), 3 (medium), 4 (medium-high) and 5 (high).

Policy process

Indicators		Not evaluated, 1 (low) 2 (low-medium) 3 (medium) 4 (medium-high) 5 (high)
Institutions		
PP1	Capacity of legislative committee	4
PP2	Capacity of legislative committee to assess environmental issues	1
PP3	Capacity of legislative committee to assess social issues	3
PP4	Effective functioning of the legislative committee on electricity	3
PP5	Staffing policies of electricity ministry/department	5
PP6	Clarity and transparency of the executive's environmental mandate	3
PP7	Clarity and transparency of the executive's social mandate	3
PP8	Capacity of executive to evaluate environmental issues	1
PP9	Capacity of executive to evaluate social issues	5
PP10	Annual reports of the electricity ministry/department	4
PP11	Advisory committees to the electricity ministry/department	4
PP12	Effective functioning of distinct planning/policy agency	3
PP13	Capacity of civil society organizations	3
Average for institutions		3.2

Policy formulation		
PP14	Quality of legislative debate on electricity laws	5
PP15	Quality of media coverage of electricity policy and reform	NE
PP16	Clarity of process for public participation in policy-making	2
PP17	Public disclosure of information on the basis and goals of policy reform	3
PP18	Effectiveness of public participation process	2
PP19	Consideration of environmental issues in sector reform law and policy	4
PP20	Assessment of job losses linked to policy changes or sector reforms in the electricity sector	1
PP21	Transparent formulation of policy on independent power	2
PP22	Public disclosure regarding use of consultants	3
PP23	Transparency of donor engagement through policy loans	5
Average for policy formation		3,0
Policy implementation		
PP24	Transparency of donor engagement through technical assistance	3
PP25	Transparent and accountable implementation of IPP policy/legislation	3
PP26	Transparent selection of private sector service providers	5
PP27	Transparency of asset valuation /balance sheet restructuring	4
PP28	Transparency and accountability in the design and implementation of subsidies	3
PP29	Clarity of authority and jurisdiction to grant environmental approvals for power sector projects	5
Average for policy implementation		3,8
Environmental and social issues		
PP30	Public participation in setting minimum environmental performance standards	2
PP31	Public participation in developing policies to reduce environmental impacts	3
PP32	Inclusion of environmental considerations in the national plan for the electricity sector	2
PP33	Comprehensiveness of environmental impact assessment laws, policies and procedures	1
PP34	Comprehensiveness of environmental impact assessment laws, policies and procedures	4
PP35	Scope for project-affected people to exercise their rights in project licensing/approval	3
PP36	Participation in decision-making on access to electricity services	5
Average for environmental and social issues		2,7
Overall average for the policy process		3.2

Regulatory process

Regulatory structure		
RP1	Institutional structure for regulatory decisions	5
RP2	Authority of the regulatory body	5
RP3	Jurisdiction of the regulatory body	4
RP4	Scope and transparency of the environmental mandate of the regulatory body	2
RP5	Scope and transparency of the social mandate of the regulatory body	4
RP6	Selection of regulators	2
RP7	Preventing conflicts of interest on the part of regulators	4
RP8	Autonomy of regulatory body	5
RP9	Appeal mechanism	4
RP10	Quality of the judicial or administrative forums that address environmental and social claims	NE
RP11	Training of regulatory body members and staff	4
RP12	Regulator's capacity to evaluate environmental issues	NE
RP13	Regulator's capacity to evaluate social issues	5
RP14	Information available to public regarding use of consultants	3
RP15	Clarity of regulatory procedures and substantive basis of decisions	NE
RP16	Regulator's response to environmental and social claims	NE
RP17	Proactive initiatives of the regulator	3
RP18	Disclosure of documents in the possession of the regulatory body	4
RP19	Procedure for public access to regulatory body documents	4
RP20	Space for public participation in the regulatory process	4
RP21	Public access to regulatory documents and hearings	NE
RP22	Institutional mechanisms for representing the interests of weak groups	2
RP23	Building capacity of weaker stakeholders to participate in the regulatory process	1
RP24	Interventions by civil society in the regulatory process	1
RP25	Electricity-provider engagement with civil society organizations and potentially affected populations	2
RP26	Orders and decisions of the regulatory body	1
RP27	Dissemination of decisions	3
Average for regulatory structure		2.5

Operational issues		
RP28	Tariff philosophy	3
RP29	Participation in decision-making related to affordability of electricity prices	2
RP30	Licensing	3
RP31	Periodic performance reports by licensees and utilities	3
RP32	Consumer service and quality of supply	4
Average for operational issues		3.0
Overall average for regulatory process		3.1

Summary assessment

PP	Policy process	3.2
RP	Regulatory process	3.1
Average summary assessment		3.15

By the summary assessment of energy sector policy and regulatory processes, the present overall electricity governance in Mongolia is evaluated at 3.15, which is a medium or slightly higher level.

Assessment for the regulatory process is slightly lower than that for the policy process. Although the energy regulatory system is based on international standards, problems and shortcomings in the process of making actual decisions, and especially in implementing them, affected the assessment, as seen in the completed indicators.

In general, a relatively good energy governance has started to emerge in Mongolia. However, the assessment illustrates that things may need to change at the implementation level in both policy and regulatory processes.

The conclusions reached and recommendations made by the research team, based on each major component of the policy and regulatory processes as well as 68 completed indicators, are presented below.

POLICY PROCESS: CONCLUSION AND RECOMMENDATIONS

DEFINING THE POLICY PROCESS IN THE ENERGY SECTOR

The electricity governance policy process is defined as comprising managerial and organizational actions directed towards the formulation of concepts and draft proposals for laws, parliamentary and governmental resolutions, related legal documents, and development strategies and programs which define the policy of the sector; discussion and approval of these documents by parliament; reflection of them in resolutions, orders and procedures of the government, Mineral Resources and Energy Ministry and the government implementing agency (Energy Regulatory Authority); and implementation in the sector.

From data collected and studied, we have reached the following conclusions on how the institutions which define and implement sector policy of the sector meet these criteria at the various stages of the policy process: capacity, opportunity, transparency, public participation, environmental and social issues.

CURRENT SITUATION OF LEGAL REGULATION IN THE ENERGY SECTOR

In 1995 Mongolia adopted its first Energy Law. Another was passed in 2001, and since then, there have been five amendments to the law. In addition, related legislative documents and programs have been released to create a legal environment to facilitate a gradual transition to the market economy, making it possible to meet the continuously increasing demand of the population and the economy for energy, to establish fair competition, and for an independent mechanism for energy regulation.

In the last two years in particular, major policy changes have been made in the sector, as can be seen in the legislation changes. For example, in December 2010, Parliament Resolution 72 (Measures To Be Taken In The Fuel And Energy Sector) was passed; for its implementation, Government Resolution 139 (27 April, 2011) was issued and an action plan adopted. In December 2011, a draft law amending the Energy Law was adopted.

Currently, the following legislative documents are valid in the sector.

LAWS OF MONGOLIA		
Title of the law	Date of approval	Dates of amendments
Energy Law	1995.12.01	1996.08.30 1998.01.15
Energy Law	2001.02.01	1996.11.30 2002.07.04 2007.11.11 2008.12.19 2009.07.16 2011.12.09
Renewable Energy Law	2007.01.11	2008.12.19
Company Law, Civil Code, Concessions Law etc.		
DOCUMENTS APPROVED BY PARLIAMENT		
Title of legal documents	Date of approval	Nº
Integrated Energy System Program	2007.01.30	10
National Program on Renewable Energy	2005.06.09	32
Measures To Be Taken In The Fuel And Energy Sector	2010.12.09	72
Government Action Program - 2008-2012 (comment: parliamentary elections are held every four years and the elected government runs a 4-year program)		
Main Directions of Social and Economic Development	(annual)	
LEGAL DOCUMENTS APPROVED BY GOVERNMENT RESOLUTION		
Title of legal document	Date of approval	Nº
Regulations on Electricity Use	2001.12.05	263
Regulations on Thermal Energy Use	2001.12.05	263
Regulations on Protection of Power Lines and Networks	2001.12.05	263
Strategic Plan for Sustainable Development of Energy Sector	2002.07.04	140

When the sector faced crisis in the 1990s in the transition to a market economy, the US International Development Agency (USAID) inter alia helped to develop an energy development strategy for Mongolia, researching the development of an Energy Law as well as several studies on financial stability, energy sector structural changes, energy supply and tariffs, energy-saving and efficiency and capacity-building. Mongolia's energy sector development strategy was developed with USAID assistance, and was approved in 2002.

The Comprehensive Policy of National Development and the Government Action Plan clearly reflect the short-term and long-term sector development strategies. Moreover, parliament and the government have adopted and implemented programs defining future energy perspectives, such as the Integrated Energy System Program, the National Renewable Energy Program, and the 100,000 Solar Gers National Program.

The 2007 Renewable Energy Law specified that tariffs for energy from solar, wind and water sources shall be strictly maintained for 10 years from the date of approval of the law.

However, legal documents, strategies and programs for the sector have not been implemented efficiently.

However, legal documents, strategies and programs for the sector have not been implemented efficiently. In particular, MPs often make decisions which preference the small-scale interests of their electoral districts, placing or expanding power lines to remote areas, which has proved inefficient and costly, or creating low-efficiency energy sources, so weakening the energy sector development policy, say both experts and the public.

Mongolia's energy governance is largely dependent on political considerations. This is evidenced by promises made by candidates during the 2008 general election campaign, that they would provide ger district households with electric heaters and modify electricity costs.

INSTITUTIONS RELATED TO POLICY PROCESS:

Structure, authority, capacity, clarity and transparency of duties and responsibilities (PP01 - PP13)

Mongolia's legislative authority is the Parliament; the Ministry of Mineral Resources and Energy is the central state administrative body in charge of energy issues, while the Energy Authority is the government's implementing agency and the Energy Regulatory Committee is the regulatory body.

In addition, civil society organizations conducting activities in the energy sector may be considered institutions.

Although the Parliament does not have a standing committee responsible solely for energy issues, issues relating to fuel and energy are included in the responsibility of the Economic Standing Committee. The committee membership includes four MPs who have worked in the energy sector and have an active position on related issues.

It is crucial to provide all standing committee members with all relevant information when they discuss energy sector policy issues. Currently, MPs have the authority to demand information and data from sector ministries, agencies and officials, and there is no problem to run all activities financially.

To make rational and sound decisions, the opinions, assessments and conclusions of independent experts should be taken into account, along with those of ministry and agency staff. Although the Economic Standing Committee does not have its own research unit, the Parliamentary Administration Office Research Center can carry out research at the request of MPs.

In particular, the following two pieces of research were conducted in 2010.

1. For MP J. Batsuuri: the current situation of the energy sector, its perspectives and further objectives (researchers N. Tuvshintugs, B. Ariunjargal).
2. For MP Kh. Badamsuren: energy sector development policy, related research inquiries and information (researchers N. Tuvshintugs, B. Ariunjargal).

These were conducted before the adoption of Parliamentary Resolution 72 (Measures To Be Taken In The Fuel And Energy Sector).

We consider that Parliament has a sufficient number of members aware of environmental and social factors and impacts when making decisions related to the energy sector. However, there is lack of particular mechanisms or procedures to inform members of the Economic Standing Committee or Parliament.

We consider that Parliament has a sufficient number of members aware of environmental and social factors and impacts when making decisions related to the energy sector. However, there is lack of particular mechanisms or procedures to inform members of the Economic Standing Committee or Parliament. During discussions on draft amendments to the Energy Law, there was insufficient active participation of Standing Committee members, although at the plenary session, this was somewhat compensated for by active participation of other MPs.

Energy policy is comprehensive, including economic, technological, natural and social factors and impacts. However, Parliamentary membership is relatively small and Parliament does not have an exclusive sub-committee responsible for energy issues only. Sector issues are only one part of the many issues to be dealt with by the Economic Standing Committee. Standing Committees on Environment, Food and Agriculture as well as on Social Policy, Education, Culture and Science do not participate in the development of energy policy bills to be submitted to Parliament sessions.

An evaluation of the functioning of the Mineral Resources and Energy Ministry and the Energy Authority, in charge of implementing sector policies and legislation, starts with the issue of staffing. Early on the assessment specifies that the indicators concern the most senior official positions in the ministry and the authority.

In early 2012, the highest-ranking MMRE officials were 1. D. Zorigt, Minister, MP; 2. T. Enkhtaivan, Deputy Minister (in charge of energy issues) and B. Ariunsan, Deputy Minister (in charge of geology, mineral resources); 3. D. Khurelbaatar, State Secretary, and 4. T. Tserenpurev, Chairman of the Energy Policy and Regulatory Authority. The ministers were appointed after the 2008 general election in an agreement between the parties in the coalition government.

The MMRE ministerial position was allotted to the Mongolian Peoples' Party, plus one deputy minister position; the Democratic Party was allotted one deputy ministerial position. Some of the ministers were newly appointed, while others retained a previous position. While T. Enkhtaivan and T. Tserenpurev had worked in the energy sector, we concluded that the ministry staffing policy at that level was quite dependent on politics.

As for the highest ranking staff of the Energy Regulatory Authority, the Government implementing agency, they are: 1. Chairman B. Bayarbaatar; 2. Deputy Chairman P. Gankhuu; and 3. General Department head D. Chimeddorj; all are energy and economics specialists. In this, therefore, the personnel appointment was consistent with the Civil Service statute.

That executive bodies cannot take into account environmental and social impacts of major decisions on energy issues is shown by debate and criticism relating to the planned construction of CHPS-5 in Ulaanbaatar and Shuren HPS on the Selenge river. There is no department or unit responsible for environmental and social issues, there is no efficient mechanism to implement them, no explanation was given about the assessment of issues when implementing a policy or decision, and related information or data are not transparent and open

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for the general public. While the Science and Technology Council (under the MMRE Minister) and a Sector Technical Board at the Energy Authority have broad representation, they are mainly concerned with recommendations regarding production and technology.

NGOs or civil society organizations in the energy sector are run mainly by those who have worked in the sector, and are mostly concerned with general energy development issues. They tend to conduct research and studies. There are organizations to protect the interests of those working in the energy sector, such as the Employers' Federation and the Energy, Geology and Mining Sector Trades Union. The work of the Council for Cooperation with NGOs (under the MMRE) is evaluated as insufficient, as it conducts few activities in this frame. This collaboration lacks involvement from electricity and heating consumers, those affected by policy impacts or local communities, or from civil society organizations which protect the interests of vulnerable groups.

The environmental impact and consequences of energy source construction are not usually discussed with the general public or even the affected local community, and opinions are not received officially. For instance, while there have been local complaints about the negative effects on pasture and river flow of the Taishir and Durgun Hydro Power Stations, there has been no independent evaluation by professional bodies or civil society organizations and no action has been taken to protect local interests.

However, civil society organizations have a very tough position on nuclear energy issues and strongly oppose any such development.

POLICY FORMULATION:

Quality of debate, transparency, participation (PP14 - PP23)

Two important legal documents relating to energy sector reform have been adopted by Parliament in the last two years. The debate concerning these documents was studied.

Case 1

The process of developing the draft, submission and approval of Parliamentary Resolution 72 (Measures To Be Taken In The Fuel And Energy Sector), concerning transition of the energy sector to market relations since 2014, is described below.

2009.12.22.

By Parliamentary Speaker Order 204, 2009, a working group was established to develop a policy document for strengthening the financial and economic capacity of the fuel and energy sector and to improve the legal environment. It comprised the following twelve members (political party in brackets):

A. Tleikhan (MPP); N. Batbayar (DP); Ts. Tsengel (MPP); B. Batbayar (DP); Ts. Bayarsaikhan (DP); Kh. Badamsuren (MPP); D. Gankhuyag (DP); D. Damba-Ochir (MPP); D. Terbishdagva (MPP); Ts. Shinebayar (MPP); Z. Enkhbold (DP); and J. Batsuuri (MPP).

The debate on adoption of the resolution proceeded as follows.

2010.10.12.

MPs A. Tleikhan, N. Batbayar, D. Gankhuyag, B. Batbayar, and J. Batsuuri submitted a bill entitled Measures To Be Taken In The Fuel And Energy Sector to Parliamentary Speaker D. Demberel.

2010.12.02

The Parliamentary plenary session considered whether the bill should be discussed. A. Tleikhan gave a presentation on the bill and with no questions, discussion was postponed until the next day.

2010.12.03

The bill (Measures To Be Taken In The Fuel And Energy Sector) was discussed in a plenary session, with the following MPs present:

J. Sukhbaatar (MPP); A. Tleikhan (MPP); Dash. Zorigt (MPP); R. Rash (MPP); S. Byambatsogt (MPP); N. Ganbyamba (MPP); Ts. Sedvaanchig (DP); Ch. Ulaan (MPP); Z. Enkhbold (DP); D. Oyunjhorol (MPP); R. Bud (MPP); Kh. Badamsuren (MPP); R. Gonchigdorj (DP); D. Gankhuyag (DP); Ts. Bayarsaikhan (DP); J. Batsuuri (DP); Kh. Narankhuu (MPP); B. Baldan-Ochir (MPP); B. Bat-Erdene (MPP).

After discussion the bill was referred to the Economic Standing Committee for preparation for a first reading.

2010.12.09.

The first reading of the bill draft was held in a plenary session. MP R. Bud presented a summary and recommendations of the Economic Standing Committee regarding the draft resolution. MPs Ts. Bayarsaikhan, R. Bud and Dash. Zorigt answered questions from MPs Ts. Sedvaanchig (DP), Z. Enkhbold (DP), N. Ganbyamba (MPP), G. Batkhoo (DP), G. Bayarsaikhan (DP), Ts. Shinebayar (MPP), Ts. Tsengel (MPP), Ts. Batbayar (MPP), and N. Enkhbold (MPP), and the first reading of the bill passed.

The whole process took about a year from establishment of the work group, and the bill was submitted to parliament two months before the reading. The bill was to enable creation of a legal environment for full sector transition to market relations by a gradual liberalization of electricity prices; it was approved without being made public and without participation of consumers and civil society representatives. Whether the mechanism selected for implementation of the law was effective, how well it is being implemented at present, and if there is support from the general public can be only known in 2014.

Case 2

The process of discussion and adoption of draft amendments to the Energy Law was as follows.

2011.04.12.

Draft amendments to the Energy Law were submitted to Parliament.

2011.10.14

The Parliamentary plenary session considered whether to discuss the draft amendments to the Energy Law. MMRE Minister D. Zorigt moved the discussion and MP A. Tleikhan presented the recommendations and conclusions of the Economic Standing Committee. MMRE Minister D. Zorigt and working group members MPs T. Tserenpurev and N. Myagmarsuren spoke and answered questions from MPs D. Oyunkhorol (MPP), Kh. Badelkhan (MPP), R. Rash (MPP), and Ts. Munkh-Orgil (MPP). It was agreed to continue debate on the draft at the next session.

2011.10.20.

The Parliamentary plenary session considered whether to discuss the draft amendments to the Energy Law. Working group members MPs Ch. Hurelbaatar (Cabinet Secretariat Chairman), MMRE Minister D. Zorigt, MMRE Deputy Minister T. Enkhtaivan, ERA Regulator D. Bassaikhan and Energy Authority Chairman Ts. Bayarbaatar commented and answered questions from MPs P. Altangerel (DP), D. Odbayar (MPP), Ts. Sedvaanchig (DP), R. Gonchigdorj (DP), N. Ganbyamba (MPP), G. Batkhuu (DP), A. Tleikhan (MPP), Ts. Tsengel (MPP), G. Bayarsaikhan (DP) and Z. Enkhbold (DP). Opinions were expressed by MPs G. Batkhuu (DP), A. Tleikhan (MPP), Ts. Shinebayer (MPP), Ts. Tsengel (MPP), P. Altangerel (DP), D. Enkhbat (party orientation undetermined) and Ts. Bayarsaikhan (DP). The session voted by 58.1 per cent to refer the draft to the Economic Standing Committee for preparation for the first reading.

2011.11.23.

The draft amendments to the Energy Law were discussed at the Economic Standing Committee and referred back for the first reading at a plenary session.

2011.12.02.

The first reading of the draft amendments to the Energy Law was held. MP A. Tleikhan presented the conclusions and recommendations of the Economic Standing Committee. MP A. Tleikhan and MMRE Deputy Minister T. Enkhtaivan spoke about and answered questions from MP Su. Batbold (MPP) and from MP N. Ganbyamba (MPP) on the Committee recommendations. The draft amendments were referred to the Economic Standing Committee for preparation for the final reading.

2011.12.06

The final consideration of the draft Energy Law amendments was held by the Economic Standing Committee. There were no questions or recommendations from MPs; a majority of committee members considered that the draft was ready for the final plenary session reading.

2011.12.09.

At the Parliamentary plenary session, the draft amendments were discussed. MP A. Tleikhan gave a presentation prepared by the Economic Standing Committee. There were no questions or suggestions from MPs except for MP N. Ganbyamba (MPP) suggesting the renaming of the ERA as a Committee. The draft Energy Law amendments were approved by 74.4 per cent.

The process of developing and discussing the draft Energy Law amendments took two years (2010-2011), which is considered sufficient time for the process. Before the amended law was discussed at government sessions, MMRE held a public hearing and conducted a survey on the draft.. There were also meetings, workshops, academic conferences and discussion by the Civil Cabinet, chaired by the President of Mongolia.

Case 3

Public participation in the process of developing, discussing and approving the draft Energy Law amendments was studied; the process went as follows.

2009.04.14.

A working group to draft amendments to the Energy Law was appointed by MMRE Ministerial Order 83 (14 April, 2009). The group comprised Ministry representatives, the Cabinet Secretariat, the Justice and Internal Affairs Ministry, the Ulaanbaatar City Governor's Office, the Government Agency (Energy Authority), the University of Energy and the USAID Innovation and Competitiveness of Economic Policy project.

2010.01.06.

It was publicly announced that public opinion about the draft amendments to the Energy Law were called for, reading follows.

"As part of the work to implement objectives reflected in the plan to implement the Government Action Plan 2009-2012 and the Main Directions To Improve Legislation of Mongolia up to 2012 approved by Parliamentary Resolution 38 (14 May, 2009), the Mineral Resources and Energy Ministry (MMRE) has developed draft amendments to the Energy Law. The proposal is made public in order to receive public opinion. Suggestions for the draft amendments may be sent to erkhembayar@mmre.energy.mn or telephone 51-264013."

G. Erkhembayar (specialist in charge of energy sector legal issues at MMRE).

2010.05.31.

The concept of the draft amendments to the Energy Law was approved by order of MMRE Minister D.Zorigt and Justice and Home Affairs Minister Ts. Nyamdorj.

2011.02.09

Cabinet discussed the draft amendments to the Energy Law; they agreed to submit a bill to Parliament.

2011.04.12.

The draft amendments to the Energy Law were submitted to Parliament.

2011.02.17

An open discussion on Energy Sector Development Policy Documents, Implementation and Further Objectives was held in the Civil Cabinet by the Energy Policy Sub-Council, chaired by the President of Mongolia.

2011.05.27-28.

An international conference entitled Mongolian Energy-2011: Policy-Investment-Technology discussed many of the issues to be regulated by the Energy Law.

October 2011.

The Management Board of the Association of Mongolian Energy Engineers met with 700 engineers, staff and employees of about 30 public and private energy sector organizations to discuss energy sector development and draft amendments to the Energy Law. The meeting concluded that the bill was inadequately developed and their comments and recommendations were referred to the MMRE. There is little information as to whether these comments were in any way reflected in the bill.

2011.10.14

58.1% of the Parliamentary plenary session voted to support a hearing of the bill.

2011.10.21.

A discussion about the bill was held in the CHP Station III meeting room by the Energy Association of Mongolia and some MPs, with representatives of the energy sector.

2011.11.23.

The bill was discussed by the Economic Standing Committee session; it was decided to submit it to a Parliamentary plenary session.

2011.12.02.

The first reading of the bill was held at a Parliamentary plenary session. It was referred to the Economic Standing Committee for preparation for the final reading.

2011.12.06

The Economic Standing Committee held its final discussion of the bill and submitted it to Parliament for approval.

2011.12.09

The Parliamentary plenary session gave the final approval to the Energy Law amendments.

Consideration of the bill took about two years. Attempts were made to involve the public in the discussion, but public participation was inadequate. In monitoring of newspaper articles and TV programs of that period, it was difficult to determine the discussion stage; discussion just occurred incidentally.

In recent years there has been a tendency to make extensive policy-specific reforms in the energy sector open to the public. However, the scope of external participation has been mainly restricted to professional organizations and sector experts.

Although proposed reforms in energy sector laws, legislation and policy were broadcast in the electronic media, information about events usually dominated, and it was unclear at what stage discussion had reached, when discussions were to start, when they finished, and how to participate. There was a lack of a particular plan or procedures for public participation. Of energy sector ministries and agencies, only the ERA developed regulations for public hearings, approved in 2005, but they were directed towards regulation transparency in the energy sector, support of public participation in regulation, and reflection of public opinion in ERA decisions. The MMRE and the Energy Authority, responsible for policy making and reforms in the sector, had no such regulations.

Neither the MMRE nor the Energy Authority developed mechanisms to disseminate research and analytical findings, technical board meeting minutes, protocols and recommendations to the general public in a transparent way.

In recent years there has been a tendency to make extensive policy-specific reforms in the energy sector open to the public. However, the scope of external participation has been mainly restricted to professional organizations and sector experts. For example, the draft of Measures To Be Taken In The Fuel And Energy Sector was not open to the public and public hearings were not held. Although the draft Energy Law amendments were broadcast in the media and the public was invited to participate in discussions, and although it was discussed in the Civil Cabinet under the President of Mongolia, we could find no data or evidence that there was any involvement of social groups or contributions from the general public. It is not enough for the MMRE and agencies to include professional associations or those directly related to the sector, such as the Association of Energy Engineers and the Energy Association, as civil society organizations and NGOs also have opinions on energy policy issues.

The issue of environmental impacts was sufficiently reflected in the reform documents of the sector and there has been some progress in considering these impacts in decision-making. However, there is lack of any comprehensive mechanism to take into account and assess workplace impacts and to plan action to deal with them.

POLICY IMPLEMENTATION: Transparency, accountability (PP24 - PP29)

Involvement of the private sector in the energy sector has been gradually increasing. Adoption of the Concessions Law (February 2010) accelerated the process, and in particular facilitated creation of a legal environment to attract foreign and domestic investors.

However, the process of policy formulation of independent energy producers is not transparent to the public. For instance, it is unclear how the decision to build the Ukhaakhudag CHP station was consistent with the sector policy, and issues of further capacity and expansion of the station remain somewhat controversial.

In 2003, the state-owned Darkhan Selenge Electricity Distribution Network shareholding company was privatized by making it a state-owned share-holding company by open tender; this remains the only example of privatization in the energy sector. Although it is not entirely clear how the decision to privatize the company was made, the selection process itself was conducted in a sufficiently transparent way.

The energy sector remains subsidised. It is often for political reasons that electricity prices have been kept low for low-income groups, and inefficient energy infrastructure has been built to connect more remote areas to electricity networks. It is clear that the Parliament or the government assigns the MMRE to develop a proposal which is then implemented.

However, with the adoption of Parliamentary Resolution 72, a legal environment was created that will enable the sector to operate without loss by 2014. It is aimed to keep household electricity prices low for users of up to 150 KW/h a month and to increasing tariffs in gradual stages for households and organizations using more electricity.

Transparency of technical assistance projects in the sector with assistance from international organizations such as the World Bank, ADB, international development agencies and the Japanese government have been sufficient, in line with standards of implementing organizations. There is a shortage of data on how survey reports, conclusions and recommendations for projects were further utilized and what results were achieved.

ENVIRONMENTAL AND SOCIAL ISSUES:

Public participation, policy, planning, assessment (PP30 - PP36)

One criterion of good governance in the energy sector is the existence of an efficient mechanism through which environmental and social impacts must be considered when making and implementing policy decisions, and measures are taken to mitigate negative impacts as well as rehabilitate the environment.

Although at present there are laws and regulations under which an environmental impact assessment is mandatory, external and object evaluation of the quality of the assessment is not in place. There are no criteria or requirements to evaluate or consider social impacts. Social and environmental issues related to construction and operation of energy sources are only treated as complaints and suggestions.

Although at present there are laws and regulations under which an environmental impact assessment is mandatory, external and object evaluation of the quality of the assessment is not in place.

When the Durgun and Taishir hydro-power stations were planned and built, there were no systematic efforts to discuss issues with people affected by the decision to build the power stations. This was identified when some MPs put an open question to the MMRE and Environment and Tourism Ministers. The local MPs asked: "...When the Taishir Hydro Power Station (HPS) was built in 2007, the river was blocked and water accumulated in the reservoir. Since then, water flow down the HPS embankment has noticeably reduced (previously, intake water flow speed was 6.33 cubic meters, and the current outflow has fallen to 0.55 cubic meters). The Zavkhan River flows onwards for only 50-60km, then becomes sand, leaving thousands of people and animals who live along the river without water or pastures for the last three years. Aridness and desertification have intensified, resulting in a regional ecological imbalance. This has been broadcast often in the media, and local residents and voters are greatly concerned about the problem, asking us to address the problem as we were elected to parliament from this region..."

The MPs asked to be able to make an open presentation at a plenary session on whether an HPS environmental impact study was conducted and what action will be taken to deal with the problem.

Case 4

Public participation in the process of reaching the decision to build CHP-5 in Ulaanbaatar city.

The Ulaanbaatar city population has been increasing rapidly, causing electricity shortages and problems in operation of the energy system. Most ger district households are unconnected to the central heating system, so residents burn coal to heat their homes, producing air pollution that has reached a disastrous level, causing serious health problems. To resolve these problems, building a new CHPS has been discussed for several years and the decision was finally made. However, the decision to build the new CHPS inside Ulaanbaatar city limits, near CHPS-3, has given rise to huge dispute.

For a preliminary environmental impact assessment, the first public opinion survey on the TPS-5 project was collected in December, 2010, in Ulaanbaatar, in the form of a questionnaire as part of a feasibility study. A public meeting on the project was held to ascertain public attitudes on the location, size, capacity and technical specifications of the station. A total of 28 participants were given a multiple-choice questionnaire sheet; 71.4% supported the project, while 28.6% opposed it. Of the 28, 22 were public servants and the other 6 were researchers; local residents were not present.

Public meetings were held in March and May 2011. Those attending were presented with preliminary survey findings and measures on air pollution reduction, as well as actions taken in accordance with questions and recommendations from participants of the first meeting. At the second meeting, 76% supported building CHPS-5 near the existing CHPS-3, while 18% held the opposite position. Of the 73 people present, 48% were public servants, 23% businessmen and 4% private business owners; 96% of the respondents resided or worked near CHPS-3.

This information we received from the above-mentioned report. At first sight, it seems that the general public and professionals were consulted and their opinions studied. However, it can be estimated that the issue of station location was decided beforehand and the meetings were an attempt to confirm it.

Since then, the planned location for CHPS 5 has been criticized severely and it is to be changed, which supports our estimation.

The most efficient and prospective approach to reduce the environmental impact of the energy sector is to use renewable energy resources.

In general, the public has no access to relevant information and cannot formally register their opinions because of the non-transparency of EIA reports on most energy projects.

The most efficient and prospective approach to reduce the environmental impact of the energy sector is to use renewable energy resources.

In 1999, the 100,000 Solar Gers National Program was adopted, followed in 2005 by the National Renewable Energy Program. These were aimed as follows: “To increase the share of renewable energy in the electricity supply, to improve the structure of electricity supply, to ensure ecological balance through the use of renewable energy sources, to provide electricity to rural areas, to increase economic efficiency, to reduce poverty and unemployment and to ensure sustainable social development.”

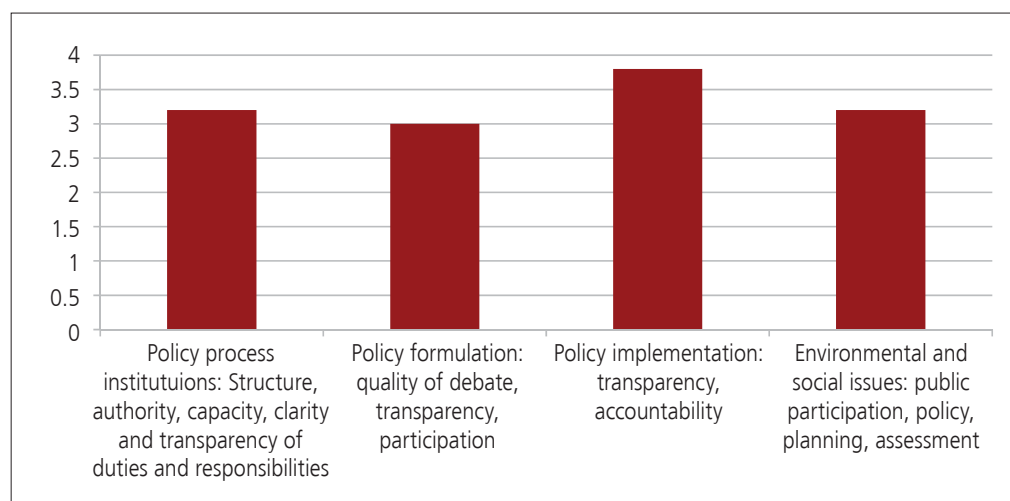
The program’s first stage covered the period 2005-2010, the second stage from 2011 to 2020. While the programs aimed to supply 3-5% of total electricity production from renewable energy sources by 2010 and 20-25 % of total energy production by 2020, current implementation is unsatisfactory.

The Renewable Energy Law of 2007 allowed the setting of tariffs suitable to facilitate development of ecologically clean energy production from renewable energy sources, and specified that the tariffs set by law shall apply for not less than 10 years from the date of adoption of the law. This was to ensure favorable conditions for the national development of renewable energy. To our regret,

the MMRE has not worked efficiently to implement the Renewable Energy Law. Professionals say that disbanding the department in charge of renewable energy issues under the MMRE as well as of the National Renewable Energy Centre under the same ministry was a backward step. In addition, the fund for renewable energy is not operating properly.

Figure 1.

Policy process
assessment (0-5 points)



RECOMMENDATIONS FOR POLICY PROCESS

The following recommendations are made on the basis of the study conducted in the frame of assessment of policy and regulation processes in energy governance of Mongolia.

ONE

It is necessary to make a summary of practices of discussing and adopting energy policies, laws and resolutions by the Parliamentary Standing Committee on the Economy, to seek ways to make the process more transparent and to ensure participation of many parties.

As specified in clause 71 of the Parliamentary Session Procedures Law, “Parliamentary Standing and Sub-Committees can hold open hearings (hereinafter referred to as “hearing”) to hear information and opinions of scholars, researchers, interested parties, citizens, governments and NGOs complying with the following procedure” (the procedure precisely specifies the way of conducting open hearings).

A Parliamentary hearing differs greatly from a typical meeting, discussion or debate, as MPs ask questions to get answers necessary to decision-making. They listen to opinions of other parties in strict order, so the mechanism requires good research and evidence. So far there has been no parliamentary hearing on energy issues, and we call for open hearings on such controversial issues such as the location of CHPS-5 or the environmental impact of the HPS to be built on the Selenge river that has caused debate among the general public, professionals and decision-makers alike. Holding such hearings will

attract the attention of the general public to the reform of policy in the energy sector and involve them in decision-making. It will also improve the quality and accountability of parliamentary hearings.

TWO

An unofficial Parliamentary group to specialise in energy policy issues could be established from members of the Economic Standing Committee who are energy professionals, specialized in this field or interested in these issues. The group would be supported by the sector (there are already examples of MPs setting up voluntary groups such as the green group, the council of independent candidates, the women's group etc. Also, an issue of building official sub-committee for mining has been rising).

This would ensure that energy issues would be at the centre of attention, while at present the parliament has no specific structure solely responsible for energy issues. This would also mean there would be more MPs able to initiate and submit laws, resolutions, policy documents, and make major decisions on energy, more knowledgeable and prepared for discussion on energy issues.

Members and staff of related Parliamentary standing committees who discuss and approve policy reform documents should be provided with the findings of studies by the Parliamentary Research Centre for energy sector policy reform discussions, and should regularly attend lectures, workshops and discussions on energy issues. This also relates to members of the working group on the development of bills.

THREE

The main condition for establishing good energy sector governance is to make every process of decision-making in the sector open and transparent. Processes should not be restricted to TV programs, advertisements or presentations where the sector minister, chairmen or officials are interviewed about activities, decisions, achievements or urgent problems they face in the sector.

It is high time for the adoption of an efficient procedure or methodology to ensure public access to policy-making, policy reforms and decision-making processes. The procedure should specify every sequence, schedule, time, approach and design of making processes transparent. The staffer responsible for implementation of the procedure and his/her accountability should not be left behind. Such procedure transparency in the energy sector must become normal.

FOUR

Although the MMRE and the Energy Authority are making efforts and some progress has been made towards increasing public awareness of actions in the sector, communicating information and increasing positive public perceptions, the usual promotional activities such as TV talks and newspaper articles are not satisfactory; they are usually tedious and dull.

The open-door events are usually held in Sukhbaatar Square in the centre of Ulaanbaatar city, not far from the MMRE and related agency offices, thus leaving out residents of the outskirts and rural areas.

Since the energy sector itself is a complicated and comprehensive sector which includes economy, business, production and technology, we should use innovative approaches and methodologies to change public attitudes towards energy facilities, energy sources, HPS, wind farms, to reach mutual understanding, to get support by working with local communities and vulnerable social groups who are directly affected by projects. There are many such good practices tried in other countries. The activities of service centres for energy consumers can also involve such directions.

FIVE

Both the MMRE and the Energy Authority should develop procedures similar to the Procedure for Conducting Public Hearings as adopted by the ERA in 2005.

SIX

The civil society organizations that collaborate with the MMRE and related agencies in energy issues should not be limited to professional, businesses and research organizations, but should include other businesses, research organizations, professional unions, consumers' rights associations, media, local administrations, local NGOs and communities.

We hope that in the future all laws and policy documents will be discussed in an open, transparent way with real public participation.

SEVEN

The location of CHPS-5 in Ulaanbaatar city has for a long time remained unfinalized, and the issue has gone way beyond the reach of the SIK, the government, line ministries and agencies, drawing researchers, professional associations, NGOs and the general public into a huge debate. As the issue of negative environmental impact is still unresolved, there is a pressing need to persuade the public and win their trust.

Although the decision to build CHPS-5 has already been made and selection of executive companies is underway, it is necessary to disclose to the public the documents, research and assessment used to make the decision. This would help in mitigation of potential environmental, social and other negative impacts, in risk reduction and in obtaining public support.

That is why we suggest to researchers, professional and other organizations to hold a series of wide-frame public discussions on the issue of CHPS-5.

EIGHT

It is necessary to establish a mechanism responsible for environmental impact issues, under the MMRE and ERA. It should be a separate unit, department or authority to be in charge of providing technology and economic research material for the development of environmental standards, to conduct environmental impact assessments of energy production and evaluate consumption, as well as reflecting them in documents and decisions by the ministry and the authority and coordinating and monitoring implementation. This should start with the appointment of staff responsible for environmental impact issues, who can also look at the social impact.

NINE

Energy sector policy reform issues should be central not only to sector organizations, professionals and politicians, but should also involve other social groups to win their support. First, we suggest setting up a discussion forum to make information more transparent; this could be a public portal site about the energy sector. The present official sites of ministries, agencies and state-owned companies, as well as the energy portal (<http://www.energy.mn>) only describe the activities of the existing ministry and related agencies and cannot become a discussion forum.

Such a public portal should draw public attention to the present situation and urgent issues of this important sector, which would help make energy governance more transparent, with participation of multiple stakeholders. It can become a mechanism consistent with good governance principles.

The public portal site should be an information centre and also an arena for discussion. It should be run in such a way that provides energy sector management, engineers, professionals, officials, staff, researchers, electricity consumers, citizens and the media with free access to all relevant information, including documents, legislation concepts, references, international best practice, membership of working groups developing bills, policy documents, decisions, project texts with versions and changes, external evaluations, announcements of public hearing, schedules, discussion between professionals and the general public and recommendations following such discussions.

Since many residents of remote aimags and soums as well as residents of suburbs in central areas have only limited internet access, the local governor's office or administrative organizations and civil society organizations can deliver information from the portal site by handouts, presentations, surveys etc, allowing everyone to participate actively in the energy sector reform process.

REGULATORY PROCESS: CONCLUSIONS AND RECOMMENDATIONS

DEFINITION OF THE REGULATORY PROCESS IN THE ENERGY SECTOR

The process of decision-making, supervision and dispute resolution directed to the issuance of licenses to engage in activity in the energy sector, control and approval of prices and tariffs levied by license holders, protection of rights of license holders and consumers, creation of conditions for fair competition in the frame of consumers.

LAWS, REGULATIONS, OTHER LEGAL DOCUMENTS IN THE REGULATORY PROCESS

At present the following laws, regulations and legal documents relate to the energy regulation process in Mongolia.

Laws of Mongolia

1. Energy Law
2. Economic Activity Licenses Law
3. Civil Code
4. Administrative Responsibility Law
5. Consumers Rights Protection Law
6. Minerals Law
7. Renewable Energy Law
8. Competition Law

Government Resolutions

1. Resolution 263: Regulations on the use of electricity; on the use of heating; on the protection of power lines and grids
2. Resolution 83: ERA regulations
3. Resolution 233: Regulations on amortization of capital assets; time to calculate the amortization of capital assets; the amount of annual amortization

Supreme Court explanation

- Resolution 26 of the Supreme Court of Mongolia: Explanation of Some Articles and Provisions of the Energy Law (2006.05.29)

Ministerial Orders

- On the appointment of members of aimag and capital city Regulatory Councils
- Regulations on the centralized heating supply
- Regulations on the support and calculation of heating energy
- Methodology of calculating fees for energy regulation

Resolution of the Supreme Court of Mongolia

- Explanation of Some Articles and Paragraphs of the Energy Law (2006.05.29)

Resolutions of the ERA Regulatory Council

- Regulations on economic relations between license holders
- Regulations on Regulatory Council meetings
- Regulations on registration and resolution of complaints and disputes addressed to ERA
- Regulations on public hearings
- Regulations on revision of tariff proposals
- Regulations on the electricity spot market
- Methodology of determining rating of license holder's activities
- Interim regulations on competitive market for electricity
- Regulations on calculation and payment of heating energy
- Regulations on the new price of hot water for household use
- Regulations on tariffs for consumers from vulnerable social groups

REGULATORY STRUCTURE:

Authority, transparency, autonomy, capacity (RP 01-RP 14)

The Energy Regulatory Committee is an independent body for energy regulation in Mongolia.

With the establishment of the ERA, with rights and duties determined by the Energy Law (2001), came the development of new regulations and instructions on prices and tariffs, and the issuance of licenses, aimed at directing the transition of the energy sector to a market economy, and energy regulation became a reality in Mongolia.

This resulted in an increase of tariff profits of license holder companies; much of the capital resources for repair works derived from income, while staff salaries and wages increased, opportunities were created for resolution of social problems, short-term debts decreased and the taxes collected for the national budget grew. The financial and economic capacity of the sector improved and a favorable environment for the investment of private capital was created in the energy sector.

When ERA-developed legal documents were assessed, a relatively high evaluation was given to the indicators of structure, authority, autonomy of the

It was concluded that the Mongolian regulatory mechanism had been set up according to the standards of developed countries, a legal environment for operations was in place and the regulatory body had a suitable capacity.

regulatory body. It was concluded that the Mongolian regulatory mechanism had been set up according to the standards of developed countries, a legal environment for operations was in place and the regulatory body had a suitable capacity.

However, in reality the autonomy of the regulatory authority remained unsatisfactory, as confirmed by Deputy Minister T. Enkhtaivan in October 2011, when he said: “Although at present the law states that the ERA should operate independently from the government, in a legal sense it remains dependent on the government”.

Under the amendments to the Energy Law passed by the SIK in December 2012, the above authority was expanded and named an Energy Regulatory Committee. The number of regulators was increased to five and external representatives were included, aiming to strengthen agency autonomy, as officials explained. Final conclusions about the changes can only be reached after some time.

In 2001-2012, there were three energy regulators, mainly persons who had previously worked at management level in the energy sector, but since 2012 the following persons have been appointed.

1. ERC Chairman: T. Tserenpurev
Previously worked at the Energy Authority, the National Energy Dispatching centre, and as State Secretary of the Energy Ministry and Energy Policy Department.
2. ERC regulator N. Myagmarsuren
Previously engineer, department head, CHPS-3 executive director and ERA head.
3. ERC regulator D. Bassaikhan
Worked at the Khushuut coal mine in Khovd aimag, at CHPS of Darkhan city, as department head for the Power Lines and Grids Authority, executive director of the UB electricity distribution grid SSC and the Central region electricity transmission grid.
These three regulators were appointed by Prime Ministerial order of March 4, 2012, for a 4-year term.
4. ERC coordinator D. Chuluunbaatar
General Secretary of the Federation of Mongolian Associations for the Protection of Consumer Rights.
5. ERC regulator D. Jargalsaikhan
A journalist, anchor of the De-facto TV program.

The latter two regulators are non-staff, appointed by prime ministerial directive for a 2-year term. D. Jargalsaikhan was nominated by the Chamber of Commerce and Industry, so represents energy companies. D. Chuluunbaatar represents the Association for the Protection of Consumer Rights and is General Secretary of the Federation of Mongolian Associations for the Protection of Consumer Rights. However, the status of this Federation, its principles of representation, and whether it is a different organization from the National Federation of Associations for the Protection of Consumer Rights is unclear.

The selection process for these appointments in early 2012 was not open, nor announced publicly, and it is obvious that the decision was made by the central

The Energy Law defines the rights and duties of the ERC and focuses specifically on regulation of prices and licensing

state organization in charge of energy issues, namely the Energy Ministry.

The Energy Law defines the rights and duties of the ERC and focuses specifically on regulation of prices and licensing; for instance, 23 articles deal with prices and tariffs, including principles of determining tariffs, prices of tariffs and agreements and other general directions.

Looking at the authority and duties of the energy regulatory body, it is plain that there is a lack of a special department, unit or financial resources for evaluating social and environmental impacts. However, this does not mean that these issues are not taken into account. This is regulated by another mechanism in the Law. First, one criterion for the issuance of licenses in the energy sector is an evaluation of environmental impact. If a plan for the protection of the natural environment and reclamation activities is not implemented (i.e. laws and regulations on the protection of the natural environment are violated), the ERC has the right to amend, suspend or invalidate the license.

According to the Evaluation of Environmental Impact Law, the MNET and aimag and city governor's offices should evaluate investment projects using the following classifications.

Central administrative institution in charge of natural environment issues	Aimag, capital city governor's offices
- A power station with capacity greater than 1 MW - A power grid with a greater than 35KW capacity - A heating grid - A hydropower plant - Railways - Airports - Inter-city, inter-country roads - International and national communications	- A power station with a capacity up to 1 MW - A power grid with up to 35KW capacity - A heating grid in the territory of the given aimag or city - Local roads, communications

This evaluation is implemented in 2 stages.

Stage	Resolution
1. General evaluation of the environmental impacts of the project	To decide whether a detailed evaluation is needed
2. A detailed evaluation of environmental impacts of the project made by a professional company	To revise and approve detailed evaluation of environmental impacts and a plan for protection of the natural environment

The procedure of organizing the above process is coordinated in detail by the law. The general evaluation is approved by the Natural Environment and Natural Resources Department Head.

Professional companies make an evaluation of environmental impacts; at present there are about 70 companies qualified to make such an evaluation.

In addition, the National Bureau on Clean Development Mechanism (at the Ministry) also evaluates projects in various sectors, including the energy sector, with regard to the issue of reducing greenhouse gases under the UN Convention

However, in recent years there has been a number of cases in which external influence was observed in decision-making relating to the establishment of new energy sources.

on Climate Change. At present, the evaluation committee of that bureau has 15 members, with representation from the energy sector, including the MMRE, the National Centre for Renewable Energy, the Mongolian Energy Association and the Mongolian University of Science and Technology (Energy Faculty). So far a number of projects in the energy sector have been evaluated and certified, while other projects have submitted project proposals for evaluation.

From the above we have concluded that for energy regulation, a legal and organizational mechanism has been established to evaluate environmental impacts of project proposals before approval of implementation of programs and projects to build sources, facilities, power lines and grids of renewable and non-renewable energy. Some elements of the mechanism relating to the natural environment are under the authority of the MNET and local administration, not the ERA.

However, in recent years there has been a number of cases in which external influence was observed in decision-making relating to the establishment of new energy sources.

For example, a decision was made to issue a license for the establishment of a 18MWt CHPS in Ukha-Khudag to the Energy Resource LLC at the Tavan Tolgoi coal deposit in Tgogt Tsetsii soum of Umnugobi aimag; this decision has been criticized as not being consistent with the Mongolian energy system development policy.

The siting of a planned CHPS at a Mogoin Gol coal mine in Khuvsgul aimag was changed on grounds that are suspected to be political, and the station is now to be in Telen soum, Zavkhan aimag. Coal from the Mogoin Gol mine will be carried by heavy trucks to the power station, and the result will be significant soil erosion.

Again, professionals and the general public suspect that the issue of environmental impact has been underestimated in the proposal to build CHPS-5 in Ulaanbaatar.

Any legal mechanism to evaluate social impact in the energy regulation process is difficult to quantify. Only the social impact of a rise of prices and tariffs and the resultant harmful effects on consumers, especially those in vulnerable social groups, can be easily understood but putting aside the issue of other effects on workplaces, work conditions and affected housing may be insufficient. A mechanism for working with the Social Welfare and Labor Ministry in this area is unclear.

DECISION MAKING PROCESS

Justification, transparency, public participation (RP15-RP27)

Since 2001 there has been a process of gradual transition of the energy sector to market relations. The dependency of energy prices and tariffs on politics and executive bodies has been eliminated, a transition of the energy industry and distribution system to an economically independent system has been made, and a basis for equal provision of interests of energy producers and consumers has been established. We believe that a philosophy of determining energy tariffs and methodology by regulatory agencies has been based on a principle of equal provision of rights for consumers and producers.

However, the implementation has faced a number of criticisms. The energy sector has claimed that producer rights and interests have been violated because of external and political influences directed towards winning public sympathy which have intervened with the setting of official tariffs calculated under the above tariff philosophy and methodology. At the end of 2001, tariffs were increased for license holders and consumers, which was opposed by consumers and Consumer Rights NGOs. The politicians decided on an external audit by a working group appointed by the SIK, and finally the Regulator Council had to annul their own decision.

As a result, the ERA developed special regulations on the need for detailed analysis of tariff approval activities, to make the process transparent to the general public, and to make all stages of the tariff approval process clear to the public. Despite these regulations, prices and tariffs have increased several times since 2002, indicating that the process has not been efficient for several reasons. Flexibility of the regulation process has remained poor. Changes in energy prices have not been made gradually according to indexation, but the decision to increase electricity prices has been sudden and unexpected. These factors have produced public disapproval and politization, with an overall growth of prices and soaring inflation. Several decisions to increase electricity prices have been made in summer, for instance, before the July public holiday, in order to avoid public disapproval, but this was viewed as a government attempt to cheat consumers.

Despite all measures, the reform of energy prices and tariffs has been ineffective. The main problem, the sector management has claimed, has been that, rather than raising electricity prices, the government has preferred to keep prices and tariffs at a level in the consumers' interest. For instance, the government has constantly refused to raise electricity prices, saying that too many consumers have low incomes and there is widespread poverty. However, since the government has provided no subsidies to the energy sector to compensate losses because of the artificially low prices, the energy sector has been operating at a loss and has not been able to make technical innovations, fundamental repairs or capital investment.

It should be pointed out that price and tariff reform has intensified since 2008. On November 11, 2008, Resolution 176 of the ERA Regulators' Council approved tariffs for vulnerable groups in the Central region, as from January 1,

In December 2010, Resolution 72 (Measures To Be Taken In The Fuel And Energy Sector) was approved. Prices and tariffs for household electricity supply were differentiated in stages. This meant that households with minimal consumption of electricity would pay at the previous low level, but as consumption increasesd prices would increase in stages.

2009. Since then, vulnerable social groups have been paying almost half as much for electricity as other consumers.

In December 2010, Resolution 72 (Measures To Be Taken In The Fuel And Energy Sector) was approved. Prices and tariffs for household electricity supply were differentiated in stages. This meant that households with minimal consumption of electricity would pay at the previous low level, but as consumption increasesd prices would increase in stages.

A monthly household consumption of up to 150KWt was priced at the present tariff, with indexation, while a greater consumption, as well as for economic entities, industries and organizations, was charged at a higher, more realistic rate. It has been indicated that policy and organizational measures to help transition of the energy sector to a market economy will be taken from 2014 in cooperation with related organizations. In other words, in 2014 a legal environment will be created for the energy sector to work effectively.

Since the approval of that Resolution, there have been changes in prices and tariffs from time to time.

On May 1, 2011, the ERA increased the price of electricity to central region households by 5.3-25%. Households were able to reduce their electricity bills by adjusting consumption: tariffs for night consumption were lowered to half that for daytime usage. New tariffs were introduced to support energy savings, allowing for reduced prices depending on the level of monthly consumption, and the tariff for vulnerable social groups was determined anew to protect them from price growth.

On October 2, 2011, the government decided to cut in half the price of electricity for households with electric heaters in the cold season, and night consumption tariffs reduced (6pm to 9am in the cold season) for up to 15 hours, an increase of 6 hours.

Electricity prices and tariffs have been raised frequently in the last few years. However, the introduction of favorable tariffs for vulnerable groups was explained to the general public, which reduced public anger.

In many cases, maintaining lower electricity prices for low-income groups and the establishment of new low-efficiency power sources to connect households in remote aimags, soums and districts to the power grid has been a political decision. The line ministry works on such issues in compliance with tasks allocated by the SIK or the government, then implements them through the ERA.

That is why the ERA has been unable to provide clear justification for some decisions, while the decision-making process is non-transparent and public participation is very unsatisfactory. Although the ERA operates a good website and publishes timely information about its decisions, information about the process is not transparent. In other words, there is no information about a license that economic entities and organizations have applied for, the justification, introduction and feasibility study, whether it was discussed by the Regulatory Committee, the project stage, and the opinions of local residents and the general public and only information they have given is about the decision. There is no sufficient transparency of tariff regulation.

*There is no sufficient
transparency of tariff
regulation.*

Although ERA staff claim that ERA has no secret, closed documents, minutes of regulator meetings are not accessible. Under the regulations on Regulator Council meetings, regulations on registration and resolution of complaints and disputes addressed to the ERA, regulations on conducting public hearings and mandating a transparent regulatory process, it should be possible for the general public to access information about Regulatory Council meetings, to attend public hearings, to make suggestions and to attend general meetings. However, the regulations do not indicate clearly enough whether a citizen can attend Regulatory Council meetings, and there is a lack of information about previous attendance of the general public.

Under these conditions, the activities of the non-staff council members that advise the Regulatory Council attracts our attention. The RC was set up in 2002 under the Energy Law to advise on issues related to the interests of power consumers and license holders, under their positions as representatives of consumers and license holders. A chairman elected by the RC manages council activities and an ERA expert is secretary. Regulatory Council Head Resolution (December 20, 2010) approved the following persons as RC members and confirmed the Chairman.

Council Chairman

Kh. Ganbaatar: Executive director of the Mongolian Employer's Association

Council Secretary

D. Narantsetseg: ERA officer in charge of human resources and internal affairs

Council members

Kh. Amgalanbaatar: Vice-President, Mongolian Trade Unions Federation

D. Delgermaa: Executive Director, Jenco Group

Ts. Terbish: officer at the Legal Inspection and Coordination Department, Authority for Fair Competition and Consumers

B. Tseveen: Executive Director, CHPS-4 state shareholding company

Ch. Saranjav: Executive Director, UB CHPS state shareholding company

D. Byamba-Ochir: Executive Director, UB TPS state shareholding company

D. Dashtseveg: head of Housing and Communal Authority

Information about council activities, their agenda and position in the past kept unclear. Although it was claimed that council members are appointed in conformity with relevant organizations, the process of appointments is unclear, and there is a lack of information on the selection process.

As well as consumers and NGOs, sector managers, experts, energy companies, economic entities and organizations constantly criticize the energy regulatory process. Deputy Minister T. Enkhtaivan told us that past governments have always refused to increase electricity prices, with the excuse of the low national economic development and general low incomes. Although electricity prices have been maintained at a low level, losses of the energy sector due to price differences have not been compensated in the form of subsidies. That is

why the energy sector was operating at a loss and was unable to carry out capital repairs, technical renovations and improved organization.

There is a lack of any serious discussion on increasing energy sector company efficiency, reducing costs and decreasing ineffective expenditure. There is an understanding in the general public that the energy sector has mis-used a substantial part of foreign loans and assistance, that the costs of purchases and bidding processes were too high, average salaries and wages were high, and social welfare and incentives exceeded those of other sectors.

Although the MMRE, EA and ERC as well as companies and economic entities have disseminated information about the energy crisis, tariffs and the present situation of the sector, public awareness of energy issues is still low. We consider that this is related to a low participation of civil society and the general public in the energy regulatory process rather than insufficient work on capacity building and organization of training and promotional activities. As public participation is low, the number of persons who access available ERC reports, methodology or other documents, is extremely insufficient.

OPERATIONAL ISSUES:

Principles, duties, reporting (RP 28-RP32)

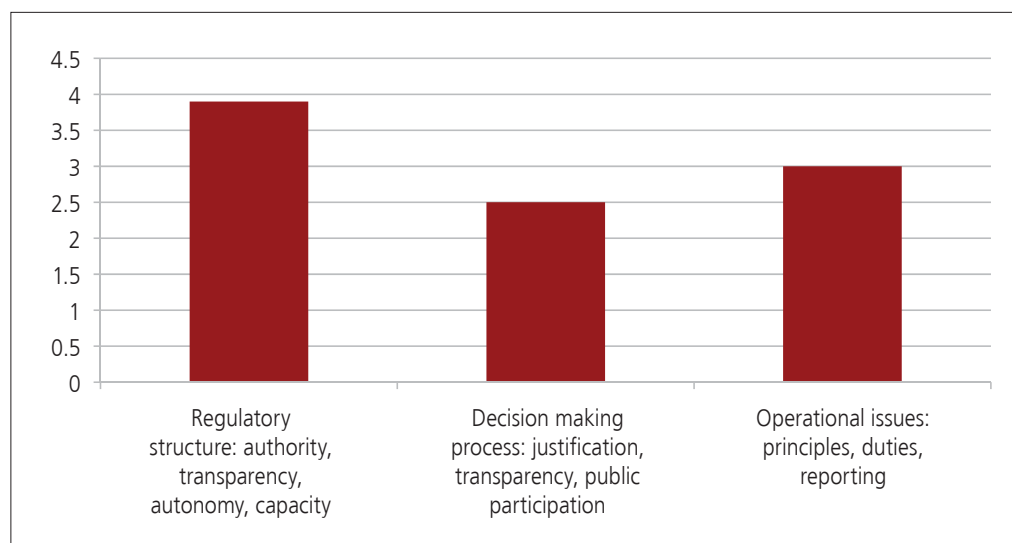
From ERC regulations, it can be concluded that a legal environment for setting tariffs after detailed analysis is in place. It is felt that the most effective way of reducing negative effects of prices and tariffs is by indexation and strengthening of autonomy of the regulatory body. We conclude that Energy Law amendments have served that purpose.

Although all ERC activities, including licensing issues, have been well regulated, there is a lack of clarity in the criteria for acceptance and examination of applications from legal bodies wishing to obtain a license. For instance, provisions concerning the issuance of licenses to financially capable legal bodies that have previously operated or are able to operate in this field are too general; there is lack of specific criteria.

The ERC receives monthly and quarterly indicators of license holder's activities, as well as annual reports on implementation of conditions and requirements of licenses and gives evaluation in order to supervise and evaluate activities of license holders. It is interesting that the ERC determines and announces the ratings of license holders twice a year.

Figure 2.

Regulatory process
assessment (0-5point)



RECOMMENDATIONS ON THE REGULATORY PROCESS

ONE

The process of appointing five ERC regulators (3 staff, 2 non-staff) should be transparent and open. Regulations for proposing candidates as non-staff regulators from the Chamber of Commerce and Industry and the Consumer Rights Protection Association should first be clarified. Consumer rights should not be represented by a sole organization with an unclear status; other similar organizations should be consulted, criteria should be detailed, and names of candidates given to the Prime Minister for approval should be publicly available: i.e. the basic requirements for transparency should be met.

TWO

Although it is claimed that appointment of non-staff members of the Regulatory Council is agreed with relevant organizations and officials, there is a lack of information about the process of selection of candidates and their appointment; the process should be made open.

According to the law, the Council should have equal representation, so the concepts of a 'license holder' and 'consumer' should be clarified and equal representation of license holders and consumers, especially end-consumers and local participation, should be provided. At present, the RC has eight members, which should be increased, as the law allows. We believe that it is necessary to allow consumers and community organizations to propose candidates for the non-staff council at the ERC by making open announcements to the public.

We also suggest that regulations on the public council should be re-developed, with regular meetings under a fixed schedule, transparency of meeting agendas, minutes, and suggestions and recommendations, with a set procedure for reporting impacts and outcomes.

THREE

To create an effective mechanism to implement the Energy Law section on Public Control of Energy Supply, Electricity Prices and Tariffs and Consumer Rights Protection Organizations, it will be necessary to improve civil society organization initiatives in this sector. To begin with, the Committee should not only announce a Regulators Meeting, but should also invite NGOs to attend.

FOUR

The process of decision-making on all issues should be transparent and open at all stages, from submission of a license application to the ERC by an interested legal body, aimag or capital city regulatory committee up to the license issuance, from development of a proposal on changes to energy prices and tariffs up to the final decision. This is basic to an increase in public participation in energy regulation. It is important to make the minutes of ERC meetings accessible to all and enable the public to express opinions and to control the process.

FIVE

There is a need to create an effective mechanism to reduce political pressure to keep election promises that influence decisions on the establishment of new power sources, building new power grids, and changing electricity prices and tariffs. This can be achieved by ensuring transparency, and encouraging consumer and general public participation and support with public debates on policy decisions with involvement of professional bodies and researchers.

For example, at present a meeting is announced and its decisions are published, skipping the process inbetween; this needs to change. In the whole process of decision-making, including introduction, research, external opinions and conclusions, the debate should be transparent from the start to finish and anyone interested should be given access to meeting minutes. The ERC should develop regulations on the holding of public discussions about, for example, whether to build a power source of over 100MWt capacity, or rises in consumer tariffs.

SIX

Although the ERC does not directly evaluate environmental impacts of energy production, energy plants and facilities or energy use (this is the responsibility of the Natural Environment and Tourism Ministry and the local administration), it would be proper to develop an appropriate mechanism and capacity directed to paying timely attention to an environmental impact assessment, taking into account public opinion, especially that of local communities, and cooperation with the public.

The need for such a mechanism has been evidenced in the discussion about the location of Power Plant 5 in Ulaanbaatar. Projects for the construction of large power plants, especially the recently-built hydro and wind power stations, should involve concrete measures in this direction.

SEVEN

Criticisms should be addressed from all perspectives about not setting electricity prices using market principles, which handicaps the economic and financial capacities of energy companies so that they must operate at a loss.

In studies about the next change in electricity prices and regulations, attention should be paid to the creation of a mechanism directed to development of incentives for energy production and distribution companies and economic entities to reduce expenditure, ineffective costs and losses; this has a special significance in a monopoly sector.

First, information about costs and expenditure, allocation of foreign loans and assistance, purchase and bidding activities and results should be open to the general public and researchers. This transparency would provide impetus for reduction of faults related to financial resources, inefficiency and ineffective expenditure and would also correct misleading public suspicions and misunderstandings.

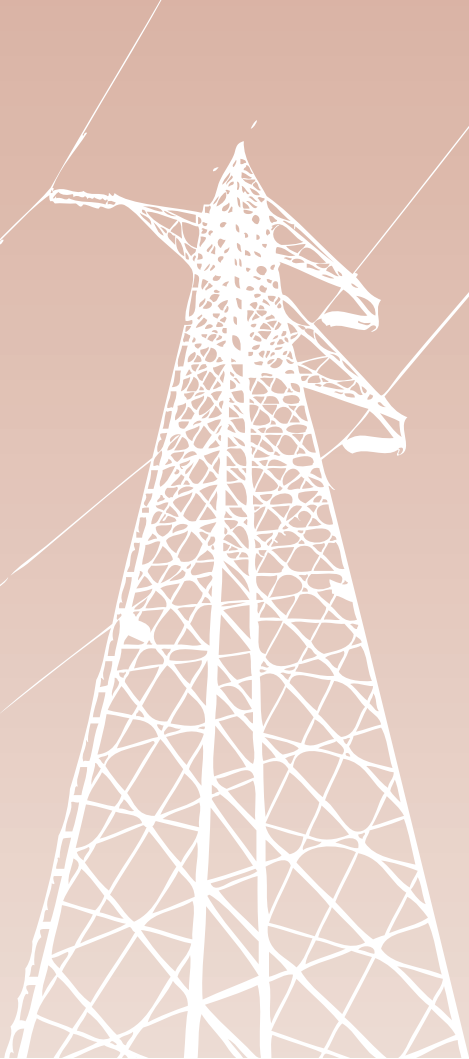
Special attention should also be paid to effective energy consumption and saving. We call for a public hearing on the draft Energy Conservation Law being developed at the present.

EIGHT

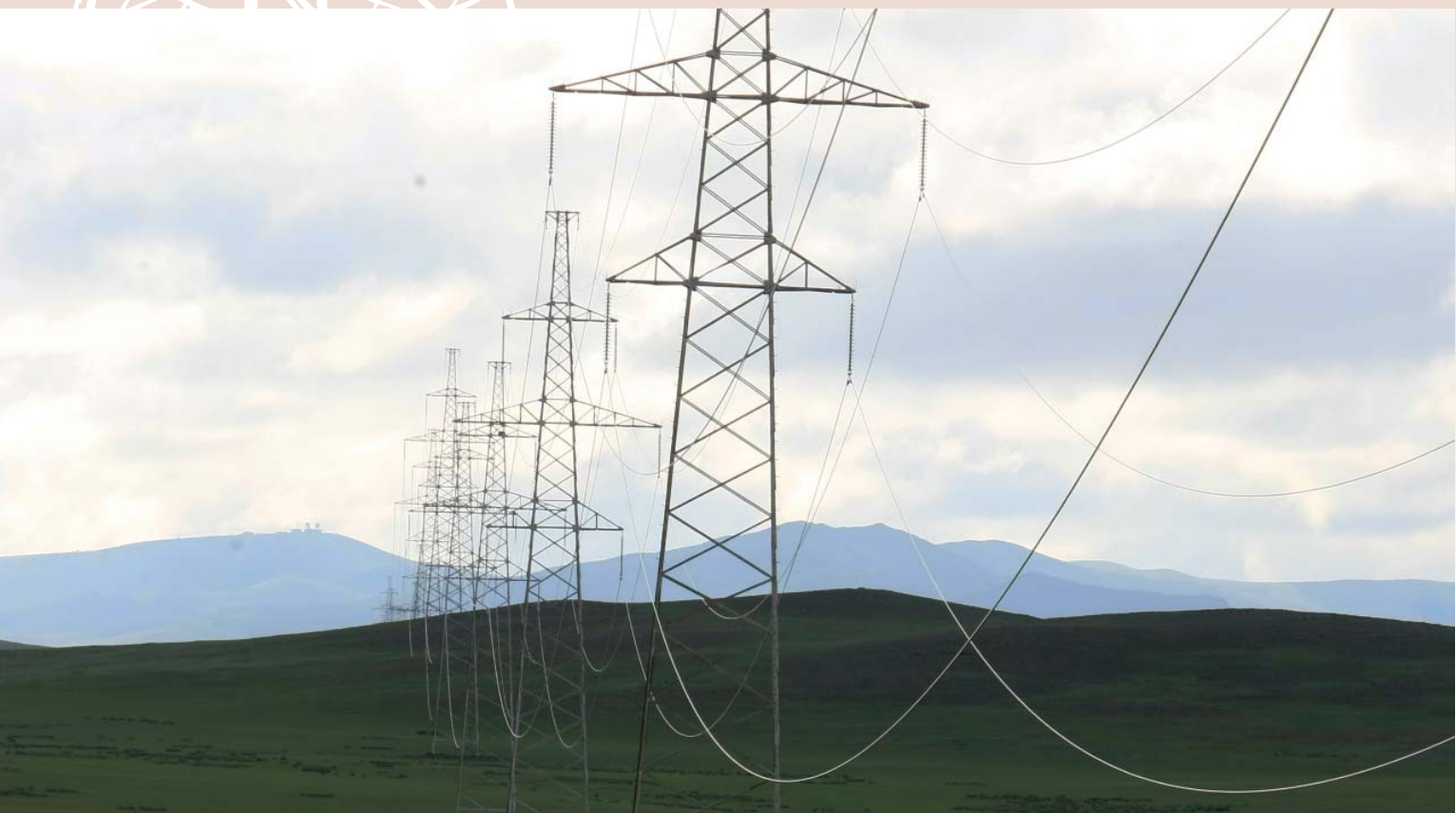
Participation of the private sector has been gradually increasing and a number of independent sources and facilities have been set up under concessional agreements. According to SIK Resolution 72, energy companies should enter the market economy and operate more efficiently, without loss, as from 2014, so it is necessary to develop further the issue of a tariff regulation mechanism.

To do this, Mongolia's system of tariff regulation, the order and procedures of decision-making, the history of tariff changes, should first be evaluated and conclusions drawn. Then future trends and perspectives, necessary measures and stages should be determined in line with provisions of SIK Resolution 72.

This information should be made publicly available for end-consumers, especially vulnerable social groups and rural communities, as handouts or in other forms, starting now. Potential problems and ways to resolve them should be discussed and work should be carried out in a wide frame to create such a mechanism.



COMPLETED INDICATORS POLICY PROCESS



In the territory of Tuv aimag, 2011. Photo by Ts.Batbaatar

POLICY PROCESS (PP) 1. CAPACITY OF LEGISLATIVE COMMITTEE

Elements of quality		Explanations
Access to knowledge	Y	Members of the Parliamentary Economic Standing Committee have the full authority to obtain policy documents related to the energy sector, to monitor and study them.
Knowledge enhancement	N	There is no official training or workshop (seminar) for members of the Standing Committee. Members approach the issues based on the existing data (information) rather than on their professional background.
Financial source	Y	At present there is no independent research center under the Standing Committee. However, there is a unit under the Parliamentary Secretariat which conducts research upon request of Committee members. Financing comes from the Parliamentary budget.
Authority	Y	All necessary clarification and inquiries related to the energy sector are obtained from the related ministries and agencies. They also have full authority to obtain information from the working group on energy law drafting. For example, Standing Committee members have the right to receive answers to a written question from any relevant Ministry or Minister.

Continued explanation: Currently, Parliament has no Standing Committee on Energy. Energy issues are included in the issues dealt with by the Economic Standing Committee; energy and fuel are one of the 24 areas for which the Economic Standing Committee has responsibility.

In 2008-2012 the 21 Standing Committee members were Z. Altai, Kh. Badamsuren, D. Baldan-Ochir, B. Batbayar, N. Batbayar, J. Batsuuri, Ya. Batsuuri, G. Bathuu, Ts. Bayarsaihan, R. Bud, S. Byambatsogt, L. Gantumur, D. Ganhuyag, D. Damba-Ochir, Ts. Dashdorj, D. Zorigt, D. Odhuu, R. Rash, A. Tleihaan, D. Terbishdagva and Ts. Tsengel.

Only Batj. Batbayar, D. Damba-Ochir, A. Tleihaan, Ts. Tsengel and MMRE Minister D. Zorigt had any professional background or experience in the energy sector – 20 percent of committee members. As there are only 76 national MPs, it is difficult to say that this is insufficient. A. Tleihaan and Ts. Tsengel have maintained links with the energy sector and in some measure are sector representatives, although they were elected from rural constituencies.

The Economic Standing Committee has no support staff with professional energy backgrounds although there is one such staff member in the Parliament's Research Centre.

MPs obtain clarification and references regarding the energy sector from ministries, implementing agencies and regulators when they discuss energy-related legal documents. For example, when parliament was hearing the draft amendments to the Energy Law in 2011, Standing Committee members several times exerted their right to obtain written answers from the Minister.

Values	Select
Not applicable/Not assessed	–
No mechanism of legislative oversight through committee process or there is a committee with none of the four quality elements	Low __
A mechanism of legislative oversight through committee process but only one element of quality is met	Low - Medium __
A mechanism of legislative oversight through committee process and two indicators of quality are met	Medium __
A mechanism of legislative oversight through committee process and three indicators of quality are met	Medium-High ✓
A mechanism of legislative oversight through committee process and all four indicators of quality are met	High __
Researcher's name, place of work	

Source of information	Lack of official response from Standing Committee Chairman D. Zorigt to inquiry, but data collected from different sources http://www.parliament.mn http://www.legalinfo.mn Interview with MMRE Energy Policy Department Deputy Head D. Purevbayar, in response to official inquiry Official response from Energy Authority to inquiry
Additional information	- Official response from MMRE to inquiry - Interview with MMRE Energy Policy Department Deputy Head D. Purevbayar - Official response from Energy Authority to inquiry

PP 2 CAPACITY OF LEGISLATIVE COMMITTEE TO ASSESS ENVIRONMENTAL ISSUES

Elements of quality	Explanation
Relevant expertise	N Research into the educational and professional background of members of the Economic Standing Committee and of the Environment, Food and Agricultural Standing Committee showed that none had any nature environment background. However, one member worked in this field with the present NET Minister (until February 2012), and there is one member of the Green party.
Designated point person	N In the current Parliamentary structure (the highest law adopting institution), there are 7 Standing Committees, 1 Temporary Committee and 8 Sub-Committees for drafting and adopting bills. There is no officer or specialist responsible for environmental impact issues in the energy sector in the Economic Standing Committee nor the Food and Agriculture Standing Committee. There is no MP responsible for natural environment issues in the energy sector's policy and activities.
Dedicated financial resources	N There is no dedicated budget source for research and inspection for natural environment issues, but members of the Committee have the right to ask the Parliamentary Secretariat Research Center for certain research on natural environment issues.
Knowledge enhancement on environmental issues	N There is no mechanism for holding seminars for MPs and committee members; while there were some seminars for MP staff, there were no seminars on natural environment issues.

Additional/continued explanation

Among the 25 issues for which the Economic Standing Committee is responsible, and the 17 issues under the Natural Environment and Food and Agriculture Standing Committees, there is no specific direction for energy sector environmental issues. However, in energy policy development or discussion of bills, it is possible to submit them to the NEFA committee, and a number of MPs are members of both committees. There is a specific article in the direction of activity of the Parliamentary Secretariat administration to conduct training sessions and seminars for MP assistant staff to improve knowledge and capacity, improve foreign language fluency of Secretariat staff, MP assistants and representatives, re-training in foreign and domestic training with international organizations, universities and academic organizations. We found no information on training in energy issues.

The lack of a mechanism to train Standing Committee members may affect the quality of legislation on issues as complex as energy. The Standing Committee initiated no public hearings on energy and environment issues.

Values	Select
Not applicable/Not assessed	–
Relevant legislative committee shows no sign of capacity to assess environmental issues	Low ✓

Relevant legislative committee exhibits at least one element of capacity to assess environmental issues	Medium ____
Relevant legislative committee exhibits two or more elements of capacity to assess environmental issues	High ____
Researcher's name, place of work	
Source of information	1. Lack of official response from Standing Committee Chairman D. Zorigt to inquiry, but data collected from various sources 2. Official MMRE response to inquiry 3. Interview with MMRE Energy Policy Department Deputy Head D. Purevbayar 4. Official Energy Authority response to inquiry 5. www.parliament.mn website 6. www.legalinfo.mn website
Additional information	

PP3 CAPACITY TO ASSESS SOCIAL ISSUES IN THE LEGISLATIVE COMMITTEE FOR ELECTRICITY

Elements of quality		Explanation
Relevant expertise	Y	Although Economic Standing Committee members have sufficient knowledge and capacity to assess social issues related to energy sector, there is no mechanism to use this expertise effectively.
Designated point person	N	There is no MP or specifically appointed official in the Economic Standing Committee or the Standing Committee on Social Policy, Education, Science and Culture with responsibility for addressing the social aspects of energy sector policy.
Dedicated financial resources	N	Lack of dedicated source; can be requested from the Parliament budget, if necessary.
Knowledge enhancement on social issues	N	Lack of a mechanism to train Committee members; training courses for MP assistants were run, but not on social problems.
Additional/continued explanation Among the 25 issues for which the Economic Standing Committee is responsible and the 10 issues under the Social Policy, Education, Science and Culture Standing Committee, there is no specific direction on energy sector social issues. However, since social issues are at the centre of policies of Mongolia's ruling political parties, energy policy reflects social aspects related to the sector.		
Values		Select
Not applicable/Not assessed		–
Relevant legislative committee exhibits no indicator of capacity to assess social issues		Low _
Relevant legislative committee exhibits at least one element of capacity to assess social issues		Medium ✓
Relevant legislative committee exhibits two or more elements of capacity to assess social issues		High _

Researcher's name, place of work

Source of information Lack of official response from Standing Committee Chairman D. Zorigt to inquiry, but data collected from various sources
<http://www.parliament.mn>
<http://www.legalinfo.mn>
 Interview with MMRE Energy Policy Department Deputy Head D. Purevbayar, in response to inquiry
 Official response from Energy Authority to inquiry

Additional information

PP4 EFFECTIVE FUNCTIONING OF THE LEGISLATIVE COMMITTEE ON ELECTRICITY

Elements of quality		Explanation
Disclosure of interest	Y	To date there has been no legal need for Committee members to reveal a commercial interest in the energy sector before joining the committee. Each year MPs must declare to the Anticorruption Authority their income and assets, with names of companies in which they or their family members have shares; but it is unclear whether the companies are related to the energy sector and if so, in what measure. With 2012 enforcement of the Law Regulating Public and Private Interests, Preventing Conflict of Interest in the Public Service, there is a legal requirement to declare any conflict of interest.
Active committee	Y	The Economic Standing Committee met 124 times between 2008 and 2011, with 26 in 2008, 33 in 2009, 34 in 2010 and 31 in 2011. Energy issues were discussed at more than 10 meetings, including draft bills on Nuclear Energy (2009), a draft Loan Agreement on additional energy project financing (2009), a draft SIK resolution on measures to be taken in the energy and fuel sector (2010), a draft SIK resolution on main directions of privatization of state property (2010-2012) and draft amendments to the Energy Law. In 2008 an MRE Minister was appointed in the new government.
Reasoned reports	Y	Under the Parliamentary Session Proceedings Law, when suggestions and conclusions on law drafts have been discussed by a Standing Committee and are ready to be presented to a plenary session, a draft presenter is appointed. He/she will summarize and present the main suggestions, criticisms and conclusions on the project as discussed by the Standing Committee. These suggestions and conclusions are accessible to the general public on the Parliamentary website.
Proactive committee	N	When October 4, 2011, Economic Standing Committee meeting minutes on draft amendments to the Energy Law were studied, the following picture emerged. The project presenter's report was by the MMRE, with the Minister and staff of relevant agencies present to answer MPs questions. There were no suggestions or questions from Standing Committee members. Eleven of the 21 Standing Committee members (52.3 percent) were present. Eight members voted in favour of presenting the bill to the Parliamentary plenary session, three against, so the bill was sent to a Parliamentary reading. At the meeting, there was only one member of the opposition. The minutes show insufficient activity or participation of committee members in development of a fundamental document related to the energy sector.
Public consultations	N	The standing committee held no public hearings.

Transparency of submissions to committee	N	Suggestions and proposals from citizens and research requested by members are not accessible on the Parliamentary website. However, it is possible to access related materials from the Parliamentary Secretariat library and archive by request.
Transparency of committee reports	Y	With the exception of confidential material, brief and detailed records of Standing Committee meetings can be downloaded from the parliamentary website, so it is concluded that reports are transparent and open.
Reporting by executives	Y	Materials and additional research requested by Standing Committee members are given to MPs in hard copy or downloaded onto their I pads. For example, there is an answer to MP D. Baldan-Ochir from the MMRE Minister in writing, which was also orally explained at a parliamentary session.
Additional explanation Although the Standing Committee meeting illustrated insufficient activity and participation of committee members in discussion of the draft amendments to the Energy Law, minutes of the Parliament session show active participation of MPs.		
Values	Select	
Not applicable/not assessed	----	
There is no mechanism of legislative oversight through committee process, or the process has no element of effective process	Low ----	
A legislative committee that examines electricity exists but meets only one or two elements of effective process	Low- Medium	
A legislative committee that examines electricity exists, meeting three or four elements of effective process	Medium ✓	
A legislative committee that examines electricity exists, meeting five or six elements of effective process	Medium-High ----	
A legislative committee that examines electricity exists, meeting seven or eight elements of effective process	High ----	
Source of information	Minutes of the Economic Standing Committee meeting, October 4, 2011	
Additional information		

PP5 STAFFING POLICIES OF ELECTRICITY MINISTRY/DEPARTMENT

Elements of quality		Explanations
Clear criteria	Y	Example: for the Energy Authority (the government implementing agency), under the job description, approved by the chief of the organization, a person selected under regulations in the Civil Service Law is appointed by nomination from the Civil Service Council.
Predictable tenure	Y	Regulated by the Civil Service Law, the Labor Law and internal regulations. These give criteria on a clear/predictable tenure in office and on resignation from the job before the end of tenure.
Disclosure of interest	Y	Civil Service Law Article 13 on the common duties of core civil servants states that they must: "... declare the extent of their property and income upon taking up a core Civil Service position and notify relevant government organizations of any subsequent change." However, ministry and authority staff are not obliged to report on their previous or current share-owning in energy sector companies. Moreover, they are not obliged to disclose any related activities in the form of employment/trading or counseling. In fact, Article 14 of the same law states that they can: 14.1.7 "...profit from personally operating a family smallholding, or by owning a business that is managed by a representative in ways not prohibited by the law and where there is no conflict of interest with the post..." This situation has allowed civil servants to establish a business under their relatives' names and engage in business, with the advantage of being better informed. With the 2012 adoption of the Law on Regulation of Public and Private Interests in Public Service and Prevention of Conflict of Interests, a legal environment is in place to mandate declaration of conflict of interest in an open, transparent way.
Conflict of interest rules	Y	Abides by the Civil Service Law, the State Secrets Law and internal regulations of organizations. Activities restricted for core civil servants by this law are as follows: 15.1.13 "...in the two years following termination of office, may not hold a position in a private economic entity with which they had direct relations in an official capacity during the last five years, except in cases permitted by the Government Service Council or otherwise provided for in law..." There are two unclear, vague situations which produce doubts on actual implementation of the law. First, it is unclear which organizations may be described as those with which the person had direct relations and which can be included in the other category (having indirect relations). Second, the difference between being employed or holding a position is not clear.
Additional explanation An exemplar is the Energy Authority, the government implementing agency. Until recently there has been no legal requirement for ministry/authority staff to declare any private commercial interests in the energy sector. While income declarations are collected, this is to determine corruption issues rather than to clarify a possible conflict of interest. Therefore core civil employees of this sector do not publicly declare any commercial interest. The 2012 adoption of the Law on Regulation of Public and Private Interests in Public Service and Prevention of Conflict of Interests mandates a declaration of conflict of interest in an open, transparent way.		
Values		Select
Not applicable/not assessed		---

The staffing policies for electricity department/ministry do not meet any elements of quality	Low ____
The staffing policies for electricity department/ministry meet one element of quality	Low-Medium
The staffing policies for electricity department/ministry meet two elements of quality	Medium
The staffing policies for electricity department/ministry meet three elements of quality	Medium-High
The staffing policies for electricity department/ministry meet all four elements of quality	High ☒
Sources of Information	- Official response from EA to inquiry - Interview with MMRE Energy Policy Department Deputy Head D. Purevbayar in response to inquiry
Additional information	

PP6 CLARITY AND TRANSPARENCY OF THE EXECUTIVE'S ENVIRONMENTAL MANDATE

Elements of quality	Explanation	
Environmental responsibilities defined	N	The EA gave this response to an inquiry from the research team to the MMRE and Energy Authority on duties and responsibilities with regard to the natural environment: "...our organization works in the following ways. - Organize development, ratify and follow standards of environmental impact of the energy sector. - Adopt rules and regulations on operational safety, assembly, repair and use of centralized networks, centralized heating supply, energy facilities, equipment, to determine consumer categories. - Determine rules for use of electricity and heating, protection of electrical grids, determine the area to be covered by transition networks. - Determine the environmental impact of the energy sector and give a detailed assessment. - Calculate expenses for work on reduction of environmental impact and its monitoring, work on its implementation, and report to the central public administrative institution and related organizations." From this, the team studied directions of MMRE and EA activities. MMRE has 7 departments and 2 divisions and EA has 10 divisions, with no department or division working on assessment of the impact on the natural environment of energy production and consumption nor on developing environmental standards; it is unclear which department or division bears these duties.
Cooperation with other authorities	Y	EA works with other organizations and regulators on natural environment issues. EA has concluded a partnership agreement and is working on calculation of expenses and reduction of the environmental impact of the Durgun and Taishir hydro power plants. It has also arranged the environmental impact assessment of combined heat and power plants and is planning and implementing related activities based on that assessment. It is also implementing a centralized plan for the energy sector approved by the Chief of EA.
Available on website and local offices	N	Although the related organization, the EA, told us in writing that documents on the executive organization's responsibility regarding the natural environment were available on the website, public information centers and libraries, they were not in fact on the public website.

Regular reporting	N	The EA stated that information on the energy sector's environmental impact was reported to public organizations and NGOs, and that data on sector activity was available to the general public, including objective data on the types of fuel used for energy production and greenhouse gas emission, accessible on websites. However, there is a lack of regular reportage on types of fuel used, greenhouse gas emissions and impacts on the water eco-system.
Outreach to weaker groups	Y	MMRE regulations on receiving consumer suggestions and complaints are placed on the MMRE website with a link to that information. The ministry disseminates information on EA duties and responsibilities towards various social groups through the media, websites and public events such as Open Door days.
Values	Select	
Not applicable/not assessed	---	
No elements of quality on environmental mandate are met	Low ---	
One element of quality on environmental mandate is met	Low-medium ---	
Two elements of quality on environmental mandate are met	Medium ✓	
Two elements of quality on environmental mandate are met	Medium-High ---	
Four or more elements of quality on environmental mandate are met	High ---	
Sources of Information	- Official response from EA to inquiry - Interview with MMRE Energy Policy Department Deputy Head D. Purevbayar in response to inquiry	
Additional information		

PP 7 CLARITY AND TRANSPARENCY OF THE EXECUTIVE'S SOCIAL MANDATE

Elements of quality	Explanation	
Social responsibilities defined	Y	The EA has the following duties: - under policy directions developed by the MMRE, implement projects and programs; - research and develop justification for projects, programs and events using foreign and domestic loans and assistance and conduct their assessment; - research energy development; - develop feasibility indicators for new sources; - research and introduce new technology; - improve economic efficiency of energy producers; - develop projects to reduce energy loss; - research possibilities for solar, wind, hydro, biomass and underground thermal energy resources; - develop standards and norms of service and use of renewable energy equipment and machinery; - research and introduce new environmentally-friendly technology and energy resources. The policy on low electricity prices and tariffs to support vulnerable groups is implemented with prices and tariffs approved by ERA.
Cooperation with other authorities	Y	The EA has a permanent partnership on social responsibilities with the Trades Union of Geology, Mining, and Energy sector employees. The EA cooperates with non-governmental organizations, based on MOUs.

Available on website and local offices	N	Although we were told that documents on social responsibility of EA employees were available on the website, public information centers and the media, we found no information on the website.
Regular reporting	N	While an annual report is published, it is not publicly available; there is no information on the energy sector social impact; results are reported regularly to the public.
Outreach to weaker groups	N	There is no data on regular systematic activities providing information to vulnerable social groups and rural citizens who have moved to city suburbs.
Any additional explanations		
Values	Select	
Not applicable/not assessed	---	
No elements of quality are met	Low ---	
One element of quality on social mandate is met	Low-Medium ---	
Two elements of quality on social mandate are met	Medium ✓	
Three elements of quality on social mandate are met	Medium-high	
Four or more elements of quality on social mandate are met	High ---	
Sources of Information	Official response from EA to inquiry - Interview MMRE Energy Policy Department Deputy Head with D. Purevbayar in response to inquiry	
Additional information		

PP 8 CAPACITY OF EXECUTIVE TO EVALUATE ENVIRONMENTAL ISSUES

Elements of quality	Explanation	
Dedicated financial resources	N	Not available; when necessary, financed by decision of the budget general coordinator.
Access to expertise	Y	It is possible to use EA staff to resolve natural environment issues, because the EA participates in decision-making and research of problems in this field. The EA is also working with organizations responsible for health, water, rural development/ agriculture, petroleum/natural gas and oil issues and establishing working groups.
Designated point person	N	Not available.
Knowledge enhancement on environmental issues	N	There is no regular training system.
Continued explanation		
The MMRE and the EA have no department, unit or officers specifically responsible for energy sector environmental impact assessments or development of environmental standards. Lack of a unit/department/ authority in charge of a project environmental impact assessment negatively affects development and dissemination of such information to the public, coordination of activities between the MMRE and the Natural Environment and Tourism Ministry.		

Values	Select
Not applicable/not assessed	---
The executive meets none of the elements of capacity to assess the environmental issues in the electricity sector	Low ✓
The executive meets one element of capacity to assess environmental issues in the electricity sector	Medium ---
The executive meets two or more elements of capacity to assess environmental issues in the electricity sector	High ---
Sources of information	Official response from EA to inquiry - Interview with MMRE Energy Policy Department Deputy Head D. Purevbayar in response to inquiry
Additional information	

PP 9 CAPACITY OF EXECUTIVES TO EVALUATE SOCIAL ISSUES

Elements of quality	Explanation
Dedicated financial resources	N There is no special financial source for research and inspection of social issues at EA.
Access to expertise	Y The EA has the potential to use staff and their capacity for social issues. There is no set system for cooperation with organizations responsible for health, water, gender equality, rural development/agriculture or education issues. However, a working group was established to cooperate in certain directions with organizations concerned with social issues.
Designated point person	Y A Human Resources officer is responsible for social issues in the energy sector policy and activities. The officer is responsible for training, work conditions, health and other social issues of employees.
Knowledge enhancement on social issues	N There was no training on how a particular project implemented in any area can affect a specific social group or local residents.
Continued explanation	
Values	Select
Not applicable /Not assessed	
The executive meets none of the elements of quality to assess the social issues in the energy sector	Low
The executive meets one element of quality to assess social issues in the energy sector	Medium
The executive meets two and more elements of quality to assess social issues in the energy sector	High ✓
Sources of information	- Official response from MMRE to inquiry - Interview with MMRE Energy Policy Department Deputy Head D. Purevbayar in response to official inquiry
Additional information	

PP 10 ANNUAL REPORTS OF THE ENERGY/ELECTRICITY MINISTRY/ DEPARTMENT

Elements of quality	Explanation	
Financial reporting	Y	The MMRE financial report is prepared by the MMRE Finance and Investments Department. The department examined financial reports of related public organizations and projects, and prepared an MMRE consolidated financial report for 2009. The report was approved after monitoring by the Finance Ministry and the National Audit Office on October 10, 2010. The National Audit Office concluded that the financial report complied with the methodology and provided ministry executives with relevant information for the Parliamentary session. While the report showed total budget expenditure for ministry operations, there was no breakdown of administration/accommodation expenses, equipment or consulting services, though there was detailed calculation of expenses for companies and third party subsidies.
Review of progress	Y	Reports included a total overview of progress, based on annual policy initiatives/decisions of the last year, and directions for the next initiatives, projects and decisions.
Easy availability	N	The approved report from the MMRE and EA was not put on the official public website within 1 month, and there was no printed version.
Local languages	Y	The report was written in the Mongolian language.
Continued explanation		
Values	Select	
Not applicable/Not assessed		
The energy ministry/department do not prepare annual report or the report does not satisfy any elements of quality in reporting	Low__	
The energy ministry/department annual report meets one element of quality in reporting	Low-Medium__	
The energy ministry/department annual report meets two elements of quality in reporting	Medium	
The energy ministry/department annual report meets three elements of quality in reporting	Medium-high ✓	
The energy ministry/department annual report meets four elements of quality in reporting	High ____	
Sources of information:	- Official response from the MMRE to inquiry - Interview with the MMRE Energy Policy Department Deputy Head D. Purevbayar in response to inquiry - Official response from the Energy Authority to the inquiry - Report of the Finance and Investments Department - 2009-2010 Overview of activities in the minerals and energy sector	
Additional information		

PP 11 ADVISORY COMMITTEES TO THE ENERGY MINISTRY/ DEPARTMENT

Elements of quality		Explanation
Clear duties	Y	A Technical Council under the EA discusses and approves issues of technical and technological innovation in the energy sector, of introduction of new technologies and of work procedures; makes decisions and monitors implementation. It reports decisions to MMRE.
Balanced composition	Y	The Technical Council includes vice-presidents in charge of technical issues of energy producers, representatives of academics, professors and lecturers of the Energy School (MUST), specialists from design organizations and consulting engineers.
Financial resources	Y	Operational costs and compensation are paid from the budget of organization in a satisfactory manner.
Regular meetings	Y	Regular, according to a schedule.
Public disclosure of notes	N	Decisions of the Technical Council are not open to the public.
Public disclosure of documents	N	Although the Technical Council claimed that all documents were open and transparent, they are not placed on a website and are not available to the public.
Transparent feedback from executive	N	Although energy producers and legal entities report to related organizations and to the EA on implementation of Technical Council decisions, this information is not open or transparent to the public; it is not on the website.

Continued explanation

Apart from the EA's Technical Council, there is a Science and Technology Council under the MMRE. Some of their activities:

- A list of normative documents as used in the Russian Federation was approved by the EA Technical Council and the MMRE Science and Technology Council. These documents are to be translated into the Mongolian language by 2014.
- The Council worked out a proposed budget for research on adoption of international standards (especially Russian Federation and EU) by Mongolia, and drew up a list of standards to be translated. This proposal was sent to the MMRE for an official decision.
- Eleven normative energy documents were edited and amended, three amended documents were sent to the MMRE, and two others, approved by the EA Technical Council, have been prepared for submitting to the MMRE Science Technology Council for approval.
- Standards of main technical requirements for security and automated microprocessor facilities of an energy system were developed.
- A feasibility study on meeting growing energy and electricity demands of the minerals industry in the Gobi region was developed and approved by the EA Technical Council; the material was submitted to the MMRE for further submission to the Science and Technology Council.
- A feasibility study for a new 270MWt CHP station using a coal deposit of the Tsaidam Lake as submitted by the Tsaidam Energy LLC was studied and conclusions sent to the Science and Technology Council.

Values	Select
Not applicable/Not assessed	
The advisory committee in the case selected meets no elements of quality for effective functioning	Low___
The advisory committee in the case selected meets one elements of quality for effective functioning	Low-Medium ___
The advisory committee in the case selected meets two-three elements of quality for effective functioning	Medium ___

The advisory committee in the case selected meets four-five elements of quality for effective functioning		Medium-High__✓
The advisory committee in the case selected meets six-seven elements of quality for effective functioning		High ____
Sources of information	Official response from the MMRE to inquiry - Interview with MMRE Energy Policy Department Deputy Head D. Purevbayar, in response to inquiry - Official response from the Energy Authority to the inquiry - Report of the Finance and Investments Department - 2009-2010 Overview of activities in the minerals and energy sector	
Additional information		

PP 12 EFFECTIVE FUNCTIONING OF DISTINCT PLANNING/POLICY AGENCY

Elements of quality		Explanation
Requirement to consult planning agency	Y	The MMRE is in charge of energy sector planning, though there is no distinct MMRE planning/policy agency. MMRE activities and projects at the macro level receive suggestions from the Finance Ministry and the National Development and Innovation Committee. The MMRE Energy Policy Department is responsible for energy sector planning and policy at the sector level. On the macro level the MMRE cooperates with the Finance Ministry and the National Development and Innovation Committee, on the sector level implementing agencies and centers work with the MMRE Energy Policy Department.
Mechanism to evaluate executive response	Y	On the sector level the Energy Policy department monitors performance of implementing agencies and includes them in their report; on the macro level there is no specific mechanism between the planning organization and the ministry to assess implementation and report execution of suggestions, requirements and recommendations.
Authority to seek information	Y	The Energy Policy Department has full authority to obtain information from related implementing agencies and departments in a timely manner. In the policy planning department, internal activities were carried out, including team work; reply to official inquiries; giving feedback on documents developed by other ministries and agencies; disseminating information; replying to complaints and suggestions from individuals and organizations; dealing with complaints reported in person; and attending seminars and interviews.
Adequate resources	N	On the macro level, research on the project feasibility study is financed by the National Development and Innovation Committee. The MMRE has no budget to conduct fundamental research and analysis.
Transparency in functioning	N	There is no mechanism to disseminate results of analysis and research, suggestions and recommendations for the general public about MMRE and NDIC rules and regulations on the macro level.
Consultation procedures	Y	Discussion was held with specialists, researchers and the general public on Energy Law amendments and on CHP-5 power station.
Continued explanation		
Values	Select	
Not applicable/Not assessed		

There is no distinct planning agency, or any agency that meets any of the elements of quality	Low ____
A distinct planning agency exists and meets one element of quality	Low-Medium__
A distinct planning agency exists and meets two-three elements of quality	Medium ____✓
A distinct planning agency exists and meets four elements of quality	Medium-High ____
A distinct planning agency exists and meets five-six elements of quality	High ____
Sources of information	- Official response from the MMRE to inquiry - Interview with MMRE Energy Policy Department Deputy Head D. Purevbayar, in response to inquiry - Official response from the Energy Authority to the inquiry - Report of the Finance and Investments Department - 2009-2010 Overview of activities in the minerals and energy sector
Additional information	

PP 13 CAPACITY OF CIVIL SOCIETY ORGANIZATIONS

Elements of quality		Explanation
Techno-economic analytic capacity	Y	As energy experts are members of several NGOs, they have full analytic capacity.
Proactive engagement and strategic capability	Y	The above organizations operate actively and participate in development and discussion of new policies and legislation.
CSO analysis of environmental and social impacts	N	Other civil society organizations not directly involved in the energy sector also have the ability to analyze environmental and social impacts of policies, but have not started working on the impacts of energy policies and decisions.
Support for weaker groups and grass roots links	N	There is no active work in support of local communities or vulnerable groups.
Ongoing learning capacity	Y	All CSO have ongoing learning.
Networking	N	NGOs in the energy sector are not yet in the network.
Broad credibility	N	Unsatisfactory credibility due to lack of cooperation in a network.
Continued explanation		
The following NGOs are currently operating in the energy sector:		
Energy Development Association (Head B. Jigjid)		
Mongolian Energy Association (General Secretary Ts. Sukhbaatar)		
Mongolian Renewable Energy Association (President B. Bat)		
Mongolian Energy Association (Executive Director G. Purevdorj tel. 99092150)		
Renewable Energy Information Centre NGO		
Association of Energy Engineers (President R. Ganjuur)		
Mongolian Association of Wind Energy (Executive Director E. Myagmardorj)		
Energy, Geology, Mining Workers Trades Union (Head S. Ganbold)		
Employers’ Federation (Executive Director H. Ganbaatar)		
Values		Select
Not applicable/Not assessed		
CSOs active in policy-making meet no elements of quality		Low ____
CSOs active in policy-making meet one-two elements of quality		Low-Medium__

CSOs active in policy-making meet three-four elements of quality	Medium _✓_
CSOs active in policy-making meet five-six elements of quality	Medium-High __
CSOs active in policy-making meet all seven elements of quality	High ____
Sources of information	Introductions of CSO, notes from the hearing on energy issues
Additional information	

PP 14 QUALITY OF LEGISLATIVE DEBATES ON ELECTRICITY LAWS

Element of quality		Explanation
Duration of debate	Y	Debate on SIK Resolution 72 (Measures To Be Taken In The Fuel And Energy Sector) continued for two months (submitted to Parliament in October 2010); debate on draft amendments to the Energy Law continued for eight months (April-December 2012). The duration was considered to be satisfactory.
Attendance of members	Y	The attendance records show that of the 76 national MPs, over 50 (65.7%) attended Standing Committee meetings and Parliament plenary sessions on Resolution 72 and draft amendments, exceeding the quorum, so attendance was considered satisfactory.
Composition of speakers	Y	Minutes of the plenary session on Resolution 72 and the draft amendments show that most questions and expression of opinions was from MPP members, which corresponds with the ratio of seats held by the ruling party, the MPP, and the DP, and this was considered satisfactory.
Availability of transcripts	Y	Minutes of the Parliamentary plenary session on Resolution 72 and the draft amendments were placed on the Parliamentary website 14-21 days after the meeting. While Standing Committee meetings are open, the minutes are not available. In general, availability was considered satisfactory.
Continued explanation		
The process of approval of the above two decisions was more open than the process of previous policy decision-making, and was at the centre of public attention, but was not even.		
Work on development of and debate on SIK Resolution 72 (Measures To Be Taken In The Fuel And Energy Sector, approved December 2010) took a relatively short time, just a few months from establishment of the working group, so the public had little opportunity to register opinions. However, the process of developing and discussing draft amendments to the Energy Law continued for two years (2010-2011).		
Values		Select
Not applicable/Not assessed		
The legal framework was put in place without legislative approval (through means such as ordinance/presidential decree etc.)		Low ____
The legal framework was enacted through the legislature but the process meets only one element of quality for effective legislative debate		Low-Medium __
The legal framework was enacted through the legislature but the process meets two elements of quality for effective legislative debate		Medium ____
The legal framework was enacted through the legislature but the process meets three elements of quality for effective legislative debate		Medium-High __
The legal framework was enacted through the legislature but the process meets all four elements of quality for effective legislative debate		High _✓_

Sources of information	Detailed minutes of following plenary sessions: Thursday, December 2, 2010, plenary session minutes Friday, December 3, 2010, plenary session minutes Thursday, December 9, 2010, plenary session minutes Friday, October 14, 2011, plenary session minutes Thursday, October 20, 2011, plenary session minutes Friday, December 2, 2011, plenary session minutes Friday, December 9, 2011, plenary session minutes
Additional information	

PP15 QUALITY OF MEDIA COVERAGE OF ELECTRICITY POLICY AND REFORM

Elements of quality	Explanation	
Volume of coverage	N	Parliament adopted the amended Energy Law on December 9, 2011. After studying 14 issues of the Unuudur and Udriin Sonin (newspapers with the greatest circulation) for three days before this date and three days after it (the next two days were a weekend when the papers were not published, so we used the editions of the following days), over a seven-day period, we found no articles or information on the law adoption process.
Quality of coverage	N	Since there was no publication coverage, it is impossible to assess the quality.
Balance of coverage	N	Since there was no coverage, it is impossible to assess the balance of coverage
Continued explanation		
The most important event in energy sector reform in recent years was the adoption by the Parliament of the Energy Law amendments.		
After the bill was drafted and announced in January 2010, it was discussed at a government meeting and presented to Parliament. The Standing Committee and plenary sessions were reported by the media. However, issues of Unuudur and Udriin Sonin, newspapers with the greatest circulation, were studied (three days up to December 9, 2010, and three days after, a total of seven days) by the EGI toolkit, we found no article nor any information relating to the law adoption process.		
In television broadcasts and on internet websites in the period, we found information about the Energy Law amendments in Parliamentary news and interviews. However, these sources were not in the toolkit.		
In issues of less popular newspapers (Zuuni Medee, Unuudrin Shuudan, Ugluunii Sonin and Undesnii Shuudan) of the period, we found only brief news about the amendment of the Law, so the general picture remained the same.		
Values		Select
Not applicable/Not assessed		✓
Media coverage does not meet even one element of quality		Low ____
Media coverage meets one-two elements of quality		Medium ____
Media coverage meets all three elements of quality		High ____
Sources of information	There was no mention of the Energy Law amendments in the highest circulation daily newspapers (Unuudur and Unuudriin Sonin) in December 6-14, 2011, which is the period in which the amendments were passed.	
Additional information		

PP 16 CLARITY OF PROCESS FOR PUBLIC PARTICIPATION IN DECISION-MAKING

Elements of quality		Explanation
Responsibility for the decision	Y	It was clear from the announcement that the MMRE was holding a hearing on the Energy Law amendments.
Clear time frame for decision	N	There was no information on the deadline for submission of the bill and its final adoption.
Clear time frame for input	N	There was no specific deadline for receiving public opinion.
Accountability for input	N	There was no specific information about how to submit opinions, or who should receive them; feedback was not mentioned.
Documentation of consultation process	N	The public was not informed about particular opinions received or debated.
Timely distribution of information about process	N	The consultation process was announced without prior information.
Broad distribution of information about process	Y	Information about a public hearing on the bill was spread to the public through the media and internet websites and repeated from time to time.
Targeted distribution of information about process	N	There was no evidence of specific delivery of information about the hearing process to groups affected by the bill but unable to access the internet.
Continued explanation MMRE staff reported that they collected opinions at every energy sector hearing, consolidated them and submitted them to the working group in the form of minutes. However, there was no evidence to support this claim, there were no notes nor mechanism to organize such work. Although there are regulations governing the conduct of public hearings, approved by ERA Resolution 72 in 2005, they are not directly applicable to hearings relating to energy sector policy. Material on pressing energy sector and bill issues published in newspapers were mostly related to meetings between representatives of ministries, agencies and professional institutions, to research conferences and consultative meetings, which was evidence of a high level of debate, but there was no information on the position of the general public, the electricity consumers.		
Values	Select	
Not applicable/Not assessed		
The policy-making process as evaluated meets no elements of quality	Low ____	
The policy-making process as evaluated meets one–two elements of quality	Low-Medium ____✓	
The policy-making process as evaluated meets three–four elements of quality	Medium ____	
The policy-making process as evaluated meets five–six elements of quality	Medium-High__	
The policy-making process as evaluated meets seven–eight elements of quality	High ____	
Sources of information	- Interview with MMRE Energy Policy Department Deputy Head D. Purevbayar - Official response from the Energy Authority to inquiry - 2010-2011 archives of media monitoring	
Additional information		

PP17 PUBLIC DISCLOSURE OF INFORMATION ON THE BASIS AND GOALS OF POLICY REFORM

Elements of quality	Explanation	
Breadth of documentation availability	N	There was a public announcement of the draft Energy Law amendments being developed uploaded onto the official parliamentary website on May 23, 2011. There are some policy and legal documents, a basis for evaluation of energy sector policy and its various scenarios, on the official Mineral Resources and Energy Ministry website and on the Energy Authority website. These assessments cannot be regarded as complete because of the absence of data and information on proposals from interested parties and other points of view (see continued explanation).
Ease of access	Y	It was easy to access as it was uploaded on the website.
Timeliness of availability	Y	Permanently located on the website, there was opportunity for timely access to data and information.
Accessible by a range of stakeholders	N	As it was only available on the website, and not on other channels, it cannot be considered completely accessible for the general public.
Continued explanation		
For transparency of the debate and the draft legislation approval process, there is a page on the parliamentary website which gives the concept of the law and some document names, along with the draft legislation, under Research, References, Calculations and Other Information Related to the Draft. There was no relevant information added to this page during the debate.		
1. Concept and introduction to the draft law 2. Research, references, calculations and other information related to the draft [no information] 3. Resolution of the parliament and Standing Committee on establishing a working group [no information] 4. Report of who initiated the law [no information] 5. Conclusions of the Standing Committee on the bill [no information] 6. Conclusions of political parties, coalition groups and other Standing Committees on the bill [no information] 7. Conclusions of a consultant to the Standing Committee [no information] 8. Legal conclusions of a consultant for the Legal Department [no information] 9. Various proposals submitted by members during initial discussion [no information] 10. Draft legislation submitted for a final hearing [no information] 11. Introduction of the Standing Committee regarding preparation for the final hearing [no information] 12. Some 'proposals with a difference of principle' submitted by members during the final hearing [No information. Draft legislation was not discussed further] 13. Finalized version of the bill distributed for submission [no information] 14. Laws and regulations released in connection with the approved law and resolutions [no information] 15. Information on the President's ban and the related discussion on this issue [no information]		
Values	Select	
Not applicable/Not assessed		
No information is available on background documents that provide the basis for policy decision	Low __	
Information available to the public meets one-two elements of quality	Medium ☒ _	
Information available to the public meets three-four elements of quality	High	
Researcher name and organization	D. Tserenjav, Transparency NGO	

Sources of information	- www.parliament.mn the official parliamentary website - Response to an official letter to the MMRE - Interview with MMRE Energy Policy Department Deputy Director D. Purevbayar www.mmre.gov.mn/ http://www.mmre.energy.mn/ - Response to an official letter to the Energy Authority www.ea.energy.mn
Additional information	

PP 18 EFFECTIVENESS OF PUBLIC PARTICIPATION PROCESS

Elements of quality	Explanation	
Quantity of participation	Y	In the two-year period of draft law discussions, more than ten proposals were received.
Breadth of participation	N	Apart from energy sector staff claims, there is no information or evidence of suggestions from sector groups such as NGOs protecting public interest, trade unions, consumer groups and farmers.
Summary of public participation	N	N/A
Response to public participation	N	N/A

Continued explanation

In February 2011, the Sub-Council on Fuel and Energy Policy (under jurisdiction of the President of Mongolia) held an open discussion on Policy Documents of Fuel and Energy Sector Development, Implementation and Future Goals in the Civil Chamber, and submitted a package of proposals.

After meeting and talking with about 700 engineers and officers from 30 public and private organizations, the Mongolian Association of Energy Engineers Board of Directors and the MEA delivered a proposal with twenty articles to the Mineral Resources and Energy Ministry.

A nationwide Open Door Day for the mineral resources and energy sector was run on November 18, 2011, and some law-related proposals were received by the MMRE and the EA. MMRE Energy Policy Department Deputy Director D. Purevdorj said that they had collated community proposals and submitted the package to the relevant officer. However there is no information or evidence on when or if these and other proposals were received and reflected in policy decisions.

Values	Select
Not applicable/Not assessed	___
The policy process met no element of quality	Low ___
The policy process met only one element of quality	Low-Medium__ ✓
The policy process met two elements of quality	Medium ___
Participation and responsiveness met three elements of quality	Medium-High ___
Participation and responsiveness met all four elements of quality	High ___
Sources of information	- Interview with MMRE Energy Policy Department Deputy Director D. Purevbayar - Official response to a letter to the EA.
Additional information	

PP 19 CONSIDERATION OF ENVIRONMENTAL ISSUES IN SECTOR REFORM LAW AND POLICY

Elements of quality		Explanation
Addressed in background documents	Y	Environmental issues were included to a degree in basic policy documents and the energy sector masterplan.
Included in reform policies and laws	Y	Articles on environmental issues remained or were added to the amended Energy Law of December, 2011.
Mitigating direct impacts of power sector	Y	State policy documents such as the Government Action Program, the Millennium Development Goals, the 21st Century Sustainable Development Program, the Regional Development Concept, the Integrated Energy System and the Sustainable Development Strategy (2002-2010) stressed that development and use of renewable energy was a priority. In the Integrated Energy System Program, 305 out of 331 soums nationwide have been connected to the centralized system through electricity grids. Some 20 soums receive electricity from renewable energy sources. Under the 100,000 Solar Gers Program, some 80,000 herder families now have solar panels, and work continues to provide the remaining 20,000 households with solar panels. With the start-up of the Durgun hydropower plant, renewable energy will account for 2.65percent of total installed capacity. The Taishir hydropower plant is currently operating on a test basis, providing power to some parts of the Gobi-Altai province (Taishir and Jargalant soums). Implementation of these projects and programs has contributed to the launch of energy-saving technology and the reduction of sulfur dioxide and greenhouse gas emissions.
Global and economic effects of environmental impacts	N	There is no data on such assessment.
Continued explanation In November, 2011, before the Energy Law amendments were passed, NGOs suggested incorporating environmental issues in the Law as a separate section; this was not included in the new law. However, several articles on environmental impacts, assessment and consideration of reduction of negative consequences were included in the law, as follows. 12.5. Licenses shall not be required for construction and operation of energy sources with capacity of up to 1.5MW, or for ensuing construction of transmission and distribution lines that have no adverse impact on the environment or living conditions and are designated solely for own use. 24.3. The licensor shall revoke a license in the following cases. 24.3.5. Licensee failure to fulfill the environmental protection and rehabilitation action plan or breach of the legislation on environmental protection. 24.5. Revocation of the license shall not release the licensee from responsibility for rehabilitating the environment and other obligations. 25.1.11 A licensee must have an environmental impact assessment by a relevant authority prior to starting operations, prepare annual environmental protection and rehabilitation plans, have them approved by relevant authorities, and implement them. Since major policy documents of the energy sector as well as the masterplan have not been renewed, resolution of environmental issues in the sector is lagging, which may affects negatively future prospects.		
Values		Select
Not applicable/Not assessed		---
Consideration of environmental impacts in sector reform meets no elements of quality		Low ____

Consideration of environmental impacts in sector reform meets one element of quality	Low-Medium ___
Consideration of environmental impacts in sector reform meets two elements of quality	Medium ___
Consideration of environmental impacts in sector reform meets three elements of quality	Medium-High ☒ ___
Consideration of environmental impacts in sector reform meets four or more elements of quality	High ___
Sources of information:	- Official MMRE response to a letter - Interview with MMRE Energy Policy Department Deputy Director D. Purevbayar - Official Energy Authority response to a letter - Finance and Investment Department report - Review of performance of the minerals and energy sector 2009-2010 - Energy Authority annual report - MMRE annual report
Additional information	

PP 20 ASSESSMENT OF JOB LOSSES LINKED TO POLICY CHANGES OR SECTOR REFORMS IN THE ELECTRICITY SECTOR

Elements of quality	Explanation	
Assessment of unemployment impacts was carried out	N	No official assessment has been carried out.
Assessment was conducted before reforms were implemented	N	No such assessment was carried out before Resolution 72 and the Energy Law amendments.
Adverse impacts were mitigated	N	No measures such as retraining or compensation for adverse effects such as unemployment were mentioned.
Redress mechanisms were created	-	No data on such activities.
Continued explanation Resolution 72, the new Energy Law and other documents approved over the last two years have no methodology or mechanism of assessment of social impacts such as unemployment as a result of policy reform and energy sector change, or necessary measures to be taken.		
Values		Select
Not applicable/Not assessed		___
Assessment of employment impacts of reforms meet no elements of quality		Low ☒
The most important electricity provider meets one element of quality for effective engagement with civil society		Low-medium ___
Assessment of employment impacts of reforms meets two elements of quality		Medium ___
Assessment of employment impacts of reforms meets three elements of quality		Medium-High ___

Assessment of employment impacts of reforms meets all four elements of quality High ____

Sources of information	- Official MMRE response to a letter - Interview with MMRE Energy Policy Department Deputy Director D. Purevbayar - Official Energy Authority response to a letter - Finance and Investment Department report - Review of performance of the minerals and energy sector 2009-2010 - Energy Authority annual report of the - MMRE annual report
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Additional information

PP 21 TRANSPARENT FORMULATION OF POLICY ON INDEPENDENT POWER

Elements of quality		Explanation
Legislative approval	_Y	A legal environment for private investment in the energy sector is gradually being established. Approval of the 2010 Concessions Law and SIK Resolution 72 gave rise to a decision to liberalize prices.
Public consultation during policy development	N N	There was no public hearing that specifically provided public participation in discussing independent energy policy.
Competitive bidding	_ N	This has not yet been held; it is understood to be held under the Concessions Law.
Adequate demand analysis	_Y	There is sufficient research and analysis on the growth of national demand for energy as well as in the regions in the near future.
Disclosure of PPA	_N	The general terms of PPA have not been disclosed.
Analysis of financial impact	_N	There is no detailed financial impact analysis on tariffs.
Adequate public consultations prior to project approval	_N	The policy on independent energy producers was not made transparent for public debate.

Continued explanation

While the concept of private sector participation in the energy sector is reflected in the latest policy documents, the decision-making process has been closed to the general public and professionals.

One example has been the construction of the Ukhua Hudag CHP in Tsogt Tsetsii soum, Umnugobi aimag. The Government Action Plan (2008-2012) included the construction of a power station based on the Tavan Tolgoi deposit. A list of major government projects approved by Resolution 320 (2009) included the project of a Tavan Tolgoi Power station costing US\$400 million, to be implemented in 2010-2015. There has been a feasibility study but, for various reasons, the project has been postponed and a power station based on Ukhua Khudag (part of Tavan Tolgoi) was built. The process was as follows.

December 2009

First announcement of a 12MWt CHP station to be built based on the Ukhua Khudag coking coal deposit belonging to Energy Resource LLC. It was reported that the power plant would meet the energy demand of the Ukhua Khudag mine, a new coal processing plant and the mining village.

2010

Contradictory information was published about the station capacity: one report read: "MCS International LLC developed a feasibility study for a 12+50MWt CHP based on the Ukhua Khudag coking coal deposit of Tavan Tolgoi. The study was discussed by the Science and Technology Council meeting of the sector." Another report read: "MCS International LLC has developed a feasibility study of a 12MWt CHP based on the Ukhua Khudag coking coal deposit of Tavan Tolgoi. The study was discussed and approved by the Science and Technology Council meeting and blueprints have drawn up."

2011

It was reported that a 12+50 MWt or (according to another source) an 18MWt CHP is being built in Ukhuaa Khudag with private financing under a special license.

September 2011

Construction of an 18MWt CHP in Ukhuaa Khudag in Tsogts Tsetsii of Umnugobi aimag has been finished and the official opening ceremony has been conducted.

However, parliamentary session minutes show that this power plant remained controversial.

October 25, 2011

MP D. Damba-Ochir:

Can you clarify something, Minister? Would you give some information to Parliament members? What we think contradicts what you have said, which was that Tavan Tolgoi needs 50MWt of energy. I don't know exactly, but Oyu Tolgoi was talking about 450MWt. It seems that MCS is constructing a 20 or 35MWt power plant. So it is unclear what is going on. Is it according to policy or not? That's why I am asking.

MMRE Minister D. Zorig:

- At the present at Ukhuaa Khudag there is one energy source with a license for 18MWt. There is nothing else. It is only 18MWt. We are not going to give them permission for expansion. The reason is related to water and other issues, so we need one big station with a maximum output based on Tavan Tolgoi.

December 20, 2011

MP A. Tleikhan:

Lately everyone has been talking about building power plants. There is an integrated energy system program in Mongolia, which is state policy. Basic state policy in this sector is for a reformed integrated program, but there is talk about some stations that are not included in this program. For instance, Oyu Tolgoi is talking about building a power plant. It is not included in state policy, so if the plant is to be built, state policy should be amended... there is this major document called an integrated system program, which determines development of the sector. It was amended in 2007, but there is still talk about building power plants that are not included in this document.

Values	Select
Not applicable/Not assessed	
The IPP process meets no element of quality	Low ____
The IPP process meets one-two elements of quality	Low-Medium __✓__
The IPP process meets three-four elements of quality	Medium__
The IPP process meets four-five elements of quality	Medium-High__
The IPP process meets six-seven elements of quality	High ____
Sources of information	Resolution 72 Measures To Be Taken In The Fuel and Energy Sector Concessions Law Minutes of Parliamentary session, October 25, 2011 Minutes of Parliamentary session, December 20, 2011
Additional information	

PP22 PUBLIC DISCLOSURE OF USE OF CONSULTANTS

Elements of quality	Explanation	
Detailed information on consulting service	N	Although we were assured that detailed information on consulting services for energy sector was open and transparent, the consultant's Terms of Reference were not directly provided upon initial request by the public prior to launching contractual work. Moreover, information was not available on the website of the ministry.
Details of final report	Y	Upon request it is possible to get the final report released by the consultant.
Comment period on consultant report	N	The consulting service agreement is concluded according to approved Finance Ministry standards.
Revision requirement in response to public comment	Y	The Feasibility Study on a new energy source for Ulaanbaatar city and the detailed environmental impact assessment report.
Continued explanation		
Values	Select	
Not applicable/Not assessed	___	
Disclosure of information regarding use of consultants meets no elements of quality	Low ___	
Disclosure of information regarding use of consultants meets one element of quality	Low-Medium___	
Disclosure of information regarding use of consultants meets two elements of quality	Medium ✓	
Disclosure of information regarding use of consultants meets three elements of quality	Medium-High___	
Disclosure of information regarding use of consultants meets all four elements of quality	High ___	
Sources of information	- Interview with MMRE Energy Policy Department Deputy Director D. Purevbayar - Official Energy Authority response to a letter - Finance and Investment Department report - Review of performance by the minerals and energy sector 2009-2010 - Energy Authority annual report - MMRE annual report	
Additional information		

PP23 TRANSPARENCY OF DONOR ENGAGEMENT THROUGH POLICY LOANS

Elements of quality	Explanation	
Transparency on policy position	Y	Information on the policy and position of donors that grant loans in the energy sector is publicly available.
Transparency on conditions	Y	During the loan period, material related to the granting of the loan and its mandatory conditions are announced publicly.
Transparency about disbursement	Y	Fully transparent.
Transparency of evaluation mechanism	Y	Sufficient for interested parties.
Continued explanation		
Values		Select
Not applicable/Not assessed		--
Transparency in use of policy loan meets no element of quality		Low --
Transparency in use of policy loan meets one element of quality		Low-Medium---
Transparency in use of policy loan meets two elements of quality		Medium---
Transparency in use of policy loan meets three elements of quality		Medium-High --
Transparency in use of policy loan meets four elements of quality		High ✓
Sources of information	Interview with MMRE Energy Policy Department Deputy Director D. Purevbayar Official Energy Authority response to a letter Finance and Investment Department report Review of performance by the minerals and energy sector 2009-2010 Energy Authority annual report MMRE annual report	
Additional information		

PP 24 TRANSPARENCY OF DONOR ENGAGEMENT THROUGH TECHNICAL ASSISTANCE

Elements of quality		Explanation
Transparency on details of technical assistance	Y	Information on projects implemented with technical assistance of the World Bank, ADB, USAID and the Japanese government is open to the public.
Transparency on outputs	Y	There are strict conditions on projects financed by international donors as regards operational procedures, and especially on environmental and social impact assessments, open and transparent to the public.
Wide dissemination of effort	N	Information has been obtained from the Ministry annual report and action for public distribution is insufficient.

Continued explanation

For safe operation of electricity in Ulaanbaatar city, the Mongolian government and the World Bank have signed 'an agreement for an additional financial loan for energy' worth US\$12 million.

A project to reduce energy loss in the distribution network, financed by the World Bank and USAID, has been implemented since 2001 in the ger districts of Ulaanbaatar and nine aimag centers (Bayan-Ulgii, Bayankhongor, Gobi-Altai, Dornod, Umnugobi, Sukhbaatar, Uvs, Khovd and Khuvsgul).

Mongolia has drawn up a strategy document for cooperation with the ADB 2010-2015, and the Finance Minister and the ADB Resident Representative (Adrian Rudenberg) have signed an MOU. The focus is on transport, urban development, education, health and energy, and the ADB is granting a total of US\$530 million in 2010-2013. The finance comprises US\$200 million from the ADB, US\$184 million from the Ordinary Source Fund (from 2012) and US\$146 million from the Regional Development Fund. There will be technical assistance of US\$6 million each year.

The Finance Ministry, Roads, Transport, Construction and Urban Development Ministry, the Civil Aviation Authority and JICA have signed a protocol on a project titled Introduction of Clean Energy Technology by Solar Energy with a general grant aid from the Japanese government.

Values	Select
Not applicable/Not assessed	
Transparency of donor technical assistance meets one element of quality	Low ____
Transparency of donor technical assistance meets two elements of quality	Mid ✓
Transparency of donor technical assistance meets all three elements of quality	High ____
Sources of information	MMRE and ERA annual reports
Additional information	

PP25 TRANSPARENT AND ACCOUNTABLE IMPLEMENTATION OF IPP POLICY/LEGISLATION

Elements of quality		Explanation
Competitive bidding	_N	There was no competitive bidding for the construction of the Ukhuaa Khudag CHP plant.
Disclosure of PPA	_N	Not transparent.
Adequate demand analysis	_Y	It is understood that a feasibility study was conducted in the frame of other documents.
Analysis of financial impact	_Y	It is understood that a feasibility study was conducted in the frame of other documents.
Adequate public consultations prior to project approval	_N	There was no public consultation prior to approval of the Ukhuaa Khudag CHP and the Salkhit wind power plant projects.

Continued explanation

Although private sector participation in the energy sector has been included in the latest policy documents, the decision-making process has been closed to the general public and professionals. One example is the construction of the Ukhuaa Hudag CHP in Tsogt Tsetsii sum of Umnugobi aimag.

The decision-making process in regard to construction of this station was as follows.

2009

MCS International LLC developed a feasibility study for a 12+50MWt CHP based on the Ukhuaa Khudag Coking coal deposit of Tavan Tolgoi. The study was discussed and approved by the Science and Technology Council.

2009

Ukhuaa Khudag CHP blueprints were developed.

2009

An Energy Regulators' Council meeting licensed the United Power LLC to build a 12MW CHP based on the Ukhuaa Khudag coking coal deposit. United Power LLC is a joint investment from Energy Resource Mining LLC (a subsidiary of Energy Resource LLC) and Khangad Exploration LLC. A total of US\$25.1 million was budgeted for construction, of which US\$5 million was to be from own resources and the remaining 80 percent (US\$20.1 million) was to be financed with foreign loans.

2010

Construction of Ukhuaa Khudag station started; MCS International LLC was responsible for implementation and Chengdu Engineering Co Ltd of China did the blueprints.

September, 2011

MMRE State Secretary T. Tserenpurev reported that construction of the 12MW CHP as part of the planned 62MW station based on the Ukhuaa Khudag coking coal deposit was nearing completion.

September, 2011

The Ukhuaa Khudag CHP station started operating. All technologies at the CHP meet environmental standards approved by the World Bank and other international organizations. Of the new 140 workplaces, about 30 percent are filled by local residents.

October 25, 2011

At the Economic Standing Committee meeting, MMRE Minister D. Zorigt said: "At the present at Ukhuaa Khudag there is only one energy source with a license for 18MW. There is nothing else. It is only 18MW. We are not going to give them permission for expansion. The reason is related to water and other issues."

April 19, 2012

In an interview, MMRE State Secretary T. Tserenpurev said that the Energy Resource company had built a 18MW power plant in Ukhuaa Khudag and was planning to expand it and increase capacity in the future. The Newcom Company of Mongolia is building a 50MW Salkhit wind power station in Sergelen soum, Tuv aimag. Recently an agreement was signed on the sale and purchase of this energy.

Values	Select
Not applicable/Not assessed	
The IPP case study meets no elements of quality	Low ____
The IPP case study meets one of the elements of quality	Low-Medium ____

The IPP case study meets two of the elements of quality	Medium__ ✓
The IPP case study meets three-four elements of quality	Medium- High ____
The IPP case study meets all five of the elements of quality	High ____
Sources of information	Introduction of the Ukhua Khudag CHP Introduction of the Salkhit wind power station Minutes of the Economic Standing Committee meeting
Additional information	

PP26 TRANSPARENT SELECTION OF PRIVATE SECTOR SERVICE PROVIDERS

Elements of quality		Explanation
Transparency in request for proposals	Y	Under a government resolution (2003), open bidding has been announced in the Daily, Unen and Today newspapers of July 21, 2003, under State Property Committee Resolution 454 (2003), to sell as one package shares owned by the Darkhan Selenge Power Distribution Network, a state-owned shareholding company, in open and competitive bidding.
Information provided to bidders publicly available	Y	The State Property Committee Privatization Department has conducted preliminary monitoring for the bidding announcement and procedure. All applicants have been accepted as bidders. The company's general information, the Procedure of Bidding and the Draft Purchasing Agreement have been delivered to each bidder, making it possible for an analysis of the Darkhan Selenge Power Distribution Network state-owned shareholding company. Opportunity has been provided for proposals to be reflected in a draft agreement. Magnai Trade LLC and Khasvuu LLC have applied to participate in the bidding at 5pm on Oct 15.
Transparency in decision criteria and process	Y	An expert team to conduct the bidding process has been established under a State Property Committee resolution in agreement with the Ministries of Finance and Infrastructure. The team have assessed technical proposals from the above two companies, looking at: 1. The bidder's business capacity, financial status and work experience (40 points). 2. The quality and feasibility of the business plan for the Darkhan Selenge Power Distribution Network, a state-owned shareholding company, and reflection of the government goal for privatization (50). The process includes the following sub-indicators. a) Improvement of normal operations and distribution of electric power without change in basic operating activity and the purpose of assets (0-20 points). b) Maintaining the company operating level, increasing and expanding efficiency, updating equipment and technology with investment (0-20 points). c) Collecting debts and receivables (0-10 points). 3. To reduce possible risks for employees: to improve working conditions; to ensure worker employment security; to grant compensation for industrial accidents causing inability to work or for serious poisoning or work-connected disease under the Labor Code (10 points).
Justification for decision	Y	Khasvuu LLC bid was the highest when the two bids were opened in public. A Sale and Purchase Agreement was made with Khasvuu LLC, winner of both technical and financial proposals, and the payment was processed in due course, upon which shareholding ownership was assigned to the Khasvuu LLC.

Continued explanation	
The exemplar is the purchase of state-owned shares of the Darkhan Selenge Power Distribution Network, a state-owned shareholding company, by a private service provider in an open and competitive bidding system.	
Values	Select
Not applicable/Not assessed	
There is no clarity about authority for environmental approval for power sector projects	Low ___
The private participation process satisfies no elements of quality	Low-medium ___
The private participation process meets one elements of quality	Medium ___
The private participation process meets two elements of quality	Medium-High ___
The private participation process meets three or more elements of quality	High ✓
Sources of information	Official State Property Committee response to a letter
Additional information	

PP27 TRANSPARENCY OF ASSET VALUATION/BALANCE SHEET RESTRUCTURING

Elements of quality		Explanation
Disclosure and justification of methodology	Y	The company submitted an assets and balance sheet to a shareholder meeting for discussion and approval, and registered it with the Securities Committee and the Stock Exchange. Itgelt Audit LLC audited the company's fixed assets.
Explanation of method application	Y	In official letter (2/908, 2003) to the State Property Committee, Itgelt Audit LLC has given information about assessment of fixed assets and a business assessment. Official letters regarding the assessment were delivered to four property assessment companies. These companies submitted their program, method and cost quote for conducting an assessment. The companies have all been in business for a significant time and are experienced in methods such as market benchmarking and revenue assessment.
Independent scrutiny	Y	When proposals from the property assessment companies were considered, Itgelt Audit LLC was selected. Itgelt Audit LLC conducted an assessment with three methods: 1. Cash flow reduction; 2. Assessment of movable and immovable property; 3. Assessment of adjusted net assets. The company also used assessment methods as in the Procedure For Setting A Minimum Bidding Price, approved by Government Resolution 84. The other methods were: 1. Amount of assets to be privatized; 2. Income after tax in the last three years; 3. Nominal share price. The bidding price was set giving weight to the assessment methods 1 and 3 as proposed by Itgelt Audit LLC.
Public disclosure of review	N	Not available to the public.

Continued explanation

The purchase of shares in the Darkhan Selenge Power Distribution Network, a state-owned shareholding company, under an open and competitive bidding process.

Values	Select
Not applicable/Not assessed	
The asset valuation process meets no elements of quality	Low ____
The asset valuation process meets one element of quality	Low-Medium ____
The asset valuation process meets two element of quality	Medium ____
The asset valuation process meets three elements of quality	Medium-High ✓
The asset valuation process meets all four element of quality	High ____
Sources of information	Official State Property Committee response to a letter
Additional information	

PP28 TRANSPARENCY AND ACCOUNTABILITY IN THE DESIGN AND IMPLEMENTATION OF SUBSIDIES

Elements of quality	Explanation	
Transparent criteria	YY	The public knows that subsidy issues are decided by Parliament when it approves the annual national budget. Information on the approved budget is available to the general public.
Justification of allocation decision	T YY	Subsidy issues are studied by MMRE and MoF, any proposal is discussed at a government meeting, and then submitted to Parliament for approval.
Monitoring and reporting	Y NN	Although we were told that reports were available, information is not accessible to the general public and is not placed on the website.
Evaluation		
Continued explanation		
Values	Select	
Not Applicable/Not assessed		
The subsidy program evaluated meets no elements of quality	Low ____	
The subsidy program evaluated meets one elements of quality	Low-Medium ____	
The subsidy program evaluated meets two elements of quality	Medium_ ✓ ____	
The subsidy program evaluated meets three elements of quality	Medium- High ____	
The subsidy program evaluated meets all four elements of quality	High ____	
Sources of information	- Interview with MMRE Energy Policy Department Deputy Director D. Purevbayar. - Official Energy Authority response to a letter - Finance and Investment Department report - Review of performance by the minerals and energy sector between 2009-2010 - Energy Authority annual report - MMRE annual report	
Additional information		

PP29 CLARITY OF AUTHORITY AND JURISDICTION TO GRANT ENVIRONMENTAL APPROVALS FOR POWER SECTOR PROJECTS

Elements of quality	Explanation	
Provisions on authority and jurisdiction	Y YY	As laid down in the Energy Law Article 20.3, to obtain a license to build energy facilities, a company must apply to the MNET or the aimag or capital city Governor's Office for an environmental impact assessment under Article 4.1 of the Environmental Impact Assessment Law.
Clarity on how authority is shared	YY	Under this law, a basic study is first conducted. Depending on the location, capacity and specifics of exploitation technology, one conclusion from Article 4.6 of the Environmental Impact Assessment Law is chosen. If it is concluded that further research is necessary, detailed research is undertaken by an authorized professional body, and the report is sent to the MNET to be discussed at an Environmental Impact Assessment Regulatory Commission meeting. The report must include opinions of the local people as well as opinions of the Citizens Representatives' Khural of the relevant soum or district.
Timely disclosure of approvals	YY	Under Article 7.5 of the law, the organization that has received the report must make it public within 30 days by placing it on the website.
Comprehensive disclosure	NN	Information about environmental impact assessment studies is now available at http://geodata.mne-ngic.mn but must be applied for. The website provides the general public and interested entities with information according to Natural Environment Protection Law Article 10, and is not limited to the energy sector alone.
Ease of access	NN	Access is not easy, as an information environmental impact assessment can only be received on request.
Accessible format	NN	Not available in accessible forms such as brochures, leaflets, info sheets.
Continued explanation MMRE has no special unit/department in charge of environmental impact evaluation and assessment, which in turn makes it difficult to access and disseminate information about assessment to the general public. Links and coordination between two ministries (MMRE and MNET) are unsatisfactory.		
Values		Select
Not applicable/Not assessed		
There is no clarity about authority and jurisdiction for environmental approvals for power sector projects		Low___
One element of quality for authority and jurisdiction is met		Low-Medium___
Two elements of quality for authority and jurisdiction are met		Medium ___
Three elements of quality for authority and jurisdiction are met		Medium-High___
Four elements of quality for authority and jurisdiction are met		High_✓__
Sources of information	Energy Law (2012) Environmental Impact Assessment Law (1998, 2001). - Official MNET response to a letter - Interview with MMRE staff after official application - Official Energy Authority response to a letter - Energy Authority annual report - MMRE annual report	
Additional information		

PP30 PUBLIC PARTICIPATION IN SETTING MINIMUM ENVIRONMENTAL PERFORMANCE STANDARDS

Elements of quality	Explanation	
Basis of standard	YY	An Environmental Impact Assessment Law appendix states that general evaluation of a local infrastructure development project should be done on power plants with a capacity of less than 1 MW, power lines with a capacity of up to 35kW, heating lines in a given territory, local roads and communication infrastructures.
Evidence of public consultation	YY	The standard is discussed by related organizations, public representatives and the local committee. The committee has representatives of public organizations and NGOs.
Diversity of public participation mechanisms	NN	Currently there are no diverse mechanisms as public hearings, studies etc.
Explanation of use of public input	NN	Related authorized organizations must submit public opinions on environmental standards to implementers and a joint decision should be made to resolve certain issues. Although it was reported that some issues had been resolved in this way during the construction of the Durgun and Taishir water power plants, no evidence was offered.
Reporting on utility compliance	NN	While energy sector officials reported that information about compliance with environmental standards was in the annual reports, neither the annual reports nor any information concerning the matter could be found on the website. A project-implementing organization develops a detailed work plan for standards in an environmental impact assessment, and reports annually to the ministry about compliance. This information is sent only to ministries and local governments and is not accessible to the general public, so it is difficult to monitor whether environmental standards were followed.
Continued explanation		
Values		Select
Not Applicable/Not assessed		
There are no minimum environmental performance standards for the electricity sector defined		Low___
Minimum environmental performance standards for electricity sector projects and operations are defined in laws, policies or implementing regulations. They meet less than two of the elements of quality		Low-medium___✓
Minimum environmental performance standards for electricity sector projects and operations are defined in laws, policies or implementing regulations. They meet two-three elements of quality		Medium___
Minimum environmental performance standards for electricity sector projects and operations are defined in laws, policies or implementing regulations. They meet four elements of quality		Medium-High___
Minimum environmental performance standards for electricity sector projects and operations are defined in laws, policies or implementing regulations. They meet all five elements of quality		High___
Sources of information	- Environmental Impact Assessment Law (1998, 2001) - Official MNET response to a letter - Interview with MMRE staff after application - Official Energy Authority response to a letter - MMRE annual report	
Additional information		

PP31 PUBLIC PARTICIPATION IN DEVELOPING POLICIES TO REDUCE ENVIRONMENTAL IMPACTS

Elements of quality		Explanation
Consideration of multiple approaches	YY	Approaches listed in the toolkit: 1. Co-generation 2. Demand-side management 3. Creation of energy saving companies 4. Grid-connected renewable energy technologies 5. Distributed renewable energy technologies 6. Improved thermal/fossil fuel generation technologies 7. Improved pollution control technologies for thermal power plants 8. Reduction in transmission and distribution losses. Mongolia is striving to introduce most of these, but renewable energy gets the most attention. Policy documents such as the Government Action Plan, the Millennium Development Goals, Sustainable Development in the 21st Century Program, Regional Development Concept, Integrated Energy System Program and Energy Sector Sustainable Development Strategy 2002-2010 have stressed that renewable energy development is a priority of the Mongolian energy sector. In the Integrated Energy System Program, of 331 soums, 305 are connected to the central power grid, 20 use renewable energy. In implementation of the 100,000 Solar Gers Program, over 80,000 gers have been provided with solar panels and there are plans for another 20,000. The Durguni power plant is in operation and the Taishir Hydropower plant is currently in experimental mode, but is providing power to some regions and soums in Govi Altai aimag.
Evidence of consultation	YY	A renewable energy national forum has been held annually since 2008. At the end of 2011 the Energy and Fuel Policy Council under the President of Mongolia discussed Use of Solar Energy at the Citizen Chamber and made recommendations.
Systematic efforts to consult affected communities	NN	No effort was made to consult communities affected by energy facilities like hydropower stations, and there are no mechanisms.
Use of multiple mechanisms for public participation	NN	Different public participation mechanisms such as public hearings and collection of written opinions are not used.
Continued explanation		
Values		Select
Not applicable/Not assessed		
Management and technology options that have low impact on the environment have not been considered		Low___
Consideration of management and technology options that have low impact on the environment meets one element of quality		Low-Medium___
Consideration of management and technology options that have low impact on the environment meets two element of quality		Medium__✓_
Consideration of management and technology options that have low impact on the environment meets three element of quality		Medium-High___
Consideration of management and technology options that have low impact on the environment meets all four element of quality		High___
Sources of information		
Additional information		

PP32 INCLUSION OF ENVIRONMENTAL CONSIDERATIONS IN THE NATIONAL PLAN FOR THE ENERGY SECTOR

Elements of quality	Explanation	
Environmental considerations addressed	Y	The latest policy documents determining energy sector strategies and development perspectives regard environmental issues as important and an important factor of activity.
Comprehensive consideration of impacts	N	There is no trend to view impacts in a comprehensive way.
Multiple public participation mechanisms	N	There is no information on use of various ways of public participation when seeking opinions on sector development plans.
Systemic efforts to seek input from range of stakeholders	N	No special attention was paid to asking opinions, especially from vulnerable groups and those most likely to be affected.
Comments disclosed	N	NA
Explanation of how input incorporated into decision	N	NA
Continued explanation We viewed the general (master) plan of the sector as a nationwide plan for that sector. Over a decade has passed since the adoption of the first energy sector masterplan (1996) and the plan to strengthen energy sector planning capacity 2001; a working group was established to develop a plan up to 2025 in the frame of an ADB project.		
Values	Explanation	
Not applicable/Not assessed		
Environmental considerations are not explicitly included in the most recent electricity sector development plan	Low___	
Attention to environmental issues in the electricity plan meets one element of quality	Low-Medium_✓__	
Attention to environmental issues in the electricity plan meets two elements of quality	Medium___	
Attention to environmental issues in the electricity plan meets three elements of quality	Medium-High___	
Attention to environmental issues in the electricity plan meets four or more elements of quality	High___	
Sources of information	Government Action Plan 2008-2012 Integrated Energy System Program Energy sector sustainable development strategy (2002-2010) Presentation by MMRE Energy Policy Department Head T. Tserenpurev at a consultative meeting with energy sector management Masterplan to strengthen energy sector planning capacity (2001) Interview with Ts. Oyungerel, manager of the project to update the sector masterplan	
Additional information		

PP33 COMPREHENSIVENESS OF EIA LAWS, POLICIES AND PROCEDURES

Elements of quality		Explanation
Requirements for EIA	YY	Energy Law Article 20.3 says a license to build energy facilities may be issued on the basis of an environmental impact assessment. Article 25.1.11 says an environmental impact assessment must be conducted by an authorized organization before the start of any action, and an annual plan for environment protection and restoration must be developed and approved by an authorized organization, to be followed during the year. An appendix to the Environmental Impact Assessment Law says that general evaluation of a local infrastructure development project should be done for power plants with a capacity below 1MW, power lines carrying up to 35kW, heating lines on any given territory, local roads and communication infrastructures.
Comprehensive consideration of impacts	NN	Impact is mentioned in EIA regulations and methodologies. However, there is lack of policy or regulation in the energy sector that officially reflect this issue. Due to a lack of books, methodologies and EIA handbooks in Mongolian, and the absence of a unified methodology for entities authorized to make a detailed assessment, the Association of Environment Assessors NGO developed a handbook on EIA instructions.
Strategic impact guidelines	NN	The Association of Environment Assessors has included instructions on strategic assessment of environment in its handbook on EIA model instructions; presently Mongolia has no legal environment for a strategic assessment of any policy or program, so no work has been carried out in this direction.
Strategic assessments conducted	NN	No strategic assessment has been conducted. The energy sector masterplan is still under development, and environmental and social impact assessment is part of this work.
Continued explanation During the 2011 discussion on Energy Sector amendments, it was proposed to include a separate chapter on environmental issues, but this was rejected. At present there are no officially approved special regulations or instructions related to EIA in the energy sector.		
Values		Explanation
Not applicable/Not assessed		
National or electricity sector laws and policies are in place that specify or require EIAs for electricity sector activities, and meet one or less elements of quality		Low__✓__
National or electricity sector laws and policies are in place that specify or require EIAs in the electricity sector and meet two-three elements of quality		Medium____
National or electricity sector laws and policies are in place that specify or require EIAs in the electricity sector and meet four elements of quality		High____
Sources of information		Energy Law (2011) EIA Law (1998, 2001) EIA model instructions (2009)
Additional information		

PP34 PUBLIC PARTICIPATION IN ENVIRONMENTAL IMPACT ASSESSMENTS FOR POWER SECTOR PROJECTS

Elements of quality		Explanation
Public participation at scoping	YY	EIA Law Articles 5.4.8 and 7.3, and EIA Commission Regulations approved by NE Minister Order 119 (2006) include requirements for a detailed assessment report to include local opinions in the area where the project is to be implemented. Projects in any field should receive EIA opinions.
More than one public participation mechanism used	NY	Preliminary 2010 EIA material related to building Power Plant 5 in Ulaanbaatar shows that local opinions from where the project was to be implemented were collected with questionnaires, meetings and talks about the project.
Adequate comment period	NY	Questionnaires were administered in two stages, so there was sufficient time for comments.
Public release of EIA reports	NN	It was said that preliminary and final EIA reports will be disseminated in various ways, such as delivery of reports to the MMRE and MNET and placement on the ADB website in English. It seems that public access is limited only by sector ministries. However, placement of reports in English limits Mongolian access.
Public consultation guidelines	YY	To resolve environmental issues in a timely way and to ensure equal and successful implementation of a project, guidelines on dealing with complaints have been developed. Under these, serious complaints relating to the project should be dealt with within 3 weeks and an answer provided.
Disclosure of public comments on EIA	NN	Not disclosed.
Public comments addressed in final EIA report	YY	The final EIA report on the Power Plant 5 project included some public comments, recommendations and criticism. However, comments and recommendations of experts and researchers rather than those of the general public predominated.

Continued explanation

We viewed the general (master) plan of the sector as the nationwide plan for that sector. Over a decade has passed since the adoption of the first energy sector masterplan (1996) and the plan to strengthen energy sector planning capacity 2001; a working group was established to develop a plan up to 2025 in the frame of an ADB project.

Values	Explanation
Not applicable/Not assessed	
The EIA did not meet any elements of quality	Low____
The EIA met one-two elements of quality	Low-Medium____
The EIA met three-four elements of quality	Medium____
The EIA met five-six elements of quality	Medium-High_✓__
The EIA met all seven elements of quality	High____
Sources of information	EIA Law (1998, 2001) Final report of the Ulaanbaatar low-carbon energy supply project using a public-private partnership model
Additional information	

PP35 SCOPE FOR PROJECT- AFFECTED PEOPLE TO EXERCISE THEIR RIGHTS IN PROJECT LICENSING/APPROVAL

Elements of quality		Explanation
Consultations adhered to required procedures/guidelines	YY	The Taishir HPS in Govi Altai aimag and the Durgunii HPS in Hovd aimag are exemplars of local impact. With construction of the Taishir HPS the Zavkhkhan river stopped flowing at one place and a well had to be built for water for herders. Herder families which used to reside in an area downstream of the Durgunii HPS were warned of the danger of floods and work on their evacuation to safe areas was organized. Awareness-raising activities are run regularly in larger cities and settlements to prevent households settling near energy networks, to protect the networks and reduce public risks.
Systematic efforts were made to educate potentially project-affected people	NN	To clear the area for a new Ulaanbaatar power plant, seven entities and two households need to be relocated. Although meetings were held with the affected to explain the situation, systematic efforts were not made.
More than one participation mechanism was employed	NY	At various stages of these projects, potentially project-affected people met with the implementing body on their own initiative, implementers went to meet them at the site, or handouts were distributed: i.e. various mechanisms were used.
Principle of free, prior and informed consent guided consultation efforts	NN	No such regulations or procedures at present.
Continued explanation		
Values		Explanation
Not applicable/Not assessed		
One or less elements of quality for addressing the considerations of project-affected people was met		Low___
Two elements of quality for addressing the considerations of project-affected people was met		Medium_✓__
Three or more elements of quality for addressing the considerations of project-affected people was met		High___
Sources of information		Final report of the Ulaanbaatar low-carbon energy supply project using a public-private partnership model - Official MNET response to a letter - Official Energy Authority response to a letter - Energy Authority annual report - MMRE annual report
Additional information		

PP36 PARTICIPATION IN DECISION-MAKING ON ACCESS TO ELECTRICITY SERVICES

Elements of quality		Explanation
Evidence that more than one consultation was carried out	YY	Consultation has used for several years in various forms, such as receiving applications from bag, soum and aimag residents not connected to the central energy system, applications from their official representatives, requests at meetings with MPs or Citizens Representative Khural members, replies about feasibility and time of implementation, and feedback about efforts to resolve the problem.
Systematic efforts were made to consult more vulnerable socio-economic groups	NY	Much effort was made by both sides during the consultation process.
More than two mechanisms of public participation existed	NY	Various forms were used.
Public comments were considered	NN	An official response was given to local residents about resolution of requests, information delivered to related organizations, information about new energy sources or connection of areas to grids were nationally promoted.
Continued explanation		
Values		Explanation
Not applicable/Not assessed		
Decision-making on expanding access to electricity meets no elements of quality		Low___
Decision-making on expanding access to electricity meets two elements of quality		Medium___
Decision-making on expanding access to electricity meets three or more elements of quality		High__✓_
Sources of information		
Any additional information		



Combined heat and power station-4, 2011. Photo by Ts.Batbaatar



REGULATORY PROCESS



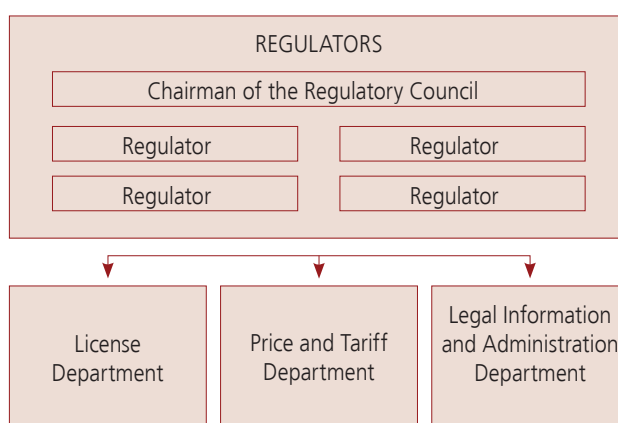
RP 1 INSTITUTIONAL STRUCTURE FOR REGULATORY DECISIONS

Explanation

The Energy Regulatory Committee (ERC) makes decisions about energy regulation in Mongolia. The ERC was established under the 2001 Energy Law. By amendments to the Energy Law (December 9, 2011) and Government Resolution 49 (February 15, 2012), the former Energy Regulatory Authority was re-established as the ERC.

Under the Energy Law amendments, ERC management has a Regulatory Council with three full-time and two part-time coordinators, a License Department, a Price and Tariff Department and a Legal Information and Administration Department. The Regulatory Council Chairman was appointed by the Prime Minister following a proposal from the Cabinet Minister in charge of energy issues, and part-time coordinators have been appointed from candidates proposed by the Chamber of Commerce and the Association of Consumer Protection. They are appointed initially for 2, 4, and 6 years respectively, and thereafter for 6 years, so that expirations of their terms of service have intervals of 2 years. The term of service may be extended once.

The ERC structure



Values	Select
Not applicable/Not assessed	---
Regulatory decisions are made through normal executive decision-making processes within the ministry	Low
Most regulatory decisions are made through normal executive decision-making processes within the ministry. There is a separate unit within the ministry tasked with critical, predefined decisions (such as tariff revision or licensing), a separate cell or group with specific responsibility is created within/by the ministry).	Medium ____
An independent/separate regulatory body is responsible for regulatory decision-making and oversight	High ☒ ____
Sources of information	Energy Law Decision on ERA establishment ERA annual reports 2003-2010 www.erc.mn www.era.energy.mn /until 2012/
Additional information	ERA introduction (2011)

RP2 AUTHORITY OF THE REGULATORY BODY

Elements of quality		Explanation
Authority		
Information and evidence	✓	Fully possible
Investigation	✓	Fully possible
Enforce compliance	✓	Fully possible
Penalties for breach of order	✓	Fully possible
Practice		
Exercise of authority	✓	Fully possible
Continued explanation		
The ERC is responsible for coordination and regulation of activities in power production, transmission and distribution, power supply and dispatcher coordination under the Energy Law and related laws and regulations; under the law, the ERA charter and regulations, authority of the regulatory body is fully satisfactory.		
The ERA publishes a report annually and places it on the www.erc.mn website. Reports illustrate that the ERC fully exercises its powers. For example, in 2010 it implemented nine specific activities relating to tariffs and regulation. It studied improvement of the financial and economic capacity of the energy sector and enhancement of the sector legal environment. Then, based on these study findings, it prepared documents, materials and presentations and submitted them to the Parliament. Parliament discussed the issue and Resolution 72 (Measures To be Taken In The Fuel And Energy Sector) was adopted in December, 2010. The ERA also developed projections of changes in prices and tariffs for electricity and heating in the central region.		
SIK and government policy is to strengthen autonomy of the regulatory body, as illustrated by the Energy Law amendments. The Regulatory Council was expanded into a Committee and the number of regulators was increased to five.		
Values	Select	
Not applicable/Not assessed	---	
The authority of the regulatory body does not meet any elements of authority	Low	
The authority of the regulatory body meets one-two elements of authority	Low-medium	
The authority of the regulatory body meets three elements of authority	Medium	
The authority of the regulatory body meets all four elements of authority	Medium-high	
The authority of the regulatory body meets all four elements of authority, and it also meets the element of quality for practice of this authority.	High ✓---	
Sources of information	Meeting with ERA Regulatory Board chair R. Ganjuur, a consultant of the study Energy Law Decision on establishment of the ERA ERA annual reports (2003-2010) www.erc.mn (www.era.energy.mn)	
Any additional information	ERA introduction, 2011. Energy Law SIK Resolution 72 (Measures To Be Taken In The Fuel And Energy Sector, December 9, 2010)	

RP 3 JURISDICTION OF THE REGULATORY BODY

Explanation

The ERA conducts its activities according to laws and regulations on energy regulation.

Under the Energy Law, the ERA has full authority to issue licenses and amend, suspend or invalidate them. Under the same law, when applying for a license for energy sector activities or a license to build an energy facility with capacity of over 5 MW, it is necessary to obtain the consent of the central administrative organization (a license to produce, transmit, distribute, dispatch or construct an energy production facility). However, during meetings with energy regulators and other persons, we noticed that the following issues were not included in ERA duties as stated in the Energy Law.

The ERA is not empowered to issue a license to build high voltage transmission lines and grids. When the 110kW Baruun Urt-Choibalsan grid was built without meeting all requirements, the ERA did not participate in decision-making. Under the Renewable Energy Law, renewable energy prices and tariffs are pre-determined, limiting ERA ability to set prices and tariffs.

Values	Select
Not applicable/Not assessed	---
Functions of the regulatory body are not clearly defined and there is considerable ambiguity about the jurisdiction of regulatory body	Low
Functions of the regulatory body are clearly defined but it is not entrusted with three or more critical functions	Low-Medium ---
Functions of the regulatory body are clearly defined but it is not entrusted with two critical functions	Medium ---
Functions of the regulatory body are clearly defined but it is not entrusted with two critical functions	Medium-High ✓
Functions of the regulatory body are clearly defined but it is entrusted with all critical functions	High
Sources of information	Energy Law ERA Charter, approved by Government Resolution Regulations approved by the ERA Regulatory Council Ministerial orders Supreme Court Resolutions ERA Regulatory Council Resolutions www.erc.mn (www.era.energy.mn)
Any additional information:	ERA introduction, 2011 Energy Statistical indicators 2010, UB, ERA-74 pp Guidelines for energy consumers, UB, ERA-80 pp

RP4 SCOPE AND TRANSPARENCY OF THE ENVIRONMENTAL MANDATE OF THE REGULATORY BODY

Elements of quality	Explanation
Scope of mandate	
Environment included in mandate	✓ The ERA Charter Article 3 states “the authority shall comply in its activities with the Energy Law, related laws and regulations and the present charter. The ERA shall conduct its activities in compliance with the general directions of social and economic development of Mongolia, national security and government policy on the environment and energy production.”
Specific responsibilities	- The ERA requires that companies who want a license must commission an environmental impact assessment.
Information disclosure	
Published in government journal	- The ERA Charter was approved by Government Resolution 86 (April 16, 2001), but it is unclear if it was published in the state bulletin or other official bulletins.
Available on website	✓ The charter was not placed on the ERA website, but on the EA website, where the Energy Law, the Renewable Energy Law and other regulations have been placed.
Low cost	- No materials relating to the ERA environmental mandate, such as brochures, posters, info sheets or social advertising, are distributed free or at low cost to the public.
Available in a range of formats	- The ERA does not emphasize the environmental impact of energy facilities and does not distribute information to the general public or civil society groups in accessible format.
Wide dissemination	- The ERA does not distribute information on their duties on environmental issues through the media (public organizations, libraries, internet, radio, newspapers etc.).
Groups representing environmental concerns	- Regulators do not make systematic efforts to disseminate information on environmental responsibilities to interested groups in renewable energy, electricity saving, impact of energy production on air quality etc.
Continued explanation	
Values	Select
Not applicable/Not assessed	----
No elements of quality are met	Low
One element of quality for scope of environmental mandate is met. Less than two elements of quality for information disclosure are met	Low-medium ✓
Both elements of quality for scope of environmental mandate are met. But less than two elements of quality for information disclosure are met	Medium
Both elements of quality for clarity on environmental mandate are met. Disclosure of this information meets three or more elements of quality	Medium-high
Both elements of quality for clarity on environmental mandate are met. Disclosure of this information meets four or more elements of quality	High ----
Sources of information	
Additional information	

RP5 SCOPE AND TRANSPARENCY OF THE SOCIAL MANDATE OF THE REGULATORY BODY

Elements of quality	Explanation
Scope of mandate	
Social issues included in mandate	✓ The ERA mission is coordination and regulation of equal and mutually beneficial relations between energy producers and consumers. It works through the Energy Law and the ERA Charter and rules and regulations developed in line with them. Energy Law Article 9.1 says that the ERA has full authority to issue licenses and amend, suspend or cancel them; to develop a methodology of tariff levying; to define the tariff structure; to approve, check and publish tariffs of license holders; to create a price and tariffs system to supply power at the lowest price; to resolve disputes with license holders, or between license holders and consumers; to determine the level of service provided to consumers by suppliers; to ensure reliability of power supply and monitor implementation; and to register agreements between consumers and license holders for unregulated supply. The ERA charter says: "the main aims of the ERA are to issue licenses to engage in power supply activities under the Energy Law; to monitor and approve tariffs of license holders; to protect equally the interests of licensees and consumers; and to create conditions for fair competition among producers and suppliers."
Specific responsibilities	✓ Tariffs shall be set by each activity separately, namely, electricity and heating production, transmission, distribution, coordination and dispatching activities. Tariffs should be based on real costs of operations. Costs should be charged to different consumer groups according to their use of electricity and heat. Tariffs should enable regulation of energy consumption. Tariffs should ensure price stability. The tariff structure for electricity and heating supply should be clear and understandable to consumers;
Information disclosure	
Published in government journal	✓ The Energy Law is accessible The ERA charter was approved by Government Resolution 86 on April 16, 2001.
Available on website	✓ The amended Energy Law was placed on www.legalinfo.mn The ERA charter has not been placed on the www.era.energy.mn site nor on the new page www.erc.mn
Low cost	✓ The ERA distributes information on prices and tariffs in free brochures, posters and info sheets. It can be seen in brochures about the ERA-organized conference, annual reports and other promotional material. However, little information is disseminated in social advertising.
Available in a range of formats	✓ The ERA does not distribute information about its duties on social issues in formats accessible to the general public or civil society groups in formats accessible to them (brochures, posters, info sheets, social advertising).
Groups representing social issues and weaker communities	- Regulators make no systematic effort to disseminate information on their social responsibilities to interest groups or vulnerable communities (locals, women's organizations, low-income consumers). Many community organizations such as women's organizations had no knowledge in this field, only trade unions had some awareness.

Continued explanation

In 2008 the ERA approved tariffs for vulnerable groups in the central region and in 2005 developed regulations on the registration of power blackouts to protect public interests.

A Memorandum of Understanding has been adopted between the ERA and the Authority for Fair Competition and Consumer Protection (AFCCP).

The two organizations will co-operate to regulate competition in the energy sector; to oversee, permit and approve prices and tariffs for an accepted monopolistic enterprise holding a license in the energy sector; to monitor and coordinate changes in goods of accepted monopolistic enterprises holding a license in the sector; to protect the rights of electricity users; to exchange experience, share information, professional and technical assistance, hold workshops, training and promotional activities for consumers within the limits of the rights and duties specified in the Energy Law and the Consumer Protection Law.

Values	Select
Not applicable/not assessed	---
No elements of quality are met	Low
One element of quality for scope of social mandate is met. Less than two elements of quality for information disclosure are met	Low-medium
Both elements of quality for scope of social mandate are met. But less than two elements of quality for information disclosure are met	Medium
Both elements of quality for clarity on social mandate are met. Disclosure of this information meets three or more elements of quality	Medium-high ✓
Both elements of quality for clarity on social mandate are met. Disclosure of this information meets four or more elements of quality	High ---
Sources of information	Energy Law Articles 21.2.6 and 21.2.7.
Additional information	Government Resolution 86, April 16, 2001 Consumer Rights Protection Law Accepted Monopolist Enterprises Law

RP6 SELECTION OF REGULATORS

Elements of quality	Explanation
Independence of the selection process	– The selection process is not independent. Energy Law Article 8.3 says: “The Regulatory Council Chairman shall be appointed for the first time by the Prime Minister as proposed by the Cabinet Member responsible for energy issues. Members shall initially be appointed for 2, 4 and 6 years and thereafter for 6 years, so that expirations of terms of service are at two-year intervals. A term of service may be extended once.” Regulators have usually been appointed from persons who have worked in the industry in management positions. Under the newly-amended Energy Sector Law, “The Regulatory Committee Chairman and two coordinators shall be appointed for the first time by the Prime Minister based on nominations of the Cabinet Member responsible for energy issues and part-time coordinators based on proposals by the Chamber of Commerce and the Association for Consumer Protection. They shall be appointed initially for 2, 4 and 6 years respectively, and thereafter for 6 years, so that expirations of terms of service shall be at two-year intervals. A term of service may be extended once.”
Well-defined process	✓ The selection process is not transparent. A central state organization of the energy sector (at present the MMRE) decides on the selection. Ten regulators have been appointed, all of whom have previously worked in the industry in managerial positions and are experienced and capable specialists.

Transparency about candidates	-	Candidatures are not announced to the public, but are decided by the central state organization of the energy sector i.e. the MMRE.
Criteria for composition and eligibility	-	The Energy Law has very general criteria, and what is stated in the ERA charter is unclear. There are regulations on appointments to aimag and capital city Regulatory Councils, approved by Fuel and Energy Minister Order 29 (2005).
Differing tenures	✓	Under the amended Energy Law (2011), "The Regulatory Committee Chairman and two coordinators shall be appointed for the first time by the Prime Minister after nominations by the Cabinet Member responsible for energy issues and the nomination of part-time coordinators by the Chamber of Commerce and the Association for Consumer Protection. They shall be appointed initially for 2, 4 and 6 years and thereafter for 6 years, so that expirations of terms of service are at two-year intervals. A term of service may be extended once."

Continued explanation: ERA regulators are not selected with reference to all five quality criteria; however, those with work experience in important positions in the energy sector have been selected to date.

Regulators	Duration of employment	Career prior to regulator
R. Ganjuur	2001-2010	ERA Vice-Director
2 G. Damdinsuren	2001-2003 2003-2009	Fuel and Energy Ministry Specialist, Departmental Deputy Head
3 B. Munkhuu	2001-2003	MA (mineral resource economics), USA
4 D. Baldorj	2003-2004	Substituted for B. Munkhuu for the remainder of his four year appointment as Regulator; senior Fuel and Energy Ministry expert in charge of pricing, tariffs and efficiency.
5 Ts. Tumentsogt	2004-2005	Infrastructure Ministry Specialist
6 R. Myagmar	2005-2010	ERA Specialist
7 Ch. Saranjav	2009-2010	Fuel and Energy Ministry Department Head
8 N. Myagmarsuren	2010- present	Ulaanbaatar Power Station-3 Executive Director
9 D. Bassaikhan	2010- present	Ulaanbaatar Electricity Distribution Network Joint Stock Executive Director, Central Region Electricity Distribution Network Joint Stock Executive Director
10 B. Jantsai	2010- present	ERA Specialist

Values	Select
Not applicable/Not assessed	---
Selection process of members of Regulatory Authority meets one quality element.	Low ___
Selection process of members of Regulatory Authority meets two quality elements.	Low-Medium ✓
Selection process of members of Regulatory Authority meets three quality elements.	Medium___
Selection process of members of Regulatory Authority meets four quality elements.	Medium-High ___
Selection process of members of Regulatory Authority meets five quality elements.	High___
Researcher name and organization	G. Purevdorj, Open Society Forum
Sources of information	- Energy Law - ERA regulations - Procedure for Appointment and Employment of Regulatory Council Members in Aimag or Capital City, approved by Fuel and Energy Ministry Resolution 29, 2005
Additional information	Those interviewed were Energy Authority head office staff and those who have been in managerial positions in central state organizations responsible for energy issues: B. Jigjid (Infrastructure Ministry Minister, 2000-2004); Ts. Sukhbaatar (Infrastructure Ministry Energy Policy and Regulatory Authority Chairman, 2000-2003 and 2004-2007); R. Ganjuur (ERA Regulatory Board Chairman, 2001-2010); N. Myagmarsuren (since 2010); B. Jantsai (since 2010); and D. Bassaikhan (since 2010).

RP7 PREVENTING FORMAL CONFLICTS OF INTERESTS ON THE PART OF REGULATORS

Elements of quality	Explanation		
Financial interests	✓	Regulators told us they had no family in business in the energy sector. Several resolutions were released by the ERA Regulators Council: - ERA Internal Labor Code (amended) - ERA Staff Code of Ethics - ERA Procedures for Housing Solutions - ERA Procedures for Incentives	
Cooling-off period	–	There is no provision restricting ERA members from energy sector employment or providing a counseling service after their term of appointment has expired. However, the Code of Ethics specifies: "Regulators are not allowed to be employed in two positions at the same time during their service as a regulator, except as a teacher, academic or researcher in their field of specialization. However, the position of regulator must be of prime concern in relation to the second employment."	
Re-appointment prohibited	✓	Energy Law Article 8.3 on regulator re-election specifies that the term of service may be extended once.	
Regulatory representation prohibited	✓	The ERA Code of Ethics specifies certain principles of conduct.	
Continued explanation			
It can be seen that the above regulations are for ERC staff rather than regulators. It is understood that the Regulation Law covers public and private interests in the public service, and prevention of conflict of interest is directly applicable to energy regulators.			
Values		Select	
Not applicable/Not assessed			
The laws, rules and regulations do not include explicit elements to prevent conflict of interest of regulatory body members		Low ____	
The laws, rules and regulations include one of the four elements to prevent conflict of interest of regulatory body members		Low-Medium ____	
The laws, rules and regulations include two of the four elements to prevent conflict of interest of regulatory body members		Medium ____	
The laws, rules and regulations include three of the four elements to prevent conflict of interest of regulatory body members		Medium-High ✓	
The laws, rules and regulations include all four of the four elements to prevent conflict of interest of regulatory body members		High ____	
Sources of information	Energy Law ERA Regulator Board Resolution		
	Name of resolution	Date issued	Resolution number
	ERA Internal Labor code (amended)	2010.04.16	112
	ERA Staff Code of Ethics	2010.11.30	141
	ERA Procedures for Housing Solutions	2006.07.06	75
	ERA Procedures for Incentives	2010.12.16	146
Additional information	The Regulation of Public and Private Interests Law for the Public Service; prevention of conflict of interest		

RP8 AUTONOMY OF REGULATORY BODY

Elements of quality	Explanation
Fixed tenure	✓ As laid down in Energy Law Article 8.3, the Regulatory Council Chairman and regulators shall be appointed for the first time by the Prime Minister after nominations from the Cabinet Member responsible for energy. They shall be appointed initially for 2, 4 and 6 years and thereafter for 6 years, so that term expirations are at two-year intervals. The term of service may be extended once. In the procedure for appointment of Regulatory Council members of aimags and the capital city, it is stated that at least one regulator shall be a state energy inspector. If a Regulatory Council member is removed from that position, he/she shall automatically be discharged from Board duties.
Financial autonomy	✓ Energy Law Article 8.6 says that the Regulatory Council shall be financed with fees from regulatory services provided to license holders and fees for services related to issuance of licenses. ERA regulations specify that the Regulatory Council shall have all rights and duties needed to administer the approved budget.
Discretion over human resources	✓ ERA regulations say that the Regulatory Council has the right to appoint and dismiss the ERA Chairman. The Regulatory Council chairman shall oversee the ERA everyday functions and be responsible for the following. - Assigning tasks to employees. - Appointing or dismissing employees. - Ascribing accountability. - Deciding on wages and salaries. - Involving experts in ERA activity. - Hiring experts on contract. The Regulatory Council may have an unofficial advisory council, comprising an equal number of consumer and license holder representatives.

Continued explanation

Since laws and regulations other than the Energy Law do not apply directly to regulators, their autonomy is not regulated easily. It is understood that under the Regulation of Public and Private Interests in Public Service Law, prevention of conflict of interest is directly applicable to energy regulators.

We believed that in order to see autonomy of regulators, any reason for their displacement should be reviewed. In total, 10 regulators have been appointed until 2012.

Regulators

	Regulators	Duration of appointment	Duration of employment	The reasons for dismissal
1	R. Ganjuur	6 years	2001-2010	Some pressure was exerted by the Mineral Resources and Energy Ministry.
2	G. Damdinsuren	2 years 6 years	2001-2003 2003-2009	The appointment period expired.
3	B. Munkhuu	4 years	2001-2003	Resigned.
4	D. Baldorj		2003	The appointment period expired.
5	Ts. Tumentsogt	Continues previous 4 year appointment	2004-2005	The appointment period expired.
6	R. Myagmar		2005-2010	Some pressure was exerted by the Mineral Resources and Energy Ministry.
7	Ch. Saranjav		2009-2010	Moved to another position, replaced at his own request.
8	N. Myagmarsuren	6 years	2010- present	Current regulator.
9	D. Bassaikhan		2010- present	Current regulator
10	B. Jantsai		2010- present	Current regulator

Values	Select
Not applicable/Not assessed	
The autonomy of the regulatory structure meet none or one element of quality	Low ____
The autonomy of the regulatory structure does not meet two elements of quality	Medium ____
The autonomy of the regulatory structure does not meet three elements of quality	High ✓
It can be seen that twice regulators have been changed under MMRE pressure.	
Sources of information	Meetings with regulators and other persons.
Additional information	

RP9 APPEAL MECHANISM

Elements of quality	Explanation
Any affected can appeal a decision	✓ ERA Procedures of Dispute Settlement specify that it can itself resolve the disputes between itself, licensees and consumers. Disputes can be settled in one of the following ways. 1. Complaints about operations of energy organizations shall be referred to associated branches, and the ERA shall review the solution. 2. Complaints and disputes which need prompt settlement shall be resolved by the relevant department, and other departments may render assistance. 3. Some complaints and disputes may be settled at a meeting of the ERA Regulatory Council.
Appeals can be filed on procedural grounds	✓ Under the ERA procedure on registering and settling complaints and disputes, if a consumer refuses to accept a suggestion and maintains his/her argument, an ERA officer shall act as intermediary to seek compromise or develop a new proposal on which the parties may agree.
Appeals can be filed on substantive grounds	✓ Procedures For Registering and Settling Complaints and Disputes Addressed to the ERA.
Appeal mechanism impacts decisions in at least one case	– Procedures For Registering and Settling Complaints and Disputes Addressed to the ERA.

Continued explanation:

The Procedures For Registering and Settling Complaints and Disputes Addressed to the ERA was drafted in line with Energy Law Articles 9.1.6 and 14 and provision 1, Article 16 of Procedures For Settling a Citizen's Complaints Addressed to Public Organizations and Officials, as well as ERA Procedures Provision 12.3 as adopted by Government Resolution 83 (2001) and approved by ERA Regulatory Council Resolution 71 (October 11, 2005). This procedure is followed by the ERA.

The ERA is fully empowered by the Energy Law, and particularly in Article 9.1.6, to settle disputes between licensees or between a licensee and consumer in accordance with the relevant locality.

When we talked to ex-regulators about the appeal mechanism, they reported that the ERA had twice been taken to the administrative court. However, the court found nothing illegal with ERA Regulatory Council decisions.

Values	Select
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Not applicable/Not assessed	----
Orders or decisions of the regulatory body cannot be challenged by review or appeal before another authority or in a court of law	Low ____
Review or appeal regulatory decisions meet one element of quality	Low-Medium ____
Review or appeal regulatory decisions meet two elements of quality	Medium ____
Review or appeal regulatory decisions meet three element of quality	Medium-High ✓
Review or appeal regulatory decisions meet all four element of quality	High ____
Sources of information	- Information from staff of legal, information and administration departments. - Municipal Court Order 85, March 10, 2011
Additional information	Meeting with ex-ERA regulator R. Ganjuur.

RP10 QUALITY OF THE JUDICIAL OR ADMINISTRATIVE FORUMS THAT ADDRESS ENVIRONMENTAL AND SOCIAL CLAIMS

Elements of quality	Explanation
Binding decisions	____ NA due to lack of such case
Independence	____ NA due to lack of such case
Capacity to address sector specific issues	____ NA due to lack of such case
Access to information for all parties	____ NA due to lack of such case
Clear basis for claims	NA due to lack of such case
Standing of affected parties	NA due to lack of such case
Continued explanation: We could find no evidence of any complaint associated with environmental damage resulting from energy production taken to court in the last five years.	
Values	Select
Not applicable/Not assessed	----
The judicial or administrative forum exhibited none of the elements of quality	Low ____
The judicial or administrative forum exhibited one-two of the elements of quality	Medium ____
The judicial or administrative forum exhibited three of the elements of quality.	High ____
Sources of information	Information from staff of legal, information and administration departments.
Additional information	Interview with ex-ERA regulator R. Ganjuur,

RP11 TRAINING OF REGULATORY BODY MEMBERS AND STAFF

Elements of quality	Explanation
Certainty	✓ ERA Internal Labor Code Article 7.1.2 specifies that funding for employee training shall be included in annual planning and a training contract shall be signed by an employee involved in training, the cost of which shall be defrayed by the organization. This clearly demonstrates that the organization has a specific staff training policy. However, the total training hours for regulators or senior officers is not specified.
Multi-disciplinary training	✓ The ERA drafts and approves the internal training curriculum to be followed. Eleven staff were involved in training in 9 fields in 2010, 7 received training in 7 fields in 2011. It was also planned that all employees to be involved in various thematic training courses. The cost of training in 2010 was budgeted at 10,019,600MNT, and for 2011 6,400,000MNT. Expense of overseas training was also allocated.
Diversity	✓ Among the ERA's 2011 ten objectives was holding a conference on theory and practice, titled Ten Years of Energy Regulation. That conference was held in June, 2011, with 19 presentations and discussions. A program on awareness-raising about activities in the energy sector, problems and future tariff policies was developed and planned to be implemented, though the latter is unclear.
Continued explanation: Since the ERA was established, its specialists and regulators have attended training courses with the financial assistance from USAID, the World Bank and Korea's KOIKA, as follows. In 2003, 15 staff were involved in six international regulatory training, seminars, symposiums and meetings run by USAID. The Regulatory Council Chairman attended the Second Assembly of World Energy Regulation. ERA staff attended a meeting of regulators of Eastern Asian and Pacific countries in Bangkok, Thailand. In 2004, ERA staff attended many regional regulators' meetings, seminars and symposiums such as the Third Assembly of Energy Regulation and Investment, held by the ERRA (Energy Regulators' Regional Association), a plenary meeting of the License and Competition Committee and a summer training course. ERA representatives have also visited Chile and Panama, countries with energy systems similar to ours, in line with the start of a project aimed at creating a competitive environment among central regional producers. ERA staff attended a Bangkok consultative meeting on energy cooperation in North-Eastern Asia, run by UNESCAP and the Korean Government. ERA staff attended an international training course on Public Service Management and Management of Energy Companies, run by SIDA (Swedish International Development Agency) to learn about risk management and ways of making changes in the sector, providing services to citizens and accumulating experience in project design. In 2007, 11 staff attended 9 international symposiums, while 12 staff attended 10 professional development seminars. ERA staff attended workshops and the Third Regular Meeting of EAPIRF (East Asia Pacific Infrastructure Regulatory Forum) in Jakarta. In 2008, ERA staff attended the ERRA General Assembly, its annual session and sessions of the Standing Committee on Special Licenses and Permanent Committees of Competition and Price and Tariffs. The ERA held a conference on theory and practice of Development of a Fuel and Energy Sector in collaboration with the MUST School of Power Engineering.	
Values	Select
Not applicable/Not assessed	---
Regulatory body members and staff have not received any specialized training opportunities in the last two years	Low ---
Regulatory body members and staff have received three or less than three specialized training opportunities in the last two years	Low-Medium---

Regulatory body members and staff have received four or more specialized training opportunities in the last two years, but this training meets one element of quality.	Medium ____
Regulatory body members and staff have received four or more specialized training opportunities in the last two years, and this training meets two elements of quality	Medium-High ✓
Regulatory body members and staff have received four or more specialized training opportunities in the last two years, and this training meets three elements of quality	High ____
Sources of information	- Annual ERA reports - The ERA Training Curriculum, 2010 and 2011
Additional information	Meetings with regulators and employees The ERA cost budgeting and utilization 2009-2010; cost budgeting 2011

RP12 REGULATORS' CAPACITY TO EVALUATE ENVIRONMENTAL ISSUES

Elements of quality	Explanation
Dedicated financial resources	- There are no specifically designated financial resources for ERA environmental issues. We can infer that a particular amount of financial resource for surveillance is allocated at the Nature and Tourism Ministry. - Under the Environmental Impact Assessment Law, a company requesting a license must cover ecological assessment costs themselves. Article 4.1 specifies that projects affecting natural resources such as building a new factory, restoring or expanding a currently running factory, service, construction or any other forms of such projects affecting natural resources must have an environmental impact assessment.
Access to expertise	The ERA is not mandated to make an EIA and has no department or unit for that purpose.
Designated point person	The ERA has no specific person in charge of EIAs. However, when regulators issue special licenses, one criteria they take into account is an EIA.
Knowledge enhancement on environmental issues	ERA regulators report they are constantly increasing their environmental awareness.
Continued explanation	
Values	Select
Not applicable/Not assessed	✓
Regulatory body exhibits no elements of capacity to assess environmental issues	Low ____
Regulatory body exhibits at least one element of capacity to assess environmental issues	Medium ____
Regulatory body exhibits two or more elements of capacity to assess environmental issues	High ____
Sources of information	- ERA annual reports - Meeting with MNT Green Technology and Sciences Department Chairman A. Enkhbat - www.cdm-mongolia.com
Additional information	Meeting with regulators and employees

RP13 REGULATOR'S CAPACITY TO EVALUATE SOCIAL ISSUES

Elements of quality		Explanation
Dedicated financial resources	–	As shown by ERA cost budgeting and budget expenditure 2009-2010, and ERA cost budgeting of 2011, research costs on social issues were not included in the budget.
Access to expertise	✓	The Price and Tariff Department and License Department Heads both said they did their best to strike a balance between consumer and energy producer interests. They said the number one priority for them was social issues, so they have always kept household energy prices lower than market tariffs.
Designated point person	✓	The ERA Price and Tariff Department has 8 staff, one of whom is an expert in charge of prices and tariffs.
Knowledge enhancement on social issues	✓	ERA regulators and staff reported that they constantly monitor whether energy prices and tariffs inflict a burden on citizens and regulate them accordingly, but always listen to both parties.

Continued explanation: Energy Law Article 9.1.5 says we need 'to establish a pricing and tariff system that enables the supply of energy at the lowest possible cost and allows an adequate rate of return.' The law specifies the following principles for setting prices and tariffs.

- tariffs should be based on real costs of operations.
- costs should be allocated to different consumer groups according to their requirements on electricity and heat supply.
- tariffs should enable regulation of energy consumption.
- tariffs should ensure price stability.
- tariffs should ensure that revenues of licensees are sufficient to support their financial viability.
- the tariff structure for electricity and heat should be clear and understandable to consumers.
- the least-cost principle should be followed, while tariffs should be sufficient to enable compliance with the requirements of technical and technological safety in energy generation, transmission, distribution, supply and dispatching.
- costs should be determined based on the previous year's performance; however,
- depreciation of future investments or renewals should not be incorporated in costs.

In 2011 AFCCP staff (Association for Fair Competition and Consumer Protection, a government agency) held a meeting with ERA experts and several licensees. A presentation was made on joint directions for future cooperation between the two agencies and a Memorandum of Understanding was signed. Both parties agreed that energy prices and tariffs are basic commodities as they affect the prices of other products and services, so these issues should be addressed carefully.

The Competition Law states that a licensee must inform AFCCP about, and apply for a permit for, changes in the amount and prices of their goods; any enterprise breaching this mandate shall pay a penalty of up to 3 per cent of profits earned in the previous year from sale of these goods or the illegally-earned proceeds shall be confiscated.

Values	Select
Not applicable/Not assessed	---
Regulatory body exhibits no elements of capacity to assess social issues	Low ---
Regulatory body exhibits at least one elements of capacity to assess social issues	Medium ---
Regulatory body exhibits two or more elements of capacity to assess social issues	High ☒ _ _
Sources of information	List of positions/job places at ERA Competition Law ERA-AFCCP Memorandum of Understanding
Additional information	

RP14 INFORMATION AVAILABLE TO PUBLIC REGARDING USE OF CONSULTANTS

Elements of quality	Explanation
Details of the consulting arrangement publicly available	✓ Energy Law Article 8.5 says the Regulatory Council may have an unofficial advisory council comprising an equal number of consumer and license holder representatives. The Procedures For the Functions of a Part-Time Advisory Council to advise the Regulatory Council were approved on March 1, 2011, by Regulatory Council Resolution 3. This resolution was included in the ERA compilation of procedures and rules, but is not available on the ERA website (www.era.energy.mn)
Reports and recommendations of the consultants publicly available	– A brief outline of the Part-Time Advisory Council for the Regulatory Council has been included in every ERA annual report. In particular, six recommendations from the Advisory Council were included in the 2010 ERA report: The Advisory Council supported a rise in energy prices, but recommended that the effect of the exchange rate and foreign currency on energy prices should be stated explicitly and the estimation should be clearly expressed by the ERA. - The Advisory Council principally supported the pay raise. It recommended that a pay raise should be calculated in relation to employee productivity. It also suggested that the ERA develop a proper human resources policy. - The Advisory Council principally supported policy and strategies on action in the energy sector. - The Advisory Council recommended that the ERA should vigorously promote its policies and situation through media. - The Advisory Council said the Regulatory Council should be aware of and address the complexities of the problem of privatization of the energy sector with great care; the issue should be considered as early as possible. - As to heating, the Advisory Council recommended that the ERA not calculate bills for heating by household or by person; instead, there should be research into installation of heating meters; should this be a problem, it was recommended that they propose a project. ERA reports were available on their website: www.era.energy.mn

Continued explanation

1. Ex-Infrastructure Minister B. Jigjid is an ERA advisor. To us he evidenced a broad knowledge on energy regulatory issues. He advises regulators on action to be undertaken in energy regulation issues. He said that the following should be undertaken to strengthen good energy governance.
Existing laws should be enforced at every stage, especially at the state administration level; social benefits should not be overly used as a way of protecting vulnerable groups; energy consumers or investors should be encouraged; human resources should be trained; the current practice of appointing regulators should be stopped.
2. The Regulatory Council's Advisory Council was renewed in 2010, with the following members.
 - Executive Director of the Employers' Association (NGO).
 - Vice President of the Mongolian Association of Trade Unions (NGO).
 - CEO of the Jenko group (private company).
 - An expert from the AFCCP (government regulatory agency).
 - Executive Director of Power Station-4 (state-owned company - power plant).
 - Executive Director of the Ulaanbaatar Electricity Distribution Network (state-owned company, electricity distribution network).
 - Executive Director of the Ulaanbaatar Heat Power Plant (state-owned company, heating distribution network).
 - Chairman of the Utilities Authority (under the jurisdiction of the Ulaanbaatar city Governor's Office).
 - An ERA expert

Values	Select
Not applicable/Not assessed	---

Details of the consultants involved in assisting the regulatory body (other than the name of the firm) are not routinely made public		Low
Public disclosure regarding use of consultants meets one element of quality		Medium ☒
Public disclosure regarding use of consultants meets two elements of quality		High ☐
Sources of information	ERA annual reports Compilation of procedures and rules (ERA, 2011) www.era.energy.mn	
Additional information	Meeting with Employers' Association Executive Director Kh. Ganbaatar Meeting with ERA advisor B. Jigjid	

RP15 CLARITY ABOUT REGULATORY PROCEDURES AND SUBSTANTIVE BASIS OF DECISIONS

Elements of quality	Explanation	
Procedural clarity	☒	ERA has a well thought-out structure and operates in compliance with very clearly organized rules, procedures and instructions.
Clarity about substantive basis of decisions	☒	The ERA operates in the frame of over 50 different laws and resolutions.
Continued explanation In 2011 ERA published for its employees two compilations, which included a compilation of laws and resolutions from the Supreme Court, the Parliament, the Government, Ministerial decrees and Regulatory Council Resolutions. The two compilations have become desktop reference books for everyday application by officers.		
Values	Select	
Not applicable/Not assessed	☒	
The proceeding before the regulatory body did not meet any elements of quality	Low ☐	
The proceeding before the regulatory body meets one element of quality	Medium ☐	
The proceeding before the regulatory body meets two elements of quality	High ☐	
Sources of information	ERA annual reports Compilation of procedures and rules (ERA, 2011) www.era.energy.mn	
Additional information	Energy Regulation in Ten Years (compilation of presentations to the Conference on Theory and Practice Dedicated to the 10th Anniversary of the ERA), Ulaanbaatar, 2011	

RP16 REGULATOR'S RESPONSE TO ENVIRONMENTAL AND SOCIAL CLAIMS

Elements of quality		Explanation
Explanation provided for response to claim	–	No claims associated with environmental or social issues were received by the ERA. However, there were incidents when decisions made in line with tariff regulation were rejected by the government or sector leaders.
Exercise of stated environmental or social mandate	–	When issuing a license for a new energy source, the ERA requires a feasibility study, which must include a number of indicators such as environmental and economic efficiency, to be reviewed and approved by relevant authorities.
Continued explanation No claims concerning energy sector environmental or social issues have been received from consumers or the public. Some newspaper articles claimed that the World Nature Protection Fund opposed construction of the Durgun Hydro Power Station. However, no information of any claim addressed to the ERA was found. When setting new energy tariffs (five times since 2001), consumer interests have always been prioritized, which is why there have been no claims relevant to energy tariffs.		
Values		Select
Not applicable/Not assessed		✓
Regulators response to cases on environmental or social grounds meets no elements of quality		Low ____
Regulators response to cases on environmental or social grounds meets one element of quality		Medium ____
Regulators response to cases on environmental or social grounds meets two elements of quality		High ____
Researcher name and organization		G. Purevdorj, Open Society Forum
Sources of information		ERA annual reports Ukhua Hudag CHP Station feasibility study
Additional information		

RP17 PROACTIVE INITIATIVES OF REGULATORS

Explanation

1. The ERA, on its own initiative, conducted a study into ways of encouraging energy sector transition to market relations; based on its findings it prepared documents, material and presentations and submitted them to the Fuel and Energy Ministry and to MPs. Parliament discussed the issue and Resolution 72 (Measures To Be Taken In The Fuel And Energy Sector) was adopted in December, 2010.
The resolution aimed to strengthen the financial and economic capacity of the energy sector, with some provisions directly related to ERA operations; in particular, it called for the introduction of graduated residential power tariffs: 150kW/h of each household's monthly electricity use would be calculated by indexing the current tariff for the time being, while the tariff for use of over 150kW/h would be calculated at real cost, including electricity use by industries, entities and organizations, with a power tariff for industries and entities. It also called for certain policy and organizational measures for related organizations in line with the transition of company activities in the energy sector to market economy principles from 2014.
In the ERA 2010 report, the Chairman's Letter stressed that one of the two most significant actions in 2010 was Parliament Resolution 72 (Measures To Be Taken In The Fuel And Energy Sector).
2. The ERA, on its own initiative, released guidelines for heating and energy consumers and in 2011 published it as a brochure for the public. These guidelines explain technical terms about first connection to a heating and electricity grid, about agreeing a contract for electricity provision, about paying electricity bills and about customer complaints. They also provide information about energy tariffs, electricity meters, measuring instruments and answers to frequently asked questions, as well as demonstrating ways to economize on electricity use.
3. The Energy Regulation in Ten Years conference on theory and practice was held in 2011. The conference heard and discussed 19 papers on various topics such as ERA functions and legal status, setting of heating and electricity tariffs, urgent issues of setting tariffs, the current situation of aimag and capital city regulatory boards, problems needing attention and effective media collaboration. The reports were compiled and published for public use.

Values	Select
Not applicable/Not assessed	----
There are no instances of the regulatory body making proactive initiatives in the past two years	Low ____
There are one-four instances of the regulatory body making proactive initiatives in the past two years	Low-medium ✓
There are more than five instances of the regulatory body making proactive initiatives in the past two years	Medium ____
Sources of information	- Interview with ERA regulators - ERA 2010 report, Ulaanbaatar - Parliamentary Resolution 72: Measures To Be Taken In The Fuel And Energy Sector - Guidelines for Energy Consumers, Ulaanbaatar, 2011 - Energy Regulation In Ten Years: compilation of papers, Ulaanbaatar, 2011
Additional information	www.era.energy.mn

RP18 DISCLOSURE OF DOCUMENTS IN THE POSSESSION OF THE REGULATORY BODY

Explanation

ERA regulations say that "decisions of the Regulatory Council shall be reported to the media and the general public."

On 20 September, 2011, the team met with ERA regulator Bassaikhan, who explained that previously the ERA held a list of confidential material, but currently holds no confidential documents or material; he therefore considered everything was open to the public.

Moreover, Regulatory Board Chairman Myagmarsuren and ERA Chairman Gan-Erdene said that all material about their activities were open to the public. Prices and Tariffs Department head M. Ganchimeg said: "There is no material with confidential status. While there is a procedure on confidentiality of material, it was not precisely defined exactly what materials should be treated as confidential, and this procedure was invalidated in 2010."

In fact, Resolution 20 (Confidentiality of the Authority) was released in 2004 and invalidated on 19 October, 2010 by Resolution 112.

ERA Regulations Clause 23 says that "Material and documents connected with Authority activities (except those related to confidentiality of the state or the Authority) shall be publicly transparent. In addition, Ethical Norms for ERA Employees Clause 2.1.2 say the ERA shall pursue a transparent and open policy." Thus, all documentation and material at the ERA are open to the public.

Each year the ERA publishes an Energy Statistics yearbook.

In 2007 it published a brief reference book of license holding companies. In 2011 it published a compilation of ERA rules and regulations.

Each year the ERA publishes an annual report.

Values	Select
Not applicable/Not assessed	---
All documents in the possession of the regulatory body are considered confidential, or the regulator is bound to keep all documents confidential if any stakeholder claims confidentiality	Low ____
All documents (or documents for which any party claims confidentiality) in the possession of the regulatory body are expected to be confidential, but, the regulatory body has the authority to make documents public (even if a party has claimed confidentiality)	Low-Medium ____
Decisions regarding whether the public can have access to documents are at the discretion of regulatory officials. There are no clear provisions about which documents in the possession of the regulatory body are public or confidential	Medium ____
All documents in the possession of the regulatory body are presumed to be available to the public unless they are classified as 'confidential' by the regulator, but there are no well defined procedures and rules to determine 'confidentiality'	Medium-High ✓
All documents in the possession of the regulatory body are presumed to be available to the public unless certain documents are classified as 'confidential' by the regulatory body, and there are clear procedures and rules to define such 'confidentiality'	High ____
Sources of information	- Interviews with ERA regulators and relevant department heads. - ERA Charter (annex of Government Resolution 83, 2001) - ERA Regulatory Board Resolution 20 (Organizational Confidentiality) - ERA Regulatory Board Resolution 112 (Amendments to Regulations), adopted 19 October, 2010. - Ethical Norms for ERA Employees (annex to ERA Regulatory Board Resolution 141, adopted 30 November, 2010)
Additional information	

RP19 PROCEDURE FOR PUBLIC ACCESS TO REGULATORY BODY DOCUMENTS

Elements of quality	Y/N	Explanation
Well-indexed database of documents	Y	All ERA documents are archived in both hard copy and electronic form, filed under specific regulations and can be viewed as a database.
Simple, well defined procedure for inspecting/ obtaining documents	N	The main way to make Regulatory Authority information public is on their website: www.era.energy.mn Until 2012 the following documents have been placed on the website. - ERA annual reports 2003-2010 (available in PDF format, can be downloaded) - Publications (the above reports and only the reference book of license-holding companies, of all publications) - Database of Regulatory Council Resolutions (2001-2011): only 2009 Resolutions are accessible and downloadable. There is no specific procedure for comprehensive information provision, but the general public can visit the ERA office for information. This service is provided as follows: 1. Ask relevant department secretaries for price and tariff information relating to licenses and Regulatory Council Resolutions. For access to old documents, ask the archive head, who (with the Regulatory Council Secretary) has a listing of available documents. 2. Staff make every effort to provide requested information as promptly as possible and the archivist puts a stamp to verify copies of documents.
Reasonable cost	Y	All information is provided free of charge.
Wide dissemination of information	Y	The ERA provides information on its website. From time to time there are special events for the general public. A Natural Resources and Energy Sector Open Door Event was held on 18 November, 2011, when the ERA held public meetings with the public and consumers, explained its activities, received feedback and settled complaints and disputes. The ERA had a booth at a Government Open Door Event on Sukhbaatar Square on May 11, 2012.

Continued explanation

Up to 2012 the www.era.energy.mn site comprised the following structure.

- "About Us" (introduction, organizational structure, reports, publications, international relations etc.)
- Regulatory Board (structure, meetings, database of resolutions etc.)
- Licensing (requirements for obtaining a license, licensees, their ratings etc.)
- Regulation of prices and tariffs (procedures on review of proposals, permanent methodology on setting tariffs)
- Heating and electricity tariffs (tariffs for consumers, tariffs for vulnerable categories, tariffs for mining etc.)
- Electricity market (one buyer model, spot market, auction market)
- Energy Regulatory Councils in aimags and capital city (functional structure, issued licenses etc.)
- Consumers (consumer rights and duties, feedback, complaint and dispute settlement, how to economize on electricity usage)

Values	Select
Not applicable/Not assessed	---
Procedures for public access to regulatory documents meets no elements of quality	Low ___
Procedures for public access to regulatory documents meets one element of quality	Low-Medium ___

Procedures for public access to regulatory documents meets two elements of quality	Medium __
Procedures for public access to regulatory documents meets three elements of quality	Medium-High ✓
Procedures for public access to regulatory documents meets all four elements of quality	High __
Sources of information	- Interview with Legal Information and Administration Department Head R. Gan-Erdene - www.era.energy.mn - ERA: Compilation of Rules, Regulations and Procedures, Ulaanbaatar, 2011 - ERA: A Brief Directory on Energy License-Holding Companies, Ulaanbaatar, 2007 - ERA annual reports - Energy Statistical Indicators: annual ERA publication
Additional information	Energy Regulation in Ten Years: Compilation, Ulaanbaatar, 2011

RP20 SPACE FOR PUBLIC PARTICIPATION IN THE REGULATORY PROCESS

Explanation

Energy Law Article 8.5 says the Regulatory Council may have an unofficial, part-time Advisory Council, comprising an equal number of consumer and license holder representatives. Procedures on Functions of a Part-Time Advisory Council to advise the Regulatory Council were approved March 1, 2011, by Council Resolution 3, with three following members.

Executive Director of the Employers' Association NGO

Vice President of the Mongolian Association of Trade Unions NGO

CEO of the Jenko group private company

An expert from the AFCCP Government Regulatory Agency

Executive Director of Power Station-4 state-owned company power plant

Executive Director of the Ulaanbaatar Electricity Distribution Network state-owned company

Executive Director of the Ulaanbaatar Heat Power Plant state-owned company

Chairman of the Utilities Authority

An ERA expert autonomous regulatory agency

The following clauses are included in the procedures of regulatory authorities regarding public involvement in the regulatory operations.

Procedures for Regulatory Council meetings: (annex to Resolution 58, 22 December 2009) "The regulatory meeting agenda shall be published in a daily newspaper and placed on the authority website after preliminary discussion. After the meeting, information on problem resolution shall be placed on the website by the party proposing the issue." Another clause says: "The meeting may include broad participation of representatives of licensees, consumers, relevant organizations, the public and interested parties."

Procedures on Registration and Settlement of Complaints and Disputes Addressed to the ERA: "The ERA can take measures such as making common complaints open to the public in order to get public opinions and hold public discussion...common complaints and disputes involving public interest shall be discussed and settled at open meetings of the Regulatory Council. Notification of open meetings shall be announced by the Regulatory Council secretary five days before the date of the meeting through the media."

Procedures for Conducting Public Hearings (Resolution 72, 18 October, 2005): "The purpose of the procedures is to provide transparency of energy sector regulatory activities, to support public involvement in the regulation process and reflect their opinions in ERA decisions...The date of a public hearing shall be announced publicly not less than 20 days prior to the meeting date. The agenda shall be announced through the media and delivered to related organizations in written form. ERA staff running the public discussion event are responsible for delivering the agenda to registered citizens and organizations before the day of the open public discussion. (They can only charge fees to cover postage and copying of material). The ERA shall place the relevant material on its website. Information about the public hearing shall be delivered through the media not more than five working days after the discussion."

Values

Select

Not applicable/Not assessed	---
Laws states that regulatory proceedings are not open and the public has no right to participate	Low ____
Laws state that unless the regulatory body makes a special order, proceedings before the body are not open and the public has no right to participate	Low-Medium ____
Laws do not specify whether proceedings before the regulatory body are open to the public or if the public can participate in the proceedings	Medium ____
By law, all proceedings before the regulatory body are open to the public, but the public has no right to participate	Medium-High ✓
By law, all proceedings before the regulatory body are open to the public, and the public has the right to participate	High ____
Sources of information	- Procedures for Regulatory Council Meetings (Resolution 58, annex 1, 22 December, 2009) - Procedures for Public Hearings (Resolution 72, 18 October, 2005) - Procedures for Registration and Settlement of Complaints and Disputes Addressed to the ERA (Resolution 71, 11 October, 2005)
Additional information	www.era.energy.mn

RP21 PUBLIC ACCESS TO REGULATORY DOCUMENTS AND HEARINGS

Explanation

This criterion shall be assessed by two indicators: the number of public applications for documents (other than published documents, procedures, regulations, orders and guidelines) and the number of meetings involving citizens in the previous one-year period.

We met with Legal Information and Administration Department head R. Gan-Erdene to look at the 2011 ERA operational report. According to him and to e-mail questionnaire responses, there was no registration of public requests for documents, so there was no evidence of the number of requests. We also found no evidence of registration of the involvement of citizens and civil society representatives, even in last year's ERA annual report. Thus, this criterion cannot be assessed.

Values	Select
Not applicable/Not assessed	✓
In the last one year there were up to 10 'instances' of use of procedures and spaces for public access to documents and hearings	Low ____
In the last one year there were 11-25 'instances' of use of procedures and spaces for public access to documents and hearings	Medium ____
In the last one year there were more than 25 'instances' of use of procedures and spaces for public access to documents and hearings	High ____
Sources of information	Interview with Legal, Information and Administration Department head R. Gan-Erdene Responses to ERA e-mail questionnaire Operational Report 2010, ERA, Ulaanbaatar, 2011
Additional information	

RP22 INSTITUTIONAL MECHANISMS REPRESENTING THE INTERESTS OF WEAK GROUPS

Elements of quality	Explanation
Consumer representatives	Y On the ERA part-time Advisory Council are representatives of the National Association of Consumer Protection Unions and the Mongolian Association of Employers. One of the regulators appointed in 2012 represents the National Association for Consumer Protection Union.
Submissions on behalf of weaker groups	Y Mongolian Association of Trades Unions
Government representation	Y Authority for Fair Competition and Consumer Protection (a government regulatory agency)
Representation by executive branch for social development	N
Other mechanisms	N
Continued explanation: A part-time council rendering a consultancy service operates under the Regulatory Council. The Advisory Council has 8 members, 4 representing licensees, 4 representing consumers and public organizations (the Consumer Protection Association, the Mongolian Association of Employers, and the Mongolian Association of Trades Unions). In 2010-2011, the Mongolian Association of Trades Unions and the Mongolian Association of Employers held a workshop for journalists. A 2010 Memorandum of Understanding was signed with the AFCCP, mainly for cooperation about tariffs and protection of energy users.	
Values	Select
Not applicable/Not assessed	---
No special efforts/arrangements are made to ensure that the interests of weaker sections/stakeholders are represented during the regulatory process	Low ____
There is no permanent institutional arrangement to ensure that the interests of weaker sections/stakeholders are adequately represented in the regulatory process, but on certain occasions the regulatory body makes ad-hoc arrangements for this purpose	Low-Medium ✓
One institutional arrangement is in place to ensure that the interests of weaker sections/stakeholders are adequately represented in the regulatory process	Medium ____
Two institutional arrangements are in place to ensure that the interests of weaker sections/stakeholders are adequately represented in the regulatory process	Medium-High ____
Three institutional arrangements are in place to ensure that the interests of weaker sections/stakeholders are adequately represented in the regulatory process	High ____
Sources of information	ERA website: www.era.energy.mn Mongolian Association of Trade Unions website: www.ctu.mn National Association of Consumer Protection Unions website: www.consumers.mn Mongolian Association of Employers, website: www.monef.mn Authority for Fair Competition and Consumer Protection, website: www.afccp.gov.mn
Additional information	

RP23 BUILDING THE CAPACITY OF WEAKER GROUPS TO PARTICIPATE IN THE REGULATORY PROCESS

Elements of quality	Explanation	
Information targeting weaker stakeholders	N	ERA publishes Guidelines for Consumers handbooks and brochures and distributes them to users, with information about tariffs for vulnerable groups; who can be included in the vulnerable category; and procedures on how to identify vulnerability. However, there are no measures for improving the ability of vulnerable groups to be involved in the regulatory process.
Support for weaker stakeholders to represent themselves	N	Although the Regulatory Authority provides assistance by distributing information, as above, it almost never offers financial or technical assistance.
Continued explanation There has been no occasion when the authority has offered financial assistance to vulnerable groups. It was reported that in 2010 the authority and the Ulaanbaatar Power Distribution Station helped a Chingeltei District household by cancelling a bill and reconnecting the household with electricity, but this does not relate to the questionnaire.		
Values	Select	
Not applicable/Not assessed	---	
Regulatory body or other government agency does not undertake any activity to build capacity of weaker sections or to provide financial, technical and legal support	Low ✓	
Regulatory body or other government agency's efforts to build capacity of weaker sections meets only one element of quality	Medium ---	
Regulatory body or other government agency's efforts to build capacity of weaker sections meets two elements of quality	High ---	
Sources of information	- Guidelines for Consumers, Ulaanbaatar, 2011 - Guidelines on Energy Consumption Legislation (www.era.energy.mn)	
Additional information		

RP24 INTERVENTIONS BY CIVIL SOCIETY IN REGULATORY OPERATIONS.

Explanation	
Regulatory Authority staff said that in the findings of an ERA questionnaire, authority reports and other documents, no problem resolution was proposed by civil society/community/consumers nor resolved by the Regulatory Authority over the last two years.	
Values	Select
Not applicable/Not assessed	---
During the last two years no cases were filed before the regulatory body by consumers or civil society organizations/groups	Low ✓
During the last two years one or more cases pertaining to 'private interests' were filed by consumers/groups	Low-Medium ---
During the last two years between one and three 'public interest' cases were filed by civil society organizations/groups	Medium ---
During the last two years more than three 'public interest' cases were filed by civil society organizations	Medium-High ---
During the last two years, apart from meeting the above criteria, (i.e. more than three public interest cases) more than two civil society organizations/groups were involved in 'public interest' cases/appeals	High ---
Sources of information	- Meeting with Legislation, Information and Administration Department head R. Gan-Erdene. - Responses to the ERA e-mail questionnaire. - ERA: 2010 operational report, Ulaanbaatar, 2011
Additional information	

RP25 ELECTRICITY PROVIDER ENGAGEMENT WITH CIVIL SOCIETY ORGANIZATIONS AND POTENTIALLY AFFECTED POPULATIONS

Elements of quality		Explanation
Designated department	N	Under the Ulaanbaatar Power Distribution Network (UBDN), service centers have been opened in every Ulaanbaatar city district. However, since their primary function is to provide consumers with electricity, they do not satisfy the requirements of special departments or divisions responsible for public consultative action or of having an official in charge only of this function.
Corporate policy addresses community engagement	N	The Ulaanbaatar Power Distribution Station vision and mission show that it does not prioritize public involvement: Vision: ensuring reliable function, leadership and world standards in its services. Mission: promoting service quality, competent staff, reliable energy supply, operational safety and leadership in the sector.
Creation and operation of a consultation group	N	No group was established
Support for weaker groups	Y	There have been occasions when support and discounts were provided to vulnerable groups. Bills incurred by some electricity consumers have been cancelled and they were reconnected to electricity. Specifically, in 2010 the ERA and the Ulaanbaatar Power Distribution Station helped a Chingeltei District vulnerable group household by cancelling overdue electricity bills and reconnecting the household with electricity.
Information on how groups can file complaints		No information
Continued explanation		
Values		Select
Not applicable/Not assessed		----
The most important electricity provider meets no elements of quality for effective engagement with civil society		Low ____
The most important electricity provider meets one element of quality for effective engagement with civil society		Low-Medium ✓
The most important electricity provider meets two elements of quality for effective engagement with civil society		Medium ____
The most important electricity provider meets three elements of quality for effective engagement with civil society		Medium- High ____
The most important electricity provider meets four or more elements of quality for effective engagement with civil society		High ____
Sources of information	- Interview with UBDN Department Head Erkhembayar. - UBDN website of: www.ubdn.mn	
Additional information		

RP26 ORDERS AND DECISIONS OF THE REGULATORY BODY

Explanation

Legal requirements imposed by Regulatory Authority orders and decisions were studied. The key law covering functions of the Regulatory Authority is the 2011-amended Energy Law. Article 8.1 of the law says: "Duties of the Regulatory Authority shall be to regulate generation, transmission, distribution, dispatching and supply of energy." Article 9.2 specifies: "The Regulatory Authority shall discuss issues to be resolved at a Regulatory Board Meeting. The Board Meeting shall issue its decisions in the form of a resolution. Licensees and consumers must comply with resolutions."

The ERA Charter and Procedures for Regulatory Board Meetings say that meeting decisions shall be released as resolutions and detailed minutes must be kept for each meeting. The Regulatory Board shall comply with principles and not reflect personal interests or interests of any party in its decisions.

In the Charter and procedures rules, it is not specified that Regulatory Authority decisions and resolutions must be justified and should take into account public opinion and criticisms.

Below is an example of an ERA Regulatory Board decision.

RESOLUTION OF THE REGULATORY BOARD OF ERA

13 February, 2009

9

Ulaanbaatar

Analysis of the economic and financial situation of Ulaanbaatar

Based on Energy Law Article 9 Clause 9.1.14 and ERA Charter Article 26.2 adopted by Government Resolution 83 (2001), outcomes of licensee action in 2008 were discussed. The ERA Regulatory Board hereby DECREES:

1. Approval of improved outcomes of CHP stations, which show that internal electricity consumption decreased by 0.3 units compared to the previous year, and losses in electricity transmission and distribution in the Central region decreased by 0.6 units compared to the previous year.

2. Evaluations of licensees in 2008 as follows:

The Central Regional Power Transmission Network state-owned PLC: unsatisfactory.

The Ulaanbaatar Power Distribution Network state-owned PLC: fair.

The Power Distribution Network in Erdenet and Bulgan state-owned PLC: unsatisfactory.

The Power Distribution Network PLC in Darkhan, Selenge: fair.

The Power Distribution Network state-owned PLC in South-Eastern Region and Baganuur: satisfactory.

CHAIRMAN OF REGULATORY BOARD
REGULATOR
REGULATOR

R. GANJUUR
G. DAMDINSUREN
R. MYAGMAR

Values	Select
Not applicable/Not assessed	---
There is no legal requirement that regulatory orders/decisions contain reasons or respond to public comments and objections	Low ✓
There is a legal requirement but orders/decisions of the regulatory body either lack sufficient reasons or fail to respond to public comments and objections	Medium ____
There is a legal requirement and orders/decisions of the regulatory body contain sufficient reasons and respond to public comments and objections	High ____
Sources of information	Energy Law, adopted by Parliament February 1, 2001. ERA Charter (annex to Government Resolution 83, 2001) Procedures for Regulatory Board Meetings (Regulatory Board Resolution 58, annex 1, 22 December, 2009)
Additional information	

RP27 DISSEMINATION OF DECISIONS

Elements of quality		Explanation
Easy availability	N	The ERA charter specifies: "Communicate regulatory authority decisions and orders to the media and public." On the website is the database of ERA Regulations of 2001-2011, but only Resolutions of 2009 are available for viewing. The new www.erc.mn website does not include a database of ERA Regulations. Resolutions are available on application to the Regulatory Board secretary, which may be burdensome for the public.
Timely availability	Y	Procedures for Regulatory Board Meetings says: "The Regulatory Board Meeting agenda shall be published in a daily newspaper or placed on the website of the authority after preliminary discussion. After the meeting, its decisions shall be placed on the website by the department which brought up the issue." However, when to announce the meeting date and within how many days meeting decisions shall be communicated to public was unspecified. Notices of meeting and meeting decisions are placed on the ERA website or in a daily newspaper. For instance, information on an RC meeting of November 03 was placed on the website 5 days later (November 8), as follows. The ERA issued a license to East Energy Development Ltd for an energy construction - a power station of 600mW capacity. The November 3 ERA Regulatory Board regular meeting issued a license to East Energy Development Ltd for an energy construction - a power station of 600mW capacity. The power station will be built on the Chandgana mining site in Murun soum, Khentii aimag, and will produce 4,050 million kW/h of electricity, able to distribute to the central energy system and the Dornod Region energy system. Thus, substantial new energy sources able to compete with Power Station-4 will exist in the Central Energy System.
Local language	Y	All orders and decisions of meetings are in the Mongolian language.
Use of multiple modes of dissemination	Y	Meeting decisions are usually communicated to public in daily newspapers or its own website.
Help in understanding orders	N	The Regulatory Authority does not regularly hold events to explain meeting resolutions and decisions to the public. However, it makes attempts in the media to explain issues affecting the public interest, and in particular, its resolutions on heating and electricity tariffs.

Continued explanation

Example of a website meeting announcement.

CALL for a REGULAR MEETING OF THE REGULATORY BOARD
28 November, 2011

ERA Regulatory Board regular meeting 38 will be held at 9.30 on 29 November, 2011 in the authority conference hall.

The meeting will discuss licensee tariffs as from December, 2011, estimated electricity distribution and transmission loss percentages in the central regional integrated network in 2012, estimated electricity percentages for internal consumption for CHP stations in 2012, extension of the license for the BNHPS state-owned PLC, issuance of a license to Oyu-Tolgoi Ltd to build a heat and power station with 72mw capacity and relevant decisions.

REGULATORY BOARD

Announcements placed in newspapers are kept by the authority file clerk officer, and are available to the public.

Values	Select
Not applicable/Not assessed	---
The process for dissemination of the regulatory body's orders/decisions meets no elements of quality	Low ___
The process for dissemination of the regulatory body's orders/decisions meets one to two elements of quality	Low-Medium ___
The process for dissemination of the regulatory body's orders/decisions meets three elements of quality	Medium ✓
The process for dissemination of the regulatory body's orders/decisions meets four elements of quality	Medium-High ___
The process for dissemination of the regulatory body's orders/decisions meets five elements of quality	High ___
Sources of information:	ERA Charter (Government Resolution 83 annex, 2001) Procedures for Regulatory Board Meetings (Regulatory Board Resolution 58, annex 1, 22 December, 2009) www.era.energy.mn Interview with the Regulatory Authority file clerk
Additional information	

RP28 TARIFF PHILOSOPHY

Elements of quality		Explanation
Detailed analysis	Y	The Energy Law says that, in setting tariffs, the following principles shall be followed: - tariffs should be based on real costs of operations; - costs should be allocated to different consumer classes according to their needs for electricity and heating; - tariffs should enable regulation of energy consumption; - tariffs should ensure price stability; - tariffs should ensure that revenues of licensees are sufficient to support financial viability; - the tariff structure for electricity and heating should be clear and understandable for consumers; - the least-cost principle should be followed while tariffs should be sufficient to enable compliance with the requirements of technical and technological safety in energy generation, transmission, distribution, supply and dispatching; To comply with these principles, the ERA adopted the procedure entitled Monitoring Tariff Proposals. The regulations aim to promote transparency of the monitoring process of tariff proposals and to involve the public and reflect their opinions in the process of approving tariffs to meet the interests of all parties. This tariff-setting process demonstrates the existence of a legal environment to conduct a tariff-setting process based on detailed analysis.
Needs to negate adverse impacts	N	The ERA and MNRE considered that the only way to reduce negative effects is by price indexation and a strengthened regulatory body autonomy. Therefore, draft amendments to the Energy Law were submitted to and passed by Parliament.

Easy to understand	Y	Electricity tariffs are in 6 groups: for industries and enterprises in the central region; for households in the central region; for users in the Dornod region; for users in the western regions; for users in Dalanzadgad; and for vulnerable groups in the central region. There were to be ordinary meters and meters with time zones with various tariffs, depending on monthly consumption. All tariffs have been presented as simply as possible.
Recent tariffs reflect the philosophy/principles	Y	Tariffs were increased 5.3% to 25%, depending on tariff schedule, as from May 1, 2011. The following principles were followed in setting tariffs. - A tariff depending on time of use was set to reduce peak time demand for industrial consumers and increase off-peak (night) load. The peak tariff rate is set at 1.8 times the off-peak (day) rate and for off-peak (night) was set at half the day rate. - A tariff with time differences was set for households to allow them to regulate consumption, so that they may reduce bills by increasing night time use; the night tariff rate is half that of day use of electricity. - To encourage economy and to allow better management of domestic electricity use with lower bills, a tariff with graduation was set, dependent on monthly household electricity use. The principle is, the more electricity used per month, the higher the tariff. - A tariff for vulnerable groups is being introduced to protect those groups and low income households from the full impact of price hikes.
Continued explanation In 2007 a Renewable Energy Law was adopted, which fixed prices for solar, wind and water power for a decade from the date of enactment.		
Values	Select	
Not applicable/Not assessed		
There are no tariff philosophy or principle to guide the regulatory body's tariff determination process	Low ____	
Tariff determination is guided by predetermined tariff philosophy/principles, but meets zero or one element of quality	Low-Medium ____	
Tariff determination is guided by predetermined tariff philosophy/principles, but meets two elements of quality	Medium <u>✓</u> __	
Tariff determination is guided by predetermined tariff philosophy/principles, but meets three elements of quality	Medium-High	
Tariff determination is guided by predetermined tariff philosophy/principles, but meets all four elements of quality	High ____	
Sources of information	- Energy Law (adopted by Parliament on February 1, 2001) - Procedures on Monitoring Tariff Proposals (ERA Regulatory Board Resolution 74, 2005) - Interview with ERA Tariffs Department Head M. Ganchimeg, - T. Enkhtaivan: Strengthening ERA Autonomy (interview with Daily Newspaper of October 31, 2011, with MNRE Deputy Minister T. Enkhtaivan)	
Additional information	- ERA: Energy Regulation in Ten Years, Ulaanbaatar, 2011 - ERC website www.erc.mn - www.era.energy.mn – the ERA website up to 2012	

RP29 PARTICIPATION IN DECISION-MAKING RELATED TO AFFORDABILITY OF ELECTRICITY PRICES

Elements of quality		Explanation
Attention to affordability in tariff principles/philosophy	Y	These principles are followed in setting tariffs: - tariffs should be based on real costs of operations; - costs should be allocated to different consumer groups according to their needs for electricity and heating supply; - tariffs should enable regulation of energy consumption; - tariffs should ensure price stability; - the tariff structure for electricity and heating should be clear and understandable for consumers. When the ERA sets a tariff, it ensures appropriateness to minimise tariff burdens for consumers. ERA sets a lower tariff to protect vulnerable groups and low income households from price hike burdens. The tariff for vulnerable groups was adopted by Resolution 176 (November 11, 2008) and has applied since January 1, 2009. The tariff offered is half that for ordinary consumers.
Public participation in revisions	N	In resolutions from tariff-setting meeting minutes, no facts or evidence were found relating to public participation such as how many public proposals were made, how they were dealt with etc.
Educating low income groups	N	The ERA publishes the Guideline for Consumers and other handbooks and brochures and distributes them to consumers. These publications include information such as tariffs for vulnerable groups, who can be included in the vulnerable category, and how to identify vulnerability, but there were no specific activities on enlightening low-income groups.
Continued explanation Setting the lowest possible electricity tariffs relates to pressure from the government's social welfare policy.		
Values		Select
Not applicable/Not assessed		--
No elements of quality for participatory decision-making to address affordability of electricity services were met in the tariff revision process		Low ____
One element of quality for participatory decision-making to address affordability of electricity services was met in the tariff revision process		Low-Medium _✓_
Two elements of quality for participatory decision-making to address affordability of electricity services were met in the tariff revision process		Medium
Three elements of quality for participatory decision-making to address affordability of electricity services were met in the tariff revision process		High __
Sources of information		- ERA operational reports, 2009, 2010 - Procedure for Monitoring Tariff Proposals (ERA Regulatory Board Resolution 74, 2005) - Guidelines for Consumers, by ERA
Additional information		ERA websites: www.erc.mn www.era.energy.mn (website up to 2012)

RP30 LICENSING

Elements of quality		Explanation
Well-defined procedure for consideration of license applications	Y	The Energy Law says that any legal entity may apply for a license to the Regulatory Authority or Regulatory Boards of an aimag or the capital city. The legal entity must attach documents relevant to the activities to be licensed, a list of which is specified in the Energy Law. The following rules are specified in the Energy Law for evaluation of such applications. In particular, 'the Regulatory Authority and Regulatory Boards of aimags and the capital city may appoint an independent expert to review and evaluate applications and accompanying documents. A decision on issuance of a license shall be made within 60 days from the date of receipt of the application for a license. If the application and accompanying documents fail to meet requirements, they shall be returned to the applicant within 10 days of the date of receipt. The decision to issue a license or a justification for refusal shall be published. A license shall be granted to a financially capable legal entity which possesses experience or is able to operate in the given field. If several legal entities submit applications for the same type of license, the license shall be granted on the basis of competitive tendering.' The procedure governing selection process for issuing licenses for electricity and heating distribution and delivery activities was developed and adopted by the ERA.
Well defined criteria for consideration of license applications	N	Criteria for evaluating license applications were poorly specified in the Energy Law. In particular, it states: 'A license shall be granted to a financially capable legal entity, which possesses experience or is able to operate in the given field,' which is very general. More detailed and well-defined criteria were not included.
Clarity about the basis for amendment/ revocation/ suspension of licenses	Y	The Energy Law includes detailed provisions regarding amendments, renewals, suspensions and revocation of licenses. Particularly, it states that the licensor may renew a license or make amendments if there are changes in conditions of issuing the license or at the request of the licensee. The licensor shall revoke the license in the following cases: - the term of the license has expired; - the licensee is liquidated or is declared bankrupt; - it is established that the licensee obtained the license by illegal means; - the license was revoked under Provision 24.2 of the present law, and the delinquency was not eliminated by the due date; - the licensee failed to implement an environmental protection and rehabilitation action plan or violated legislation on environmental protection.
Dispute resolution	N	We found no clauses regarding settlement of disputes between the ERA and licensees in the Energy Law or other related procedures and regulations.
Compliance and performance monitoring	Y	To oversee, evaluate and review the activities of licensees, the ERA regularly reviews the primary indicators of activities in monthly and quarterly reports and checks annual reports on license conditions and requirements implementation. The Regulatory Authority Meeting discussed and reviewed 2009 annual reports and 2010 operational reports of 18 large energy companies and 26 utility and heating distribution companies. Profit, loss, liabilities and receivables, electricity for internal needs, loss during distribution and transmission, additional water for heating networks, income and expenses; these main indicators of activities of licensees are assessed under benchmarks and licensees are ranked accordingly.

Continued explanation

In 2010, the ERA received and reviewed 33 applications of 8 types for new licenses and extensions of licenses from 23 enterprises and organizations; it extended 19 licenses. ZMZ Ltd was found to have breached the Energy Law, and its license for electricity importation was suspended. Documents and material compiled by Oyu-Tolgoi Ltd and Sainshand Salkhin Park Ltd in applications for licenses to build energy constructions were insufficient and did not meet requirements in the Energy Law; they were therefore not accepted by the ERA.

Currently, ERA regulates the activities of 77 enterprises with 163 licenses of 10 types.

Values	Select
Not applicable/Not assessed	---
There are no clear rules regarding 'requirements' or 'exemptions' for licenses	Low ---
The licensing process meets one-two elements of quality	Low-Medium ---
The licensing process meets three elements of quality	Medium ✓
The licensing process meets four elements of quality	Medium-High ---
The licensing process meets all five elements of quality	High ---
Sources of information	- Energy Law (adopted by Parliament on February 1, 2001) - Procedures for issuance of licenses for electricity or heat distribution and provision (ERA Resolution 61, annex, 2003) - ERA: Brief Directory of Companies: energy license-holders, Ulaanbaatar, 2007 - ERA annual operational reports
Additional information	ERA websites: www.erc.mn www.era.energy.mn (website up to 2012)

RP31 PERIODIC PERFORMANCE REPORTS OF LICENSEES AND UTILITIES

Elements of quality		Explanation
Mandatory filing requirement	Y	Licensees provide monthly and quarterly reports using the following primary indicators: profit, loss, liabilities, receivables, electricity for internal needs, losses during distribution and transmission, additional water expenses of heating networks, income and expenses. Annual reports on implementation of license conditions and requirement are reviewed and assessed annually.
Easy availability	N	The information source is the ERA website, which lists 83 licensees by their types of licenses. It shows which enterprises hold what types of licenses; monthly, quarterly and annual reports of these enterprises are not available on this website, but are available at the ERA office.
Timely availability	N	The Brief Directory of Companies: energy license holders, published in 2007, shows principal information and statistics of licensees but has not been updated since. ERA operational reports say that it reviews licensee reports at the Regulatory Board and reports outcomes to the MNRE and relevant organizations.
Available in local languages	Y	All reports are produced in the Mongolian language.

Consistency and clarity of reporting parameters	Y	Profit, loss, liabilities and receivables, electricity for internal needs, loss during distribution and transmission, additional water expenses of heating network, income and expenses; these are the main indicators of activities of licensees, assessed under benchmarks, and licensees are ranked accordingly.
Comprehensive reporting	N	

Continued explanation

The Regulator's Association of Energy Regulatory Authority receives feedback and complaints from consumers, considers energy supply reliability, economical and technical indicators, percentage of sales revenue, reduction of debts for heating and energy, profit and loss, and summarizes the performance of the large license holders with a rating. Below is the rating chart of the first half year of 2011.

Rating	Company
I	Ulaanbaatar Heating Network SOSC
II	Combined Heating and Power Station 4 SOSC
III	Baganuur-South-Eastern Region Electricity Distribution Network SOSC
IV	Darkhan-Selenge Electricity Distribution Network SOSC
V	Combined Heating and Power Station 2 SOSC
VI	Erdenet Heating Power Station SOSC
VII	Eastern Region Energy System SOSC
VIII	Darkhan Heating Network SOSC
IX	Erdenet-Bulgan Electricity Distribution Network SOSC
X	Darkhan Heating and Power Station SOSC
XI	Ulaanbaatar Electricity Distribution Network SOSC
XII	Central Region Electricity Transmission Grid SOSC
XIII	Combined Heating and Power Station 3 SOSC
XIV	Western Region Energy System SOSC
XV	Baganuur Heating Station SOSC
XVI	Nalaikh Heating Station SOSC
XVII	Dalanzadgad Combined Heating and Energy Station SOSC
XVIII	Altai-Uliastai Region Energy System SOSC

Values	Select
Not applicable/Not assessed	---
Utilities and licensees (electricity companies) are not required to file periodic performance reports with the regulatory body	Low ---
Utilities and licensees are required to file periodic performance reports, but reporting meets one-two elements of quality	Low-Medium ---
Utilities and licensees are required to file periodic performance reports, but reporting meets three elements of quality	Medium ✓
Utilities and licensees are required to file periodic performance reports, but reporting meets four-five elements of quality	Medium-High ---
Utilities and licensees are required to file periodic performance reports, but reporting meets all six elements of quality	High ---
Sources of information	- Compilation of regulations and procedures; ERA , Ulaanbaatar, 2011 - ERA: Brief Directory of Licensees, Ulaanbaatar, 2007 - ERA annual operational reports - Energy Statistical Indicators, published annually by ERA
Additional information	ERA websites: www.erc.mn www.era.energy.mn (website up to 2012)

RP32 CONSUMER SERVICE AND QUALITY OF SUPPLY

Elements of quality		Explanation The quality of service and reliable supply of electricity is vital for consumers. Customer service quality includes the following indicators: provision of technical conditions; connection to energy networks; feedback to customer complaints and requests about electricity supply; provision of technical services at the request of a customer; duration of electricity interruption; re-supply of electricity; and meter certification. Quality of electricity supply includes technical indicators such as voltage fluctuations, voltage failure and failure of velocity.
Existing standards		
Standards for customer service and supply quality	Y	The ERA proactively initiated and developed Requirements for Services To Customers By Electricity Suppliers (MNS 5872), a standard which set requirements for customer services from electricity supplier enterprises and organizations. This was reviewed by the energy sector Technical Committee and adopted by National Board of Standardization and Metrology Resolution 35 (27 November, 2008). It has been followed nationwide since January 15, 2009. This standard, which set up the longest period for main services to customers by electricity suppliers, comprises 5 primary sections and 41 clauses.
Supply standards are mandatory	Y	An electricity supply quality standard exists. It is implemented by contract between an electricity supplier and a consumer.
Quality of standards		
Monitoring performance	Y	The ERA identifies interruption of electricity supply using indexes complied with internationally. The reasons for interruption of electricity supply are recorded under classifications, and indexes have been used since 2005 to identify reasons for interruption, so that the extent of interruption can be calculated consistent with international standards.
Compliance reviews	N	The ERA cannot fully oversee the quality of electricity services or electricity supply.
Compliance review information/ results publicly available	N	No information was found on implementation of standards or on communication of implementation reports to the public.
Consumer grievance	Y	In 2009 the ERA reviewed and resolved 49 complaints concerning licensee activities or protection of consumer interests; 22 complaints (45% of the total) related to electricity bills, quality of electricity supply or electricity meters. Complaints were resolved with involvement from relevant licensees.
Continued explanation		
Values	Select	
Not applicable/Not assessed	---	
There are no well-defined standards of performance for consumer service and quality of supply	Low ---	
Consumer service and quality of supply standards exist, but they are not mandatory	Low-Medium ---	
Consumer service and quality of supply standards are mandatory, but they meet one element quality	Medium ---	

Consumer service and quality of supply standards are mandatory, but they meet two–three elements of quality		Medium-High ✓
Consumer service and quality of supply standards are mandatory, they meet all four elements of quality		High __
Sources of information	- Procedures for Identification and Registration of Electricity Interruption (ERA Regulatory Board Resolution 35 of April 1, 2005) - Requirements for Customer Service From Electricity Suppliers (MNS 5872): a standard (adopted by National Board of Standardization and Metrology Resolution 35 of 27 November, 2008) - ERA operational report, 2010	
Additional information	ERA websites: www.erc.mn www.era.energy.mn (website up to 2012)	

MINUTES OF THE MEETING ON “MONGOLIAN ENERGY GOVERNANCE ASSESSMENT” REPORT DISCUSSION

16 November 2012.

Open Society Forum meeting hall

Meeting started at 15:04 pm.

Munkhsoyol B./Economic program manager, Open Society Forum/ opened the discussion:

- Good day everyone. Thank you for accepting our invitation and coming today for this discussion forum. The OSF together with the Central Eurasia Project conducted a study on Energy governance. The presenters will describe in details what the study was about, which methodology was used, so I will skip this part. This study started in March 2011, when we invited an international consultant and a trainer to teach the research methodology to NGOs. In autumn 2011, a research team was established and we started the work. The final report is presented in a form of a draft, and the copy of this draft report was delivered together with the invitation to all of you, so I guess you had a chance to get acquainted with it. We haven't published the final report yet, since although we cannot make big changes, we decided to include in the report these minutes and participants' opinions and suggestions.

The Electricity governance survey was conducted in almost 10 countries, and lastly, Mongolia conducted the research together with Pakistan. The research methodology was developed jointly by the Washington-based World Resource Institute, which specializes in the energy field and Prayas, an Indian NGO. The survey focused on two components – the energy policy development process and regulation, each having 32 and 36 indicators respectively. Other countries conducted studies on a smaller scale, selecting from 68 indicators the ones most important for their countries. Since we thought all energy and electricity governance issues are important for Mongolia, we conducted this survey trying to answer all questions.

Before presenting the survey results, according to the discussion agenda let me invite our survey consultant, Mr. Bahadur Khabibov, Director of “Consumer rights association”, Tajikistan, to introduce the survey methodology and tell us about the results of surveys in other countries.

Mr. Bahadur Khabibov's presentation finished at 15.30 pm.

After the presentation, the research team consisting of 4 members, Munkhsoyol B., Bat B., Purevdorj G., Dorjpurev J., Tserenjav D., and a 7-member consultant's team, including Sukhgerel D., Tumentsogt Ts., Ganjuur R., Tuya B., Ganbaatar Kh., Nyamjargal Ya. and Gan-Erdene described how teams were established.

The main report – survey findings by D. Tserenjav continued till 16 pm.

Munkhsoyol B: All of you received a printed copy of the project, and we hope you understood how much effort was put in it. Now I would like to invite you to join a questions-answers session and express your suggestions and criticisms. While conducting the survey, we realized that there are only a few

civil society organizations in our country, which specialize and work in the area of energy and electricity, and the existing organizations are those established by people working in the energy sector such as the Mongolian Energy Engineers' Association (MEEA) established by the energy sector workers, and the Energy Association. There are almost no active consumer organizations. Therefore, since we are aiming to establish a tri-partite collaboration or coalition, please share your valuable suggestions.

In my opinion, the researchers were quite generous. It should be 2, not 3.15 points.

Gaanjuur R. (Mongolian Energy Engineer's Association)

Gaanjuur R. /MEEA/: For the first time activities in the energy sector of our country were assessed with use of an internationally recognized methodology. It's time-consuming work. The OSF did a good job in preparing this assessment and developing a much needed "Report on Energy governance assessment in Mongolia". It is time to assess Energy governance in our country. This report will be helpful especially for the new minister at the Reform Government, who needs to know the state of the industry and what is needed to be done. In my opinion, your job deserves high credit. As an industry engineer representing the Association, I think that this document is a very practical handbook. I understand that this is a draft, and suggestions are welcomed, so let me offer 3 suggestions:

First, there are some mistakes in the report. For example, the IY Power station was launched in 1983, not in 1981. However, it is not that important, the most important thing is printing of the report. I understand that the total score of the Energy sector's assessment was 3.15, i.e. an average indicator? In my opinion, the researchers were quite generous. It should be 2, not 3.15 points. Why? Because the issue of the fifth power station is still not resolved even after 10 years of discussion, and the newly appointed Minister is trying to resolve the land issue. That is why Energy governance in our country cannot receive an average assessment. In order to improve Energy governance, the state should have 51 percent of shares in state owned companies, and 49 percent should be in public control. The reason for high expenses and squandering is lack of public control. Therefore, shares should be offered through a stock market, not on a concession basis, so anyone can buy shares. When the public representatives of 49 per cent shares will be included in the control, the issue of improving efficiency of energy companies and decreasing costs will be solved. 25 per cent of 49 per cent shares could be distributed to the sector workers, so that they will have ownership. Please take this issue into consideration.

Second, the regulatory agency received 3.1 points. 2 years ago, in 2010, the Mongolian Energy Regulatory Agency was used to be invited to do presentations at international seminars. For instance, the USAID requested "to conduct a training for Central Asian energy regulatory agencies using your agency as an example". Therefore, it is very pitiable that it received only 3.1 points. In my opinion, this is related to the sector organization rather than individuals. The Mongolian Energy Regulatory Committee (MERC) is dependent on the Cabinet. Since candidates for regulators' positions are suggested by the Minister and then appointed by the Prime-Minister, it can be understood as a direct dependency. If the President was to suggest the candidates and they were selected by the Ikh Khural, the process would be open and transparent. It was mentioned before that the process of regulators' selection is closed. In the USA, the President proposes 5 candidates

for regulators, and the Senate appoints them. Therefore, this organization is truly autonomous.

Third, there was one recommendation. “There is no need to build a big heat and power station in Ulaanbaatar that will operate only for 3-4 months a year, small water heating furnaces can be built instead”. Lately many incompetent people say so. If in order to solve city’s heating problem it will be decided not to build the fifth power station, 20 small heat and power stations as one in Nalaikh should be built. The Monenergy consulting company proposed this solution. So, 20 small stations will be built here and there, and coal will be delivered to them by railroads and trucks? They will operate on coal. The Nalaikh station uses 60 thousand tons of coal yearly. If coal is to be delivered by 5 ton trucks, in order to supply one station, the truck needs to go 12000 times? Big power stations have tall chimneys, and they are built with estimation that the fumes and ash are emitted up to 20-30 km far away. Trying to resolve serious energy problems such as where the fumes of 20 small stations will go, what to do with its ash, with use of small-scale energy solutions is very dangerous!

I have a question for an international consultant. For the past 20 years we watched and listened to Western specialists. I am glad to meet an energy specialist from Tajikistan today. Those 9 countries you talked about before, what results did they achieve in their energy sectors? If you have any documents, could you show us, please?

Babadur Khabibov: Thank you very much for the warm words. I am glad to work with you all. I came to Mongolia for the third time. I know what is where; I am almost a local person now. You can have all the reports, unfortunately, most of them are in English, big reports 100-180 pages long. If you are interested, I will talk to Munkhsoyol. Since all these materials are on the websites, we can give them to you later.

Oyuntuya G. /”Food” coalition/: When last year Bahadur and other people came and talked about the energy sector assessment, it seemed very difficult. Since there were many complicated questions in the questionnaire, and a lot of them were not suitable for our country, it was difficult to conduct assessment. So it is good that our working group managed to adapt questions to local conditions and conduct assessment. While listening to Mr. Tserenjav’s presentation, I thought that it seems this assessment did not encounter sector bureaucracy. On the other hand, there are many issues related to the energy sector usage. There were talks that in 2010-2011 sub-stations will be built around all existing stations. This was rejected by the civil society organizations. They were saying “Building sub-stations means burning coal near the stations? How about wind power, what is the standard?” Another issue is either to build a new fifth power station, or to find out whether the existing 4th station is utilized to its full capacity. Within the framework of this issue, was it possible to bring out solar energy source? Although it is important that this issue is discussed on a professional level, how about asking public suggestions?

In ger areas, electric power capacity is very low. For example, when an electric pot and a water kettle are plugged in at the same time, the electricity goes off. How can we include this issue in further recommendations, is it a problem

In ger areas, electric power capacity is very low. For example, when an electric pot and a water kettle are plugged in at the same time, the electricity goes off.

Oyuntuya G. ("Food" coalition)

for our country? Also, in remote areas in the countryside, 2 or 4 households living 85-100 km high up to mountains have electric power lines, which is good. However, when neighboring households want to join the grid, they have to ask for a permission. What are the possibilities for that?

Mukhsyol B: Some of these questions are in the authority of Energy sector. The main purpose of our study was to assess energy sector transparency, possibility of public participation; it is a governance assessment study. I would like to remind that the energy sector itself has broad issues, we did not intend to cover them all, and it is an energy governance study.

Purevdorj G. /Secretary General, Mongolian Energy Association/: The study had focused on the present day energy sector governance assessment. In other words, it can be understood that we assess the energy sector situation up to date. Also, there are other things. For example, we tried to answer the following questions: such as how to develop the energy sector in the future, how the legislative framework of the sector was established, how transparent it is. There was a question about priority issues in the energy and power supply sector. We could say that the energy sector functions well in the country. What is missing is the state policy aimed to improve this sector, for example, for 8 years we are talking about building the fifth power station, and it is still unclear where to build it. It limits the energy sector efficiency, and results in failing to supply consumers with reliable energy and electricity. This is recorded in the report. Mr. Tserenjav D. showed many examples. Delays with building the fifth power station, the Mogoin river hydropower station illustrate that the energy sector policy, transparency is below good, around average. Because energy sector professionals work hard, the assessment result was high.

On the other hand, it is observed that public participation is open only on price and tariffs issues. Since new energy sources were not built, public participation similar to that observed in the mining sector is very rare. In most stations the old equipment is still used. However, recently citizens voiced their opinions, concerns and ideas regarding construction of Dergen and Taishir power stations. Such participation is important in repair and modernization of the facilities, in eradicating insufficiencies. For example, when we were conducting the study, the issue of Egiin river hydropower station was not discussed, although its study was conducted a long time ago. Therefore, it is important to conduct various discussions on what will happen if this hydropower station is built, to expose environmental and other issues, so the public could voice their opinions on new construction.

Bat. B /Lecturer, School of Economics, MNU/: There was a question about new sources of energy. In 1991 our country developed its first energy sector development master plan. Then again in 2001, and now with the financing from the Asian Development bank, a master plan until 2025 is being developed, so we were not able to find a policy related basic document. The Mongolian Government set a goal to increase the share of renewable energy sources up to 20 percent of all energy resources by the year 2020. When we were conducting the study, it was not clear how, through which steps/activities and programs and what kind of renewable sources are to be used to reach that goal. In other

The Mongolian Government set a goal to increase the share of renewable energy sources up to 20 percent of all energy resources by the year 2020. When we were conducting the study, it was not clear how, through which steps/activities and programs and what kind of renewable sources are to be used to reach that goal.

Bat B. (Lecturer, School of Economic, NUM)

words, there was no action plan. The Government pays attention to construction of big hydropower plants, whereas private companies build small solar or wind power systems. For example, within the framework of the project to resolve heating issues by solar thermal collectors, a “Clean air” foundation together with the Ulaanbaatar city mayor’s office supplied selected 14 households with solar collectors, and is studying outcomes. Therefore, we can say that the private sector has made some progress.

Chuluunbaatar D. /Secretary General of the Federation of Mongolian Consumers’ Associations, non-staff coordinator, the Consumer Association representative at the Mongolian Energy Regulatory Committee/: I have 2 comments in connection with the report, and I also would like to make an explanation. The first comment is similar to the one said by Mr. Gaanjuur R. The report concludes that “ a quite good energy governance is shaping up in Mongolia”. I agree with Mr. Gaanjuur R. Good governance? Nothing of the kind! From an outsider’s view, in our country this sector was in the dark. Just recall the issue of the fifth power station. The energy sector must have its master plan, but it is still does not exist. Although we demanded it from the Minister Sonompil, it is unclear how this issue will be solved. According to the ERC forecast, energy consumption will increase in 2015-2016 up to 11-12 million kilowatts. It is unclear, what power stations will meet such demand. So, for the sector, which is still in the dark, it received a too kind evaluation.

Second, if from the very beginning the ERC had been developed in a planned, thoughtful way, we could have built several power stations at a few big coal mines, export electricity and earn big money, rather than developing the Oyutolgoi and other mining sites. On the other hand, although it is written that the Regulatory committee is an autonomous organization, in reality it has become the most dependent entity. Since regulators are appointed through the Cabinet by the Prime-Minister, they became dependent on the government. Regarding the price and tariffs, if according to the Resolution # 72, by 2014 the energy sector is going to exist by market principles, first of all the ERC should become an independent entity. Right now we need to increase tariffs, but the Government’s standpoint is unclear, we say we want to increase tariffs, but we do not know what the reaction of the Government will be, so we hesitate and cannot make a concrete decision. This is my official opinion.

Regarding the explanation, it is true that the issue of regulators’ appointment is not transparent, however, there is a reason to that. The Law on Energy was ratified in the end of 2011. However, the issue of including representatives from consumer organizations into the Regulator’s council still is not decided. Many times we demanded to include the consumer organizations’ representatives during meetings concerning consumer’s interests like tariff settings etc with no result. “Luckily”, when in January of this year, the petroleum and fuel prices were increased without any rational reasons, after the struggle to include consumer representatives in the tariff setting organization, finally in April it was decided to include consumer representatives in the council under the Authority for Fair Competition and Consumer Protection. It was pure luck that we managed to include representatives like this, because it was impossible to conduct selection

after public hearing. It is only because the Law mentioned “Consumer organization representatives” there was selection among consumer organizations, otherwise it was impossible to select representatives among the general public.

Tseveen B. /Director, IY power plant/: I am glad that the OSF is trying to fill the space, which was missing in the energy sector of Mongolia. Energy production, in fact, the energy itself is a product of the engineer’s intellect. I hope that this discussion will help the general public to understand this. As a person with a 30 year expertise in this sector, I promise to support this. However, we should not be too extreme. We need to explain people that “During the last years, energy sector received considerable amount of loan, and the salaries are high”. During the 1990s there were difficult times in the city, when after the blackouts people did not know when the electricity will be back. Today we do not experience blackouts. This is a result of the sector policy. For example, the construction of our power plant started in 1979, it began its first production in 1983, and the next year we are going to celebrate the 30th anniversary. Regarding loans and donations, we received in total about 140 million USD. In 1990s there were around 150-200 Russian specialists working at the plant, from the conveyor guard to the director all employees were Russians, and we were apprentices. After the Democratic revolution, when all Russians went back to Russia, we experienced difficulties. There were many accidents, delays, fires, explosions, lack of spare parts for the plant, which was 100 per cent built according to a Russian technology. At present, our plant is almost completely renewed compared to the 1990s. It is a result of the sector policy. In the last 2-3 years, Russians, who used to work in 1990s, came back with some business ideas. They wondered if the IY power plant was still working, did it manage to survive during these turbulent years, in which state was it now, how about renovating it? They came and were surprised “You are 10 times ahead of us, how did you do it?” Just 2 days ago, a general director from an Ural pipe factory, a chairman of the Board of directors said that he worked in a Russian energy sector for almost 30 years, and had not seen a power plant like ours. It means that the Government had a right policy, we implemented it, so nowadays blackouts are history. Because of politics in the last few years, the policy was lost.

The report gives evaluation to the Energy sector policy and regulation processes. This is the summary of people’s answers to the questions, not the mark/point for your questions. Since people have wrong understanding, there might be some wrong evaluation, as was criticized here. I think that the sector policy might have a slightly lower evaluation than the regulatory process. In the last years, our sector conducts regulatory activities close to international standards. Unfortunately, because of politics, regulatory activities are not carried out properly, and decisions made are not defended. The Law states that the General Regulator is appointed for 6 years regardless of politics, however, a fact that he was dismissed even before his term ended, shows that the regulatory process is affected by the politics. The OSF must criticize involvement of politics into the sector policy and regulation processes. When politics is involved, everything goes wrong. For example, as for the sector policy, one Minister starts to build the Egiin river hydropower station, and then the following one

Mongolian energy system has only 2 pillars. One pillar is the IY power plant, and the other one is a high voltage transmission line from Russia.

Tseveen B. (Director of IY Power plant)

decides to terminate it. Is it possible that someone is appointed a Minister on a condition that he would oppose building of a hydropower station? So, where is the black box policy? I think that behind all this there is a policy of a large country. As an energy sector professional, I am saying that our energy sector cannot function independently. The system that has 4 pillars can exist. The least reliable system has 3 pillars. The Mongolian energy system has only 2 pillars. One pillar is the IY power plant, and the other one is a high voltage transmission line from Russia. If one of these two fails, the Mongolian energy system will stop immediately. In order to minimize such a risk, we need to build urgently a 200-300 mWtt hydropower station. In highly developed countries in Asia and Europe, power plants work in a basic or regular capacity mode. Increase or decrease in consumption is regulated by highly maneuverable systems such as hydropower or nuclear stations, and professionals understand it well. However, at present the 4th power plant alone regulates Mongolia's increase in electricity consumption. In other words, between 6-8 pm, during the peak consumption hours, our plant increases its capacity up to 480 mWtt, and at night it decreases it to 320 mWtt. For the coal power station mechanisms, such constant switching of its capacity affects its reliable functioning and utilization period. For the safety reasons, it is better to have hydropower stations. When we say so, we are blamed that we protect ourselves by speaking professional stuff. Therefore, people known to the public should tell about it. While previously we depended on imported electricity from Russia by 60-70 percent, nowadays it reached 90-95, almost 99 percent. Just a few days ago, Russian Federation cut its 2 interstate transmission lines. I understood it like a warning. Then in an hour, they said "We repaired them" and connected them. If it happens during the peak winter season, what will we do? The power station has to turn off its engines to keep its reserves in order not to freeze. It will be a disaster. Therefore, the society needs to be aware of it, it needs to be informed about it and be prepared to reduce this risk. Mongolia has a vast territory, natural resources, but we do not utilize them and waste it to the Baikal lake. Therefore, in order to give out positive messages, we are ready to share materials and documents, so the question of collaboration is open!

One example of one-sided understanding about the energy sector and power stations is a talk about the smoke from power station chimneys and smoke from an upside-down pot, when the issue of the city air and environment pollution is discussed. Our IYth power plant in Ulaanbaatar does not emit even one drop of pollutant, and that furnace resembling an upside-down pot releases steam. It has, on contrary, a positive effect on air, making it milder. The height of our power plant's chimney is 250 metres, and such height was selected after a careful study. It is an example of how during the socialist times projects were scientifically based. Of course, the power plant has an electric filter. It can capture and remove almost 98.99 percent of combustion gases and fly ash, and where do you think the rest 1 per cent exits? The chimney was built with an estimate that combustion gases will exit passing over the Bogd mountain. Some newspapers write that our power plant was build at a wind direction. No, the Ulanbaatar's wind direction is alongside the Tuul river from east to west, so our plant is located at an appropriate place. There are many things such this to explain to the general public.

Also there are issues with tariffs. Of course, some of the existing stations still have the 1950s equipment. Although our power plant was launched in 1970-1980s by Russian technology, we have made intense technological renovation. Our product value does not reach 4 cents. We supply citizens with very cheap electricity and heating. The Russian Federation has many hydropower stations, which generate the cheapest electricity, but there the tariffs have risen up to 7-8 cent per 1 kWh. Do we need external investment in the energy sector today? Yes. However, investors are not interested, because they are not sure when their investment will pay back with our tariffs of 4-5 cents.

Moreover, as I said earlier, the energy sector is a pure engineering science, this is a dangerous, specially protected state object. The temperature reaches 55 C, there is hot steam, 220000 V voltage, hot water, a thin layer of dust-like substance ready to explode with just one strike of a match. Only professional engineers and specially trained workers are capable to operate it safely. Some people say that the salary range in the energy sector is high. The average salary at our power station is around 1 million MNT, but in my opinion, it is low. If we will not pay workers this salary, Oyutolgoi, Tavantolgoi mines promise excavator drivers USD 2000-3000. Luckily, maybe Mongolian people think “the sheets feel soft at an accustomed place”, or they have not yet understand the market relations in full measure, although they are not satisfied with their salary of 1 million MNT, they work day and night at the old workplace. What if these people leave? Therefore, rather than advertising that power plant gives high salary, it is better to say that highly skilled engineers and worker are operating this plant in order to give the right understanding.

Ganbold S. /Head, Mongolian energy, geology-mining trade union/: First of all, the report is good. Second, since real energy professionals are present here, forgive me if I am wrong. In my opinion, words such as “tariff”, “transparency” should have been included more in the report, but I am not criticizing. The reason why our energy sector is not improving is because of the tariff issue. We are told to lower the costs, reduce spending, we save some money, which is not enough to develop the energy sector.

Second, we cannot say that worker’s salary in our sector is higher compared to other sectors. The average salary at the IYth power plant is around 1 million MNT. In the western region, the energy sector workers receive 230000-350000 MNT. So, people can misunderstood that workers at heat and power, transmission and distribution stations receive the same amount. You must delete this sentence from the report. Some people at Reform Government may think, that the energy sector is doing okay, they have high salaries, and therefore it is better to write as it is, close to the reality. If you are interested, I have data on the average salary from 18 organizations.

In my opinion, governance means the people themselves, the human resources at the sector should be the governance. If there will be too much politics and top-down governance, this sector won’t develop. Therefore, since this sector has strategic importance, it is better to write down in the report some words of warning, so the people can understand. The report has mostly positive things; negative things were just mentioned briefly. I would like to add that, that there are

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Ganbold S. (Head, Mongolian energy, geology-mining trade union)

3 soums in western aimags, which receive electricity from China independently from our energy sector governance. All of you know what influence, what governance is there. Also, the Western region receives 6.6 billion MNT of subsidy from the Russian Federation. There is other countries' governance there. So I am wondering if it is possible to give it a real assessment.

When I was abroad, for example in Beijing, I saw that each household had a water boiler, a solar or wind power generator. In my opinion, if we could purchase them cheaply, and give them out, households could boil water economically, and there would be no need to build many heat stations.

Also, there is no mentioning about people. There are 8-10 thousand people in energy sector governance. Apart from high salary and social welfare, I would like you to add more things. I hope the Government officials will read it. In addition, you wrote only 3 recommendations, I think it is insufficient, you need to add more. "In the future we will publish the report" and there is only mentioning about a web page.

Lastly, our cooperation is really bad. The report says "Some NGOs met with resistance from civil society organizations". Certainly, we had. When we would like to increase energy tariffs, Chuluunbaatar D. says "how you can increase it", Ganbaatar S., the Head of Mongolian Trade Union Association resists it 100 per cent, and I defend the sector and resist the President. Since we have not had an agreement before, we face this resistance, so in order to overcome this obstacle, we need to improve our collaboration. And finally, the Mongolian Energy, Geology-mining trade union together with employers work to improve wellbeing of energy sector workers, so there is no need to worry about it.

Khashchuluun R. /Lecturer, NUM/: Since here we have professional people, rather than concentrating on technical issues, I would like to say some words on how to improve the report, make it more focused. The assessment is done to some extent, but you need to include some comparison. Is it bad or right? What is the situation with other countries in transition? For example, there is an international consultant from Tajikistan, but I have not seen comparison with his country, what is the situation like compared to that in their country.

Second, since governance is seen generally as a decision-making mechanism, I think it is better to emphasize more the issues related with governance. Although it is mentioned that our energy sector is undergoing big reforms, it is not explained in detail. Before we had a system with mostly state owned and regulated energy plants, and now we are going in the direction of regulating privately owned, or joint state-private big new businesses. Since the whole system is changing, the important question is what the governance mechanism will be. For example, from being a subsidized sector, in 2014, it is going to move to market principles. Will the present decision-making mechanism change or not? I think it will be better if there is an analysis of how decision-making is matched with goals to be achieved. It would be interesting to see, if the policy decisions match with these big goals such as building large electric stations, connecting local energy system networks into one consolidated national system, getting rid of dependence etc. For example, the fifth power plant. It was a step that threw down the governance. Because, it was studied for many years by many organizations, international

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*Khashchuluun G.
(Lecturer, NUM)*

ones such as ADB, it was agreed and confirmed by all parties, and then one day everything was thrown down, and it was decided to build a power plant in the steppe. If we are going to build a power plant in the steppe, who will build the infrastructure? Are there any plans? Who will do the estimates, blueprints, a feasibility study? In a present system with private investors, it means the state makes a decision, and leaves the investors to bear all the expenses. And since this is a joint public-private agreement, all additional costs will be added, and the electricity prices will go up. If the previous research took 4 years to complete, in order to reverse this decision we need to do research for 4 more years, to present at least one argument.

There are big projects on renewable energy in our country. In order to find out whether the existing system is ready to regulate it or not, we need to look at it from different aspects – a decision-making mechanism, tariffs, negotiating. Also, we need to see how other countries regulate it.

There are 2 things I thought were left out. Although it is written in the report that there are local electric stations, I could not find anything about their regulation. Also, there is nothing about regulation of the newly built private stations. For example, the Ukhaa khudag electric station was launched one year ago, how is it regulated? If it has good regulation, the report should say so, because the Chandmani, Tavantolgi, Oyutolgoi stations will be launched soon. Therefore, please clarify in the report about local regulation, especially that of private stations. Already 2 hydropower stations were built. How about their regulation, is it good or not? There is nothing about it. How about clarifying these issues?

Second, I looked at the regulation recommendations. The point 1-4 says “Recommendations on the regulation process”. It is divided into 4 parts, but it says mostly about autonomy and transparency of the council. Therefore, I thought there is no need to divide it into so many parts, and repeat it.

Tserenjav D: I have one suggestion. Mr. Tseveen B. said before that energy sector is based on the engineer’s intellect. We miss a mechanism, which allows us to criticize and develop ideas, suggestions, which arise during discussions about the energy sector. Two years ago, Baabar wrote an article in relation to the IY power plant, that we should have privatized it back in 1990s. In response, Tseveen B. answered “No, in Kazakhstan they privatized power plants, and then had to buy them back at a higher price” and started a debate. I expected that this debate would grow further and be useful for the energy sector; however, after 1-2 comments, it ended. For the past one year, I read different materials on the topic, and while participating in citizen’s discussion forums, I have heard people saying very interesting ideas. We do not have a mechanism to record them, separate the wrong and the right, and develop good ideas. In my opinion, if the energy sector is a specialized, professional sector, like a science, it should improve and develop further based on its previous knowledge. We could not find any interesting ideas in connection with this sector, especially with such important issues as hydropower stations and the fifth power plant. We are even thinking of putting a discussion forum on a web page.

Recently I have read an article. Mr. Batkhuyag, the former Minister of Energy, gave his opinion on building the fifth power plant near the existing III power station “No, we should not transport many million tons of coal to the Ulaanbaatar, it is better to build a station there and produce electricity...” I found it very interesting, I was curious if it was right or wrong, what people had to say about it, did people criticize it. However, there was nothing, one person said his opinion, and it just scattered into air. We really need this kind of a mechanism in the energy sector. We cannot generate good, clear suggestions all by ourselves. We are trying to develop an arena based on your suggestions.

Munkhsoyol B: Since it is almost 17 pm, let's close our suggestions after hearing 2 more people.

Moiltmaa S. /IRIM research institute/: I conduct research on governance and public participation. I have 2 things to clarify from Mr. Tserenjav and the OSF manager. In the policy recommendations there was a recommendation to provide public participation. Is there any good example of other country, any suggestions on how we could implement it? In case this was not included in the report, how should we study it later?

Second, in the “What next?” paragraph, there are 3 points in “To establish a collaboration mechanism for stakeholders”. It is interesting, how it will be done, who will be responsible, how it will be implemented.

Mukhsoyol B: We wrote the ideas and suggestions we had with Mr. Tserenjav, and also as a person who worked with us, he added his own suggestions. Generally, after the idea of implementing a study based on experience of the OSF in other countries was born, we carried out this study and now it is almost finished. Of course, the report will be published. We are in the process of discussing what the next thing to do is. We expect that this discussion will generate ideas and suggestions, and we already have some. As I understand, internationally, not only in energy sector alone, when any policy-related issues are discussed, the legal framework giving the public the right to participate is first adopted, then if the public is not interested, or are passive because of lack of knowledge, no one is forced, only those whose rights are affected participate. Since everyone consumes energy and electricity, this is the issue of concern to every person. So, how can we attract one's attention? We need to provide information and knowledge. Therefore, right now we focus on how to provide the information. We will give the copies of this report to policy makers and citizens. On the other hand, we decided to launch a regular working web page. The general public is waiting to establish a coalition. The OSF has experience in helping to establish coalitions that work in the area of budget and mining sector transparency. So, we are aiming to establish an “Energy initiative” coalition. However, we are faced with one issue, right now there are no active individuals or public organizations in this field. Therefore, we are paying attention to this matter. About the international experience, almost all countries are at the same level, we cannot say that this country is more open, transparent. The developed countries is another issue, among the countries with a similar level of development, Mongolia is a little bit ahead. On an international level, there is an organization called EGI partners. The World Resources Institute brought together analysts, who have been working on similar projects in 10

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Munkhsoyol B.

countries and established Partners. It includes the OSF from Mongolia. This is an international network organization, and when any country wants to research energy sector experiences from other countries, or receive information, they turn to them. This is a newly established organization, and although it cannot be compared to big organizations with funds, there is an attempt, an initiative. Your comments and suggestions will become the basis for inciting our activities in the future. If there was no demand, it would have disappeared, but we see there is a demand, therefore we will continue to work.

Baatar P. /Engineering advisor, Durgun hydropower station/: I would like to thank the two presenters. I am an Engineering advisor at the Durgun hydropower station. The station was launched in 2008, and I am happy to say that it has operated regularly for 4 years. There are 2 things in the report: “There were disputes regarding Durgun and Taishir hydropower stations, recently media is writing about the Selenge hydropower station”. Mr. Tseveen B., the general engineer, explained why we need hydropower stations in Mongolia. I just want to add – the Mongolia’s energy sector is a difficult industry, where production, transportation and consumption are happening simultaneously. You can imagine, how it is, to carry the burden, being responsible for 70 percent of the world’s coldest capital city consumption. Mr. Tseveen said “The Mongolian energy sector has 2 pillars”. I would like to say we have only one. One pillar is located abroad, so it is not a pillar, it is a crutch. The world energy system has 2 pillars – one is coal power stations, and the other one is hydropower stations. We do not have the second one. In 2008, the Dergen hydropower station was launched despite much resistance. Now people understand and support construction of the next, bigger hydropower station, in other words, a high technology one, which permits accumulation. The heat and power station alone cannot create accumulation. We do not have accrued funds in order to build the fifth power station. Around the world, it is announced that hydropower stations accumulate funds. An international organization concluded that development of our energy sector is unstable. Hydropower stations operate for 200 years, while other stations - only for 20-45 years. Already the UN announced that this is a basis for sustainable development. However, we still have opposition. I would like to ask you to disseminate correct information to the public.

Although there are 10 reasons why we need hydropower stations in Mongolia, in order to save time, I will mention only 3 of them:

1. It ensures energy supply safety. For example, in the Western region, during the storm, the line transmitting electricity from Russian Federation fell, and aimag centers in 3 western provinces froze. By launching Dergen hydropower station (HPS), it guarantees their electricity safety. The Central region has 100 per cent coal heat and power stations, so it is not secure. As I said before, it has crutches, what will happen if this crutch breaks?
2. There was a world economic crisis in 2008, and it is likely to happen in 2012. Because hydropower stations are not affected by economic crisis, each country has them. 180 member countries of UN have hydropower stations, only those countries with deserts do not have them, since they do not have rivers.

Because hydropower stations are not affected by economic crisis, each country has them. 180 member countries of UN have hydropower stations, only those countries with deserts do not have them, since they do not have rivers.

Baatar P. (Engineering advisor, Durgun hydropower station)

3. HPS is a source of ecological, renewable energy. Recently, New York media reported that the Ulaanbaatar air pollution was the second worst in the world. Since the air pollution is very dangerous in long-run, we need to aim not only to decrease it, but to eradicate it. We need urgently to address it due to its health hazards to more than 1 million residents of the capital city. That is why we talk about HPS.

Bum-Yalagch O. /"Mongolian Green Coalition" environmental NGO/: Thank you for inviting me to this discussion. Today we have professionals from the energy sector. I noticed that professional NGOs expressed concern and focused their attention on their member's rights and interests. But we need to concentrate on social and environmental benefits and interests. There is a Law on environmental impact assessment, and we need to conduct activities accordingly.

Regarding building of the fifth power plant near the third station, while the preparatory research was held for 4 years, the surrounding land was sold to a private owner, who said he would sell it for 50 billion MNT. Our society is in transition, the most active part of the society has left the country. Probably some difficulties will be faced until a young generation, which will participate actively in social activities will grow up.

Since the energy sector is an essential sector, public participation is very important. There were talks that salaries are high, low. The question will arise how the poor, who constitute the majority of the society, are going to pay for energy and electricity, if tariffs will not be regulated? Rather than that I think there is another option: to subsidize the sector till the lives of people improve.

People said HPS were good. On the other hand, there are possible effects on the environment, ecology and biosphere. I have heard that there are modern HPS that do not affect ecology and environment. So it is possible to promote these ideas and bring in renewable energy sources, technology available in China. I noticed that the energy sector does not participate in dealing with the Ulaanbaatar air pollution issue. Although they are highly educated people, it seems that they lack social responsibility. Only socially active people talk, and professionals just sit and say they speak as professionals. The whole society is poisoned, children are getting sick, and elders do not live long. Mongolian intellectuals should understand it, and rather than act arrogantly in front of each other, they should cooperate and solve social problems together. 75 per cent of our society are young people under 35 years old. Soon, these young people will be able to lead the society, and until then we need to keep going on without messing too much.

Nanjidsambuu Ch. /Head, Department of Business relations, E/: I would like to add a few suggestions regarding energy governance. It seems that in the future, the Mongolian energy and petroleum sector, where the state determines its fixed tariffs, will go downward, not upward. When I searched for the reasons and looked at some suggestions and studies, it appears that tariffs were regulated because of politics or other reasons. Therefore, this sector cannot receive investment and modernize its technology and equipment. This issue goes back and forth and arrives to the tariff issue. It is written in the report that "In order to establish energy governance, to create a collaboration mechanism for

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*Nanjidsambu Ch.
/ Head, Mongolian Employer's
Federation, Department of
Business relations /*

stakeholders". I looked at the principles of governance in relation to the tariffs, and a person, who might defend one's interests is not included. In other words, that person, when participating in a decision making mechanism, stands for the group, whose interests he represents.

Therefore, only people who make decisions independently, without conflict of interest, in the name of the present and future of the sector are selected. For example, a representative of the Consumer's Association will vote only with consumers in mind. I thought you needed to include this in the report.

Second, the "Social impact assessment" is written with the vulnerable group, its livelihood, salary and safety in mind. In reports of recent companies, they include in this assessment culture, song and dance, mineral resources and other many different concepts. Therefore, you need to include more in "Social impact assessment". Maybe, if the Selenge river HPS is to be built, the social impact assessment should be done carefully, then presented to the general public in order to gain locals support.

Oyuntuya G. /"Food" coalition/: I have one suggestion that no one said previously. It would be good if this project continues. Because we need to implement recommendations from the study, future activities, and most importantly, what is needed to establish good energy governance, how to decrease influence of politics?

Second, which governance, which rules will regulate the energy sector? Will more heat and power or hydropower stations will be built, or renewable energy sources will be used?

Third, public participation, providing information and knowledge. Today, in our violent society we have too many TV stations and printed media. I officially suggest that we need to establish an arena, which, instead of transmitting various news, would convey real and truthful information to the public. Take for example HPS. I think the location is very important for HPS. For example, the Enisei river HPS, its dam is located between 2 mountains, and the scenery is very nice. But filling the reservoir at Taishir HPS in Gobi-Altai left 3 aimags, local people and their pastures without water, land and income. When the reservoir was filled, and the surplus water was released, the Ereen lake in Jargalan soum, Gobi-Altai aimag was filled up. However, local people, who were left without pastures and income already left for Ulaanbaatar, where they live in poverty. I am not talking about negative things only; we need to speak about these influences. Since I am a public representative, I would like to continue the social impact assessment study.

Purevdorj G.: I have 2 things to say in connection with the report. After including your suggestions and thoughts, this report should be improved and printed out. The four of us were worried about the assessment we had conducted. You gave the correct evaluation. We used only internationally recognized standard methodology; we did not add anything, when people answered the questions, that was the result. In Mongolia, we have reasonable legislative framework for evaluating energy regulation and policy process. However, there were failures during the implementation process. For example, Mr. Tseveen B. said "We do not pollute Ulaanbaatar, the fourth power plant removes almost 99.99 percent of

combustion gases and fly ash”. But, all reports mentioned that the power plant was responsible for a large part of air pollution. Yet, the energy sector does not speak about it openly, since the money wasted is not done by regulators. This is how the energy sector operates.

The report will be delivered to each of you. We will improve it, and if everyone will do their best to enhance the energy sector, it will be easy for the energy sector to thrive. Lack of human resource at the energy sector affects badly good governance. This is our priority issue, this is what politics and politicians did, nothing else.

Bat B. /Lecturer, School of Economics, MNU/: Thank you for your valuable advice and comments. I would like to add that ours is the energy governance assessment, not the energy sector assessment. We have some sector issues arising. During the discussion we talked about the big HPS. The reason is, when we were conducting the assessment we saw that the Law stated that all electric lines above 1 mWtt and 135 kWtt should have an environmental impact assessment done, and the results should be open to public. However, this does not happen. People probably argue, because they do not know what will happen when the fifth power plant will be built, what its environmental impact assessment was, and what the effects of HPS are. It will be more effective, if this information will be open, transparent and professionals will participate more. In addition, the issue of whether to build an CHP or a hydropower station should be already reflected in the Master plan. Yet, we still do not have this 2025 development plan.

Munkhsoyol B.: Thank you very much for participating actively and attentively at this discussion, which lasted more than 2 hours. We have a lot of things to do, if the coalition will be established. The international cooperation organization, I mentioned before, developed many methodologies. For example, there are survey methodologies on not only the energy governance, but on public information and knowledge, on tariffs and the energy sector planning with 10 indicators each. We will think of using these methodologies in the future. We will deliver final report to each of you. Thank you very much.

Discussion ended at 17.30 pm.
Notes were taken by S. Otgontsetseg

CHIEF OFFICIALS OF THE POLICY AND REGULATORY INSTITUTIONS IN ENERGY SECTOR OF MONGOLIA (AS OF DECEMBER 2012)

STATE IKH KHURAL

The cluster issues relating to “fuel and energy” are included in the responsibility of the Economic Standing Committee. In the structure :

1. **Bat-Erdene.D**
2. **Batbayar.N**
3. **Battulga.Kh**
4. **Battsogt.D**
5. **Bayarsaikhan.Ts**
6. **Bolorchuluun.Kh**
7. **Ganbat.D**
8. **Gantumur.L**
9. **Gankhuyag.D**
10. **Garamgaibaatar.B**
11. **Davaasuren.Ts**
12. **Demberel.S**
13. **Odontuya.S**
14. **Oyungerel.Ts**
15. **Terbishdagva.D**
16. **Uyanga.G**

MINISTRY OF ENERGY

Minister **M.Sonompil**, Member of SIK

Vice-minister **D.Dorjpurev**

State secretary **D.Delgertsogt**

Chief of the state administration and management department
L.Batsaikhan

Chief of legal department **B.Bayar**

Chief of the strategy and policy planning department **P.Tovuudorj**

Chief of regulation of policy implementation department **Ts.Bayarbaatar**

Chief of energy department **D.Chimeddorj**

Chief of fuel department **N.Boldkhuu**

Chief of renewable energy department **M.Angarag**

Chief of monitoring, evaluation and internal audit department **P.Bold**

Chief of finance and investment department **S.Bayarbat**

Chief of foreign cooperation department **Ts.Munkhbayar**

ENERGY REGULATORY COMMISSION

Commissioners or members of commission :

1. Chairman of energy regulatory commission, vacant member
T.Tserenpurev
By Prime Minister Order no36, 3rd of April 2012, he was appointed to the chairman of ERC.
2. Vacant staff member, commissioner **N.Myagmarsuren**
By Prime Minister Order no36, 3rd of April 2012, he was appointed to the commissioner of ERC for 4 years.
3. Vacant staff member, commissioner **D.Bassaikhan**
By Prime Minister Order no36, 3rd of April 2012, he was appointed to the commissioner of ERC for 4 years.
4. Non-vacant staff member, commissioner D.Chuluunbaatar
(General secretary of National Federation of Mongolian Consumer's Association)
By Prime Minister Order no36, 3rd of April 2012, he was appointed to the non-vacant commissioner of ERC for 2 years.