

THE POWER SECTOR IN: HONDURAS

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I. Current Status of Sector Reform: Key Points	
Power System Overview	<p>Honduras had a total installed capacity of 768 MW by the end of 1998, having generated 3,423 GWh. Electricity consumption in that same year was 2,647GWh, with 26% in losses. Electricity demand growth forecasts were 6% before the devastation caused by Hurricane Mitch, and new demand forecasts should be made taking into account the changes that have occurred in the country. Electricity service coverage reached 45% at the national level, but only 19% in the rural areas. With the exception of some small isolated systems, the electricity market in Honduras behaves as a sole interconnected market. It will be part of the regional Central American market.</p>
Structure	<p>The sector is still vertically integrated under the Empresa Nacional de Energía Eléctrica (ENEE), a national utility under state ownership, though since 1993, some private generators have signed contracts to provide ENEE with a significant amount of additional capacity.</p> <p>The 1994 electricity law stipulates that ENEE should be unbundled both vertically and horizontally. The country would be divided into economically viable distribution zones. ENEE has prepared a plan to create 4 distribution enterprises from its existing business activities (to be privatized) and submitted it to CNE for review.</p> <p>Although the law does not expressly forbid vertically integrated enterprises, it does specify conditions under which vertical integration can exist, and limits ENEE's participation in distribution activities to 30% of the market. New participants in generation and distribution activities will de facto horizontally desegregate the sector.</p>
Competition	<p>ENEE remains as the major market participant and has not been unbundled yet. It controls the distribution and transmission markets and generates most of the electricity, buying the remaining electricity from the private companies.</p> <p>Market competition has not yet been introduced, but is promoted within the 1994 electricity law. Competitive solicitations were issued for the first time for new power additions in early 1997, but the offers made were rejected.</p>
Role of the State	<p>New regulatory and oversight agencies were established in 1991 and 1994, and policy/strategy functions for the sector were separately assigned.</p> <p>The Government is a major participant in the commercial activities of the industry, and through ENEE it controls the generation, transmission and distribution activities. ENEE is also in charge of sector planning and system operation.</p>
Regulatory Institution	<p>The Comisión Nacional Supervisora de Servicios Públicos (CNSSP) was created in 1991 to approve tariffs for public electricity, telephone, potable water and sanitation services, and port services. CNSSP also oversees the quality and efficiency of the services provided in these areas to ensure that they comply with the established standards.</p> <p>The Comisión Nacional de Energía (CNE) was also created in 1991 as a decentralized entity under the Department of Communications, Public Works and Transport (SECOPT) to perform various functions related to regulatory, tariff-setting, and oversight activities for the electricity industry. CNE is charge of supervising ENEE, approving tariffs and will be responsible for proposing the new rules that will implement the Electricity Law.</p> <p>The two agencies had overlapping activities, but a recent decree (May 1998) mandated the reorganization of the different commissions, and gave CNE all the responsibilities regarding the electricity sector, moving CNSSP out of the sector.</p> <p>Its recent creation, and its inability to implement the law, which was formulated in 1994 raise doubts about the independence and consolidation of CNE. It was given whole new set of responsibilities after the 1998 restructuring, and it might need some time to reorganize its operations.</p>

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Private Sector Participation	<p>Up until now, private investor activity in the sector remained limited to generation projects. The major private generators are the 40 MW San Lorenzo plant owned by Luz de San Lorenzo ("LUFUSSA", 1995); the 80 MW Puerto Cortes plant owned by Elcosa (1993-1994) and the 87 MW Emce plant (1995). These three plants account for about 32% of the system's total generation. There is also a small group of cogenerators and self-producers with total installed capacity of 9 MW. Private investors will most probably construct future generation projects and their associated transmission lines. The planned expansion consists of increments of capacity in the 3 existing private generators with a combined additional capacity of 120 MW.</p> <p>ENEE has proposed to form four distribution concessions that will be privatized from its existing operations. There are no plans to privatize ENEE's generation, and the national interconnected system's operation will remain under the State control via ENEE.</p>
Major Outstanding Issues	<ol style="list-style-type: none"> 1. An effective regulatory structure is not currently in place. The restructuring process has been very slow, five years have already passed after the implementation of the law, and the changes of the industry have been minor. The government should push to strengthen CNE so it can speed up the regulation process of the law and the implementation of the new market. Finance Minister Gabriela Nuñez recently announced that the government is planning to "fast track" the privatization process, which implies a complete restructuring of the industry. 2. Delays in issuing the implementing regulations for the 1994 electricity law and completing the definition of new distribution concession areas have held up the implementation of the reform program. The key priorities are the preparation of existing distribution activities for privatization, which in turn is expected to help improve critical operating problems and quality of service in the sector. 3. Though progress has been made in clarifying jurisdictional areas regarding tariff-setting functions, further insulation of tariffs from political influences and greater operating and management autonomy for ENEE (and for CNE) are still considered desirable. 4. Expansion in Honduras has been characterized by investments under emergency conditions, with debatable outcomes and by lack of reserve capacity. The government has not been able to meet the financial conditions that are necessary to invest in large size projects, which has resulted in the signing of last-minute contracts with private investors to provide small capacity increments. 5. Tariffs do not cover the rather high costs of power purchased from the private power producers.
II. Legal & Regulatory Framework	
Legal Basis	<p><i>Decree No. 158-94 (November 26, 1994), Framework Law for the Electricity Industry:</i> This law created various sector entities and reassigned responsibilities in the sector. The Energy Cabinet was assigned policy-making functions. Sector planning was assigned to ENEE in an initial stage and then approved by CNE and the Energy Cabinet. Rules and regulations were assigned by this law to the Energy Cabinet and the CNSSP. Overseeing activities were also assigned to CNSSP. The law also defines the areas open to private sector participation in the sector.</p> <p><i>Decree Law No. 85-91:</i> Created the National Oversight Commission for Public Services (CNSSP) to approve tariffs and oversee compliance with the respective quality and efficiency criteria established for public service providers in the areas under its jurisdiction.</p> <p><i>Executive Decree No. 43-91:</i> Created the National Energy Commission (CNE) as the Government's advisor regarding the sector's needs in terms of formulating plans, policies, and norms; the undertaking of technical studies on supply and demand, and energy prices; and the plans and programs of public entities in the sector. It was also in charge of the "Contract Plan" between ENEE and the Government.</p> <p><i>Decree No. XXX-98:</i> Reorganized the administrative agencies of the government and moved all of the regulatory responsibilities previously held by CNSSP to the CNE.</p> <p><i>Law XXX (passed by Congress in Fall 1996):</i> Includes measures to eliminate import taxes on project-</p>

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	<p>related equipment and reduce corporate taxes for companies involved in developing alternative energy (wind, biomass) and hydro schemes.</p> <p><i>Executive Decree No. PCM-044-95, Emergency Action Plan (August 17, 1996)</i>, issued in the Official Gazette, comprised the implementing regulations approved in November 1995 for the Electricity Law.¹</p> <p><i>Decree No. 48 (February 20, 1957)</i>: Established the national electric utility enterprise, Empresa Nacional de Energía Eléctrica (ENEE), which became responsible for all operating and planning activities.</p>
Role of the State	<p>Since 1991 the government has done little work in creating various agencies to be tasked with different activities in the sector. The Energy Cabinet is currently the entity in charge of policy making, CNE is the sole regulatory and overseeing agency for the energy sector and ENEE is the government owned utility in charge of all the commercial activities. ENEE is also in charge of system operation and sector planning. CNSSP remains as the government agency that approves tariffs in the sector, but does not participate in regulation.</p>
Institutional and Regulatory Entities and Jurisdiction	<p>The Energy Cabinet was created by the 1994 Electricity Law to promulgate sector policies. It is headed by the President of the Republic, who convenes meetings as necessary, and comprises the National Departments of Communications, Public Works & Transport (who also serves as Secretary); Finance and Public Credit; Economy and Trade; Planning, Coordination & Budget; Natural Resources; and Environment. The Cabinet authorizes pricing studies to correct market distortions among energy sources and to formulate energy conservation policies. It also establishes criteria to evaluate and develop multiple use projects and authorizes CNE (upon CNE's proposal) to further open the market to increase transactions between generators or between generators and large consumers. The cabinet also approves indicative expansion plans for the sector and establishes norms for energy efficiency promotion.</p> <p>The Department of Communications, Public Works and Transport (SECOPT) approves ENEE's purchase contracts with other generators, the SRMC of the system, and any changes in concessions. As well, it may take actions requested by CNE to enable the latter to fulfill its mandate. It authorizes permits for studies of generating projects; undertakes concession contracts (with concurrence of CNE and approval by the legislature) with each operating entity of the sector specifying all terms and conditions; assumes assets at the end of the concession and decides if state intervention is required.</p> <p>The National Electricity Commission (CNE) was created by the 1994 Electricity Law as a decentralized regulatory agency under SECOPT to apply and oversee compliance with legal norms and rules for the sector. By law, it proposes or submits: regulations to the Executive Office, indicative expansion plans and concessions for renewable resources to the Energy Cabinet, and ENEE's proposed purchase contracts from other generators (and their SRMC) to SECOPT. It also proposes tariffs for regulated end-consumers and node prices and tariff adjustment formulas to CNSSP. By assignment, CNE upholds environmental standards, safeguards against anti-competitive, discriminatory, or monopolistic practices, selects award criteria and issues solicitations for distribution or generation concessions and proposes changes in them to SECOPT. CNE establishes the discount rate for tariff applications, approves/implements node prices, rules on applications for classification as a large consumer and on energy purchase contracts of distribution companies. It approves the quality; safety and reliability norms adopted for use in system operations and in expansion plans, and rules on the expansion plans of majority state-owned distribution enterprises. CNE also proposes, to the Energy Cabinet, when greater liberalization of the generating market is seen as needed (by allowing: 1. Direct sales from generators to large consumers and/or 2. Negotiated prices between generators or between generators and distribution enterprises). The 5 commissioners have degrees in specified disciplines, and are appointed for 3-year terms. To remove a commissioner from office, the President of Honduras must obtain approval by a special congressional committee. CNEE is funded through the national budget as an autonomous unit. It may hire up to 5</p>

¹ In November 1995 the Executive Office approved regulations to implement the new legal framework for the electricity sub-sector (ratified in late 1994), but due to confusion and debate over various issues left unclear in the law, these regulations were not issued in the Official Gazette until August 17, 1996.

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	<p>professionals directly and other staff via SECOPT. It defines the process for and undertakes public hearings on proposed tariff changes.</p> <p>CNSSP is a multi-sector regulatory agency created in 1991. CNSSP has been in charge with approval of public service tariffs or prices charged to consumers (which are supposed to be based on the true economic costs of supply). It was also in charge of issuing guidelines for expansion planning and other activities for each entity under its jurisdiction; applying and overseeing legal norms; and proposing sector regulations (to SECOPT). In the electricity sector, CNSSP's responsibilities have basically pertained to oversight of ENEE as the main sector entity. Due to the restructuring of the government regulatory agencies in May 1998, most of CNSSP's responsibilities related to the electricity industry were transferred to CNE.</p> <p>ENEE is the national utility in charge of operating all the commercial activities in the country. It is the major participant in the generation industry and buys the electricity generated by the remaining companies. It is also in charge of transmission and distribution in the national territory. In addition, is in charge of the operation of the interconnected system and for proposing expansion plans to CNE and the Energy Cabinet.</p>
Sector Planning	<p>Sector planning has been undertaken by ENEE. Under the new framework, indicative expansion plans will be prepared biannually according to criteria established by CNE. ENEE will formulate an expansion plan for the National Interconnected System (SIN), and in other systems ENEE, or the system operator, will be responsible for the planning function. CNE will submit the prepared expansion plans to the Energy Cabinet for approval. Proposed alternative and renewable energy plant projects will be given preferential status in the expansion plan as long as their cost are no higher than 10% above the optimal generation sequence scenario.</p>
III. Sector Structure and Participants	
Structure	<p>The sector has remained vertically integrated with significant decentralization only in the generation sector and minor decentralization in distribution activities. However, the legal framework for the sector provides for unbundling of ENEE's distribution/commercialization activities from its transmission/dispatch and generation activities in the immediate future. Under this framework, ENEE will retain generation functions as well as transmission system operation/coordination/central dispatch functions for the SIN and for other specified operating systems. New generation and distribution enterprises are expected to participate in the sector and will therefore effectively decentralize these activities. There are no specific prohibitions to concurrent ownership of generation and distribution/commercialization activities, although there are limitations on these in the 1994 Electricity Framework Law.</p>
Participants and Degree of Private Sector Participation	<p><i>Generation:</i> More than 60% of the system's existing 729 MW installed capacity is hydroelectric and about 514 MW of the total is owned by ENEE. Since 1993, 218 MW of installed capacity under private investors have been added to the system under purchase contracts with ENEE. The major private generators are the 40 MW San Lorenzo plant owned by Luz de San Lorenzo ("LUFUSSA," 1995); the 80 MW Puerto Cortes plant owned by Elcosa (1993-1994) and the 87 MW EMCE plant. These three projects account for 32% of the total generation of the system. Various small cogenerators and self-generators operate in the market.</p> <p>According to the 1994 electricity law, generation may be undertaken by State, mixed ownership, or private entities, and these entities may sell power to large consumers or to ENEE (at or below the system's SRMC if the generator is under mixed or private ownership). Private investors will mostly undertake new generation projects, including hydropower and alternative energy projects. In general, only the distribution companies in isolated systems will hold generation assets. The ownership criteria will be established by CNE and separate accounts should be maintained for the different activities.</p> <p><i>Transmission:</i> ENEE will retain ownership and operation of the SIN. Under the new framework, transmission facilities in the SIN and in other systems may be built and owned by public, private, or mixed ownership operating enterprises, including ENEE. ENEE will continue to coordinate, supervise, and evaluate the economic operation and maintenance program of the SIN and other systems in which the</p>

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	<p>State owns a majority of the generation capacity, and will perform (directly or via third parties) central dispatch functions. In other isolated systems, the main generator will operate the transmission system and handle dispatch.</p> <p><i>Retail Distribution:</i> Although delayed beyond the one- year allocated by the 1994 law, ENEE has already defined technically viable distribution zones in the country with sufficient economic rents. After approval of the scheme, it will proceed to sell its distribution assets to private investors, municipals, or cooperatives organized as commercial enterprises. Participating shareholders in the new enterprises could include schools, unions, industry associations, social policy institutions, public employees, cooperatives (up to 50% of the shareholding capital) and ENEE (up to 30% of the capital). Municipal ownership of local utilities may not exceed 50% of the capital under the new scheme. Though private entities will be given preference for undertaking distribution activities under the law, the State (itself or via ENEE) may undertake this activity when necessary to assure that the continuation of service occurs when no other provider is available. Only authorized distribution enterprises will be able to build or contract for new distribution facilities. The law allowed 24 months for the decentralization and reassignment of distribution activities.</p>
Targets for Privatization	<p>ENEE's distribution systems are supposed to be organized into various distribution units and partially (at least 70%) or wholly privatized, and municipalities are allowed to bid for as much as 50% of a unit. The restructuring law does not contemplate the privatization of generation, but further changes, especially considering the current emergency situation, could result in the privatization of some of ENEE's generation assets.</p>
New Investments	<p>Most of the new investments are expected to be undertaken by private investors, but the national and local governments are also allowed to invest in new facilities in any commercial (generating-transmission-distribution) sector activity.</p>
IV. Electricity Markets: Areas of Competition and Monopoly	
Bulk Power	<p>The wholesale market in Honduras does not provide a competitive environment. ENEE holds the majority of the generation assets in the country and is also the sole buyer of the generation from independent producers. As it is also the only distributor of electricity, there is no competition for selling electricity.</p> <p>Under the new law, the wholesale market will be opened to new generators, which will be free to negotiate their contracts with ENEE or with the distribution companies. The distribution sector has already been divided into different regional companies that will be privatized, which will bring some competition to the wholesale market. Contract prices will continue to be regulated and should be lower than the node prices.</p> <p>Energy sales from renewable energy projects will include a 5% tariff surcharge dedicated to reforestation programs, even though these projects will be given preference in the national expansion plan if they are within 10% of the value of other options. The law establishes that sector enterprises will be equally subjected to import tariffs, taxes, and other mandatory fees, though no sales taxes will be applied. All power sales contracts are subject to regulatory approval. Generators will be allowed, under the 1994 electricity law, to export energy on a spot market basis only if the national electricity demand has been satisfied.</p>
Transmission and Distribution (Networks)	<p>Transmission will continue to be a regulated monopoly. The operation (and central dispatch) of the interconnected system, now undertaken by ENEE, will be exclusively held by the State via ENEE. When the new sector framework is implemented, open access to transmission or distribution grids will have to be provided for any electricity enterprise, or large consumer requesting it, under a regulated toll system. Generators may, however, build transmission lines directly to their clients. Lines to connect generators to the local grid will be the generator's responsibility and done at the generator's cost, but must be operated according to established system operating rules approved by the regulatory entity.</p> <p>International interconnections are exclusively the right of ENEE, although export transactions may be carried over these lines for third parties under a toll system (after the domestic demand is satisfied).</p>

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	Distribution enterprises may require financial support for new lines or other system projects from consumers who benefit from the expansion or upgrading, which will be reimbursable as indicated by the pertinent regulations.
Retail Distribution	Retail distribution service is now a regulated monopoly, and currently ENEE remains directly responsible for virtually all of this service. Under the new framework, ENEE's distribution business will be divested as several enterprises and new distribution concessions may be created under renewable 10-50 year operating contracts with SECOPT. Due to the concession structure of their contracts, distribution companies will remain as monopolies and regulated by CNE. Contracts will specify all terms and conditions of the supply services, with guidance from CNE, and will be subject to approval by the Congress. Distribution enterprises will have an obligation to serve any consumer requesting service within their territory. Large consumers will continue to be regulated.
V. Load Dispatch and Pool Operation	
Dispatch Entity and Basis	ENEE has been, and will continue to, perform load dispatch functions for the system, through its Central Dispatch Unit. Dispatch under the restructured sector will be performed in economic merit order and will consider unserved demand. Rules for dispatch will be proposed by ENEE and approved by CNE. The Central Dispatch Unit of ENEE will coordinate the preventative maintenance program for the SIN. And will also collect and analyze data from the various sector participants pertaining to SIN operations.
Pool Operation	<p>ENEE retains the operation of the market, which means that there is no independent power pool in the country. Wholesale power purchases by distribution enterprises are based on node prices, which are the average of the projected short run marginal costs for the following 5 years. These node prices include the losses in the transmission system. Independent generators are remunerated taking into account their contracts, which are awarded through competitive bidding processes.</p> <p>The new law does not propose major changes to the system. It will continue to be based on node prices, which will reflect the average of the SRMC forecasts for five-year periods. Generators must have detailed operating contracts for 10-50 year terms with SECOPT, and will be approved by Congress. Generators will be able to sell power to distribution enterprises or to ENEE. Generators will compete on a price basis for contracts to sell power under solicitations requested by ENEE, or may also offer unsolicited increments of power to ENEE at or below the short-run marginal costs (SRMC) of the system, in which case ENEE may guarantee the purchase. Distribution enterprises will be obliged to sign supply contracts (detailing amounts, technical criteria, quality standards, prices, guarantees, point of purchase, operating zones and other information relevant to the purchase) with generators to cover their projected energy demand over at least a five-year period. ENEE will be allowed to issue solicitations for power requirements on behalf of the distribution enterprises for an interim period.</p>
VI. Pricing	
Bulk Power	<p>Purchases from the wholesale market by distribution enterprises are based on node prices, which are the projected short-run marginal costs (SRMC) of the system over a 5-year horizon. These prices also include other factors, such as transmission losses. These calculations can be simplified for enterprises with a capacity of less than 1,000 kW.</p> <p>If ENEE solicits the energy or capacity, the purchase price will be determined through the competitive bidding process and specified contract terms. Generators may offer to sell unsolicited power at a specified price to ENEE, which may guarantee its purchase of this power at or below the system's SRMC (calculated according to an approved formula) if the generator is under mixed or private ownership.</p> <p>The new law continues to consider regulated node prices, but as a cap to the transactions between independent producers and distribution companies.</p>
Transmission/ Distribution (Networks)	Transmission service tariffs are based on an average of total annual investment, operating, and maintenance costs for an efficiently operated system. The annual investment value uses Net Replacement Value of assets, remaining useful life of the installations, and the discount rate established by CNEE. A toll set to cover system operating, maintenance, and administrative cost is charged for third party access

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Retail Tariffs	<p>to and wheeling over the transmission system.</p> <p>Current tariffs are those of a vertically integrated utility and do not reflect the different commercial activities of the industry. Moreover, they do not adequately cover the costs of power purchased from the private power producers.² These tariffs have been increased in the past years to reflect real costs. The current rate structure also more closely reflects the economic costs for each customer category. Mechanisms for fuel adjustments and exchange rates were approved in June 1996, but these did not achieve their objective and consequently, in real terms, the tariff value was reduced.</p> <p>Under the sector's new legal framework, tariffs are required to reflect the marginal cost of supply (node price and transmission service charges) and the Value Added of Distribution (VAD) using benchmarking practices for efficiency/quality standards, and are to be structured in a way that promotes energy efficiency and conservation. CNE will set the discount rate to reflect the opportunity cost for investment. Adjustment formulas will be formulated by the CNE and approved by the CNSSP. Tariffs are effective for 5 years. Distribution entities may require a month's advance payment for connecting customers (or more for reconnection after suspending service) in their territory.</p> <p>New tariffs were to be implemented in January 1997, but due to the imminent elections, they were not adopted until March 1997, though not according to the provisions of the Electricity Law.</p>
Subsidies	<p>The Framework Law for the Electricity sector mandates subsidies for residential consumers with an electricity consumption of less than 300 kWh/month. This mandate is an effort to target low-income consumers.³ The law provides a system of cross-subsidies in which all consumers are required, with the exception of residential customers that consume less than 300 kWh, to cover between 100-120% of the total costs of supply. Subsidized customers will pay only 45% of the costs if their monthly consumption is between 0-100 kWh and only 80% if their consumption 101-300 kWh/month.</p> <p>A national fund, administered by ENEE and financed through budgetary sources as well as by a 15% surcharge on net profits for all sector enterprises (including ENEE), has been established to help finance electrification projects.</p>
VII. Sector Problems and Priorities	
Framework and Other Issues	<ol style="list-style-type: none"> 1. Even though Honduras was the first Central American country to pursue sector reform, the implementation of the 1994 electricity law quickly stalled and no major changes or improvements in the sector have been achieved or envisioned in the near-term. 2. Even though many of the regulations have not been put in place yet, the planned wholesale market will most likely remain extremely regulated. ENEE will remain as the sole owner of the transmission system and will also be in charge of the expansion plans for the system, though will send them to CNE's for approval. ENEE will also be in charge of the system dispatch and will hold the generation assets. The wholesale market will be composed of the production and distribution companies and the retail market will be regulated (large customers will also be regulated). The final structure of the industry could be very different from the one formulated before, because of the special consideration given to the current emergency situation of the country. The changes should be framed under an environment that could represent further advances in the liberalization process. 3. Tariff-setting procedures are still not clearly removed from political intervention by both the legislative and executive branches of government. 4. Private participation has been limited to the independent generators. IPPs are still wary due to persisting poor macroeconomic conditions and high project risks, even though the Government has

² See *Evolución Reciente y Situación Actual de la Industria Eléctrica del Istmo Centroamericano*, CEPAL (Mexico), December 1996.

³ Ibid. However, it is noted that this level of consumption does not necessarily allow for the targeting of low-income consumers.

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	<p>taken on virtually all the risks in the existing PPA arrangements. However, the onerous tax burden that previously applied a 40% corporate tax rate and heavy fuel and import duties to private sector participants has been improved and made more equitable for all the enterprises in the sector.</p> <p>5. Although the Government encourages the development of alternative or renewable energy generating resources, it has arbitrarily imposed a surcharge on energy generated from these sources for a reforestation/environmental mitigation program, which seems counterproductive, even if these projects are given preference in the expansion plan.</p>
Operating Needs	<p>1. Generating capacity still needs to be expanded and system operations needs to be improved in order to reduce the continuous conditions of system under-capacity, large imports and generalized black-outs. The sector remains subject to low worker productivity levels, overstaffing, poor operating efficiency, inadequate maintenance programs (particularly for thermal power plants) poor quality of service, power shortages, corruption, and poor management. Lack of planning and funds from the government are the main reasons for this situation. If the government intends to provide incentives to private participation in the sector under competitive conditions, it needs to work harder in setting up the new structure for the industry.</p> <p>2. Financial problems persist, due largely to a legacy of 20 years of considerably subsidized tariffs and an average lag of 120 days in bill collection.</p> <p>3. Distribution losses are high (27% in 1995), despite subsidized residential tariffs.</p>
Electrification and Energy Efficiency	<p>Electrification was ENEE's initial task upon its creation. Service coverage has reached around 45%, but rural electrification could be as low as 19% nationally.⁴ About 58% of the population live in rural areas. The 1994 Electricity Law allocates the responsibility for building new or expanded facilities for urban or rural electrification purposes to the beneficiaries of the service, unless they pertain to the marginal groups. The financial support of these works may be partly reimbursable if required by the distribution entity. The distributor or ENEE will operate and maintain these systems, giving credits for service to the sponsoring customers. Some costs may be eligible for funding from a special national account set up to fund electrification programs deemed to be in the public interest. The national treasury will contribute a set amount to this fund, and additional funds will be provided through generating and distribution enterprises' mandatory contributions.</p> <p>Improvement in energy efficiency is one of the specified aims of the 1994 Electricity Framework Law.</p>
VIII. Sources and Relevant Web Pages	
<p>Sources</p> <p>ECLAC-United Nations, Energy Unit, 1999. "La Industria Eléctrica del Istmo Centroamericano: Situación de los Procesos de Reforma y Perspectivas para el Corto y Mediano Plazo".</p> <p>Relevant WEB Pages</p> <p>Catholic University of Chile: http://www.ing.puc.cl/~power/southamerica/southamerica.htm</p>	

⁴ The numbers for this statistics vary somewhat. A Reuters newswire from Tegucigalpa on December 2, 1996 ("Dramática situación de la vivienda en Centroamérica") indicated that 85% of the population in rural areas in Honduras might not have access to electricity.