



South Asia Regional Initiative for Energy Integration

Quarterly Update – January to March 2015

ACCOMPLISHMENTS FOR THE QUARTER

3rd MEETING OF TASK FORCE 2 ON “ADVANCEMENT OF TRANSMISSION SYSTEMS INTERCONNECTION”

The 3rd meeting of Task Force 2 on "Advancement of Transmission Systems Interconnection" was held in Colombo, Sri Lanka, February 25 – 26, 2015. Members of the Task Force 2 from various South Asian countries, Project Steering Committee (PSC) Members Mr. Upali Daranagama and Dr. P.N. Fernando from Sri Lanka, ICF International, and representatives from USAID and IRADe attended the meeting.

Mr. Upali Daranagama, Additional Secretary, Ministry of Power & Energy, Government of Sri Lanka delivered the special address. Ms. Monali Zeya Hazra, Regional Program Manager, USAID/SARI/Energy welcomed the delegates. Mr. V K Kharbanda, Project Director, IRADe gave the vote of thanks.



*3rd meeting of Task Force 2 on "Advancement of Transmission Systems Interconnection"
February 25 – 26, 2015, Colombo, Sri Lanka*

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Mr. Kharbanda presented the progress on the SARI/EI program and activities that took place in 2013 – 14, which focused on intensive task force meetings wherein each of the task forces worked to achieve the deliverables as defined in their respective terms of reference. Mr. Kharbanda then introduced the work plan for 2014-15, which again focuses on intensive task force meeting and building consensus among different stakeholders for buy-in of the task force findings, study results and recommendation.

IRADe has initiated various demand-driven studies for the task forces to help members make informed recommendations. He mentioned that the work plan for the current year will also focus on supporting India-Nepal power trade through technical assistance and transactional advisory services.

Bangladesh, Nepal and India task force members made country-specific presentations. Key topics included the latest developments in the Nepal power sector; updates on the planned and proposed cross-border transmission lines between India-Bangladesh and other cross-border interconnections.

ICF International presented the progress and preliminary findings of the “Assessment of the Electricity Trading Potential in the South Asian Region” study. The presentation included the scope of the study, review of historical power demand-supply trends and demand supply projections of all South Asian countries. This included the methodology used to estimate unrestricted electricity demand, electricity supply and peak demand forecast for various countries. The report is expected to be finalized by July 2015.

Next Steps:

- ICF International will use authentic data, minimize assumptions and develop a clear method for the Task Force 2 study on “Assessment of the Electricity Trading Potential in the South Asian region” which should be acceptable to all stakeholders in the South Asian countries.
- ICF will collect, compile, review, and analyse existing studies already conducted by reputed organizations such as ADB, SAARC and the World Bank.
- To the extent available, Task Force 2 members will provide power sector data, such as power system master plans and load profiles of their respective countries to support the study.
- ICF will revise the study's preliminary findings report to include Task Force 2 members' and IRADe's inputs, observations and recommendations.
- Task Force 2 discussed the need for a regional transmission master plan for regional power trade. Members will further discuss the necessity to conduct such a study at the next meeting.

Site Visit:

Following the meeting, the Task Force visited the Yugadanavi Power Station – a 300 MW multi-fuel combined cycle plant currently running on furnace oil. The power station is located in Kerawalapitiya, in the Western Province of Sri Lanka and is operated by West Coast Power (Private) Limited. This is a peaking power plant and operates on instructions of Ceylon Electricity Board only when the demand is more than the supply. The Yugadanavi officials presented the various technical features of the power plant and shared the challenges faced during the construction of the plant.



*Site visit to the 300MW multi-fuel Yugadanavi Combined Cycle Power Plant in Sri Lanka
February 26, 2015*

DESIGN MISSION TO SUPPORT INDIA – NEPAL PTA

USAID/SARI/EI and its implementing partners conducted a design mission to Kathmandu, Nepal, March 16 – 20, 2015 in follow-up to the scoping mission conducted in November 2014. The SARI/EI program plans to provide capacity building to Nepal to strengthen key institutions on (1) techno-economic appraisal of large hydro power projects and associated transmission projects, and (2) on power trading.

Over the course of five days, USAID, USEA, IRADe, PTC India Ltd., and Power Finance Corporation Ltd. met various stakeholders such as Nepal Electricity Authority, Investment Board Nepal, GON Ministry of Energy, Independent Power Producers' Association, Hydroelectricity Investment and Development Company Ltd., and other agencies, seeking their input on draft training plans that are scheduled to take place over the next year.

SARI/EI plans to provide a series of three modules for each of the two subject areas. The first, focusing on power trading, will center on designing, managing and operating a power trading entity in Nepal. This training will be targeted at Nepal Electricity Authority, GON representatives and private sector. The objectives of the second subject area, focusing on techno-economic appraisal, will be project appraisal, financial analysis, financial negotiations, and financial structuring. This training will be targeted at Investment Board Nepal, Hydroelectricity Investment and Development Company, private sector, and GON representatives.



Nepal Electricity Authority shares their feedback with USAID, USEA and PTC India Ltd. on SARI/EI's institutional strengthening plan for power trade.

STATUS OF DEMAND DRIVEN STUDIES

a) Task Force 1 Studies

- Study 1: Mercados has submitted the draft report on the “Review and Analysis of Electricity Laws, Regulations, Policies, and Legal Structure.” This report will identify areas that can hinder CBET and recommend changes and amendments to promote CBET in South Asian countries. The report will be reviewed and finalized during the next proposed Task Force 1 meeting in July.
- Study 2: IRADe has drafted the terms of reference (TOR) for the “Investment Friendly Policies and Guidelines for Promoting Investment in South Asian Power Sector” study. The TOR will be discussed and finalized in consultation with the Task Force 1 members during the next proposed Task Force 1 meeting in July.

b) Task Force 2 Studies

- Study 1: The progress and preliminary findings of the study on “Assessment of the Electricity Trading Potential in the South Asian Region” were presented during the 3rd Meeting of Task Force 2 on “Advancement of Transmission Systems Interconnection” held in Colombo, Sri Lanka, February 25 – 26, 2015. The study is expected to be completed by July 2015.
- Study 2: Power Research & Development Consultants Pvt. Ltd (PRDC), Bangalore, India has been awarded the study on “Harmonization of Grid Codes, Operating Procedures and Standards to Facilitate and Promote CBET in the South Asian Region.”

c) Task Force 3 Studies

- Study 1: Pricewaterhouse Coopers (PwC) Private Limited has been awarded the study on “Assessment of Commercial Terms and Conditions for CBET and Suggested Model of Power Exchange in South Asian Region.” The study is currently under progress.
- Study 2: The study on “Market Rules and Pilot Market Design” will be initiated in FY-2015.

ONGOING AND UPCOMING ACTIVITIES

- A combined meeting of Task Force 1, 2 and 3 will be held in India in early July 2015.

ABOUT SARI/EI

The SARI/EI program, funded by the United States Agency for International Development (USAID), promotes integration of energy systems and enhances cross-border energy trade among the South Asian countries by focusing on the following three development outcomes for overall socio-economic development of the region:

Harmonize Policy, Legal and Regulatory Issues

The key result of the Harmonization of Policy, Legal and Regulatory Issues component is to create the enabling systemic conditions for a sustainable market for investment and implementation of cross-border energy trade.

Advance Transmission System Interconnections

The key result of the Advancement of Transmission System Interconnections component is to create the enabling, systemic conditions for a sustainable market for investment and implementation of subregional bilateral transmission interconnections beginning with the Eastern Subregion of South Asia.

Establishment of South Asian Regional Electricity Markets

The key result of this component on Establishment of South Asian Regional Energy Market is to create the enabling and systemic conditions for a sustainable market for energy trading and exchange among the South Asian countries.

The overarching objective of the SARI/EI program is to develop a common template for technical and commercial aspects of power exchange among the South Asian countries. It intends to create the right enabling environment to support the establishment of a South Asian electricity market, gain consensus and support from the key decision makers and stakeholders in the South Asian region.

SARI/EI WEB PAGE

For current information on SARI/EI, please visit the web page: www.sari-energy.org.

BACKGROUND

Over the last two decades, South Asia has been one of the fastest growing regions in the world, with an average annual growth rate of 6% as measured by GDP per capita. Yet despite this impressive macroeconomic growth, the energy sector in the region has not been able to keep pace, and continues to experience chronic problems of supply shortage and poor quality of service. South Asia's energy security dilemma is one of the single energy development challenges of the 21st century critical to the economic future of almost 1.5 billion people. Given this dilemma, the only long-term solution is the sustained increase in regional energy cooperation among the South Asian countries.

USAID's South Asia Regional Initiative for Energy's (SARI/E) role over the past decade in advocating energy cooperation in South Asia has transitioned to the next phase of advancing regional energy integration and cross-border energy trade (CBET) in eight South Asian countries (Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka).

This new phase titled South Asia Regional Initiative for Energy Integration (SARI/EI) is designed to

build upon USAID SARI/Energy's successful implementation in the past decade to move South Asian countries towards increased regional energy security. The program will address policy, legal, and regulatory issues related to energy in the region; promote transmission interconnections; and work towards establishing a regional market exchange for electricity.



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SARI/EI

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