

TASK FORCE III

Task Force on South Asia Regional Electricity Markets

BACKGROUND & OBJECTIVE:

A regional energy trading market in the South Asia region is a key development challenge to advancing energy integration. Many analyses recognize the value of developments of power exchanges and related market mechanisms to enhance the bilateral and multilateral arrangements that are at the core of any cross-border electricity trading program. Such market mechanisms can also provide for more efficient exchanges of increments of power to better manage schedule deviations and take advantage of diversity of the hourly load profile of each trading nation. Market arrangement and prices should provide a level playing field and a useful benchmark for investors, generators and purchasers in the entire region. The vast potential for such trading in the region could only be unleashed if exporters and importers of power could both have confidence in a system that is fair, transparent and reliable.

A power exchange must provide a “fair, neutral and robust” market mechanism and price discovery process, creating an orderly marketplace for all buyers and sellers in South Asia. SARI/EI will support a Task Force on South Asia Regional Electricity Markets to support the implementation of this activity. The key result will be to create the enabling and systemic conditions for a sustainable market for energy trading and exchange in South Asia.

CONSTITUTION OF TASK FORCE:

- The Task Force on South Asia Regional Electricity Markets will comprise of members from country utilities, private sector, power trading companies and energy exchanges representing all South Asian countries.
- The requests for nomination will go through South Asian Country Governments and the process shall be facilitated by SARI/EI Country Coordinators, USAID.

TERMS OF REFERENCE:

1. South Asian Country specific assessment of preparedness for Cross-Border Electricity Trade to be done. This task force will focus on commercial aspects related to transmission charges allocation, wheeling charges, network charges, payment security mechanisms, trading margins, etc.
2. Recommend a dispute resolution mechanism related to commercial aspects of Cross Border Electricity Trade.
3. Develop a design of the Pilot Market and creation of a pseudo trading platform backed up by data that will need to be created for the regional market initially through planning databases.
4. Identify the required market structure in the South Asian region for a separate market or trading mechanism for renewable energy products.

5. Based on pilot market data, deliberate and recommend the desired evolution path of Cross Border Electricity Trade (such as Bilateral Trades, barter arrangements, trader mediated power trade and exchange based trading).
6. Suggest various principles on which a standard bilateral agreement (PPA's and TSA's) should be based in case of Cross Border Electricity Trade.
7. Based on the pilot market experience, advice changes in market rules, grid coordination related procedures, applicable charges, etc. if any.
8. Recommend international best practices in electricity market that needs to be adopted in order. This shall include efficient ways of handling congestion, market-based instruments such as financial transmission rights and ancillary services market to ensure grid security, etc.

TIME SCHEDULE:

- The Task Force shall meet periodically at regular intervals preferably once in each quarter.
- The activities assigned shall be completed within a period of 36 months from the date of constitution of the Task Force on South Asia Regional Electricity Markets.

PROJECT SECRETARIAT:

- Looking at the scope and nature of various tasks related to Task Force on South Asia Regional Electricity Markets, a Project Secretariat formed by IRADe will be provided for the smooth implementation of the Task force activities. The Project Secretariat will facilitate in organizing Task Force Meetings, study missions, bilateral visits, executive exchange visits, seminars, regional conferences and workshops. The secretariat will draft and circulate an agenda for each Task Force event as well as other pertinent documents for review and discussion and finally a report on the outcome of each event.
- The Project Secretariat will ensure that Task Force discusses important issues with the goal of reaching consensus and the agenda is moved forward in constructive ways. It is envisaged that the support to these Task Forces would be focused, demand driven, and closely tweaked according to the emerging needs of the region.
- Research and analysis team of the Project Secretariat will conduct research and analysis of the different issues identified and directed by task forces. In case a need is felt to engage consultants to provide additional assistance, the Project Secretariat would arrange for the same.

SOUTH ASIA ELECTRICITY WORKING GROUPS:

- The Task Force can constitute South Asia Electricity Working Groups to carry out some of the functions under the Task force. If the Working group is constituted by members of two or more countries then the Project Secretariat shall support their activities and organize respective meetings.
- If a sub-group is formed within a country for facilitating the functioning of the country's Task Force member then the respective country may form such group on its own and keep the Project Secretariat informed of the same.

DELIVERABLES

- Develop the design of a Pilot Regional Electricity Market with supporting data and trading platform within two years from the date of formation of the task force. The Pilot Market coupled with market simulation eventually must publish price indicators to guide future investment.
- Finalize market design of a South Asian grid at the completion of the Pilot phase should include a draft set of market rules that would go through a stakeholder consultation process in all the South Asia countries. Eventually, the South Asian Electricity Market Rules document that should form the basis of the actual market.
- A South Asian Electricity Plan document that identifies options for Energy Integration covering commercial aspects. This will also include a comprehensive inter-regional electricity road map which will enumerate the various phases of Cross-Border Electricity Trade.
- Statement of Opportunity for South Asian Electricity System for prospective investors and consumers.