

## South Asia Regional Initiative for Energy Integration

Quarterly Update – October to December 2014

### ACCOMPLISHMENTS FOR THE QUARTER

#### SCOPING MISSION TO SUPPORT NEPAL – INDIA PTA

Following Indian Prime Minister Modi's August 2014 visit to Nepal, a Power Trading Agreement (PTA) between the two countries was signed (October 2014). The PTA has proved to be the definitive tipping point for the emergence of donor and multi-stakeholder efforts across the Indian and Nepalese power sectors to develop, construct and transact businesses associated with power system cross-border electricity trade (CBET). To support this effort, SARI/EI conducted a scoping mission to Kathmandu, Nepal and New Delhi, India, November 3 – 7, 2014 to explore opportunities to advance India – Nepal electricity trade and define a time-bound program to assist the Government of Nepal and its power sector institutions. The SARI/EI mission met policymakers and other relevant stakeholders in Nepal and India to discuss specific short and medium-term capacity building programs and knowledge sharing opportunities.

Based off the scoping mission meetings and subsequent dialogues with stakeholders, SARI/EI is developing an India – Nepal Institutional Strengthening Plan that will be implemented by USAID SARI/EI grantees Integrated Research and Action for Development (IRADe) and the U.S. Energy Association (USEA). This capacity building program will strive to strengthen key institutions in Nepal to form energy market structures and systems to enable electricity trade with India. USEA will impart short-term training on capacity building to Nepal Electricity Authority (NEA) on power trading and the Investment Board Nepal (IBN) on techno-economic appraisal of large hydro power projects, and associated transmission projects. IRADe will provide medium-term transaction advisory support by deputing manpower resource and experts in the above areas to provide hands-on experience to these institutions.

#### 3<sup>rd</sup> PROJECT STEERING COMMITTEE MEETING AND 4<sup>th</sup> MEETING OF TASK FORCE 1 ON “COORDINATION OF POLICY, LEGAL AND REGULATORY FRAMEWORK”

The 3<sup>rd</sup> Project Steering Committee (PSC) meeting and the 4<sup>th</sup> meeting of Task Force 1 on "Coordination of Policy, Legal and Regulatory Framework" was held in Dhaka, Bangladesh, December 17 – 18, 2014. Members of the PSC and Task Force 1 from various South Asian countries along with representatives from USAID and IRADe attended the meeting.

The meeting was inaugurated by the Chief Guest Mr. A R Khan, Chairman, Bangladesh Energy Regulatory Commission (BERC) who delivered the special address. Dr. Jyoti Parikh, Executive Director, IRADe welcomed the delegates. Mr. Terry Young Blood, Deputy Mission Director, USAID/ Bangladesh delivered the welcome address. The PSC Chairperson Mr. Farooq Sobhan delivered the keynote address. Mr. V K Kharbanda, Project Director, IRADe gave the vote of thanks.

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Mr. Kharbanda provided an overview of the recent progress on the SARI/EI program with review of activities that took place in 2013 – 2014. He also presented the action plan, overall strategy, and key deliverables for 2014 – 2015. IRADe stated that the proceedings from the September 2014 South Asian Investors' Workshop have been prepared and will be disseminated shortly.

Mr. S. Padmanaban, former Director, USAID SARI/EI presented the findings of the Scoping Mission to Nepal and the possible technical support in terms of:

- (a) assistance in capacity building and knowledge sharing on power trading;
- (b) development of knowledge and skills to transact and execute large-scale hydro generation and cross-border transmission projects; and
- (c) assistance in the development of an independent electricity regulatory commission in Nepal through dissemination of best practices.

Mercados Energy Markets India Pvt. Ltd. presented the interim findings of the Task Force 1 “Review of Electricity Laws, Regulations, Policies and Legal Structures of South Asian Countries for Promoting Cross Border Electricity Trade (CBET)” study to the members. The report is expected to be finalized by March 2015.

The chairperson of the PSC is rotated annually. The members unanimously elected Mr. Keshab Dhoj Adhikari, Joint Secretary, Ministry of Energy, Government of Nepal as the new Chairperson.



Photo Credit: IRADe

*3<sup>rd</sup> Project Steering Committee and 4<sup>th</sup> Task Force 1 meeting  
December 17 – 18, 2014, Dhaka, Bangladesh*

### **Project Steering Committee (PSC) Recommendations:**

- **Consensus Building:** The members emphasized the need to build consensus among different stakeholders by disseminating task force recommendations, findings, and study results in forums that can influence decision-making bodies such as South Asian Association for Regional Cooperation (SAARC), government forums, etc. The members also suggested that media be involved in creating awareness on the SARI/EI findings.
- **Strategy to collaborate with SAARC:** The members suggested that SARI/EI and the SAARC Energy Centre should complement each other's work as both are working for a common cause of electricity trade within the SAARC region and establishment of a regional electricity grid.

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- **Investment Friendly Policies and Regional Investment Framework:** PSC recommended that a study be conducted on investment friendly policies, guidelines, and a framework for promoting investment in CBET in the South Asian power sector.
- **Task Force 1 Study Findings:** The PSC and Task Force 1 members appreciated the presentation made by Mercados on the interim findings of the TF-1 study on “Coordination of Policies, Regulations and Legal Structures across the South Asian Countries.” The members suggested that the findings should be disseminated strategically for buy-in and consensus building among larger stakeholder groups.
- **Demand Driven Studies:** Members appreciated the ongoing demand driven studies recommended by the Task Force members, especially given their relevance in making informed recommendations for consensus building and outreach.
- **Analytical Studies:** Members noted IRADe's efforts to undertake an analytical study to assess the economic benefits of CBET between India and Nepal. Based on the success and use of the India-Nepal study, it was proposed that similar studies covering other South Asian countries may be considered.

### Site Visit:

A site visit was organized to Siddhirganj (2×120MW) Combined Cycle Gas-based Power Plant and Haripur (412MW) Combined Cycle Gas-based Power Plant, December 18, 2014. Both these operating power plants are owned by Electricity Generation Company of Bangladesh (EGCB). The EGCB officials made a detailed presentation highlighting the various technical features of the power plant and the numerous challenges faced in construction.



Photo Credit: IRADe

*PSC and TF-1 visit to Siddhirganj 412 MW Combined Cycle Peaking Power Plant  
Dhaka, Bangladesh*

### Status of Demand Driven Studies:

#### Task Force 1 Studies:

- **Study 1:** Mercados has submitted the interim report on the TF-1 study on the “Review of Electricity Laws, Regulations, Policies and Legal Structures of South Asian Countries for promoting CBET.” The report is expected to be finalized by March 2015.
- **Study 2:** The study on “Investment Policies and Guidelines for South Asian Countries” will be initiated in FY-15.

#### Task Force 2 Studies:

- **Study 1:** The study on “Assessment of the Electricity Trading Potential in the South Asian Region” has been awarded to ICF International and is currently under progress.
- **Study 2:** The study on “Harmonization of Grid Codes, Operating Procedures and Standards to Facilitate and Promote CBET in the South Asian Region” will be awarded in FY-15.

#### Task Force 3 Studies:

- **Study 1:** The terms of reference and deliverables of the “Assessment of Commercial Terms and Conditions for CBET and Suggested Model of Power Exchange in the South Asian Region” has been finalized. This study will be awarded in FY-15.
- **Study 2:** The study on “Market Rules and Pilot Market Design” will be initiated in FY-15.

### Analytical Studies:

It has been shown that regional energy integration not only improves socio-political stability but provides significant economic benefits. IRADe proposes to conduct an analytical study that will demonstrate the benefits of India-Nepal power trade. The study results will be presented to the Task Forces and PSC and is expected to feed into the consensus building efforts of the program. IRADe has engaged a consultant to propose the methodology along with budget and timeline for undertaking the analytical study and recommend suitable econometric model for Nepal. The proposal will be submitted to USAID for their review and approval in next quarter. After the approval, the analytical study will be incorporated as a part of the Work Plan.

## ONGOING AND UPCOMING ACTIVITIES

- 3<sup>rd</sup> Meeting of Task Force 2: The meeting on “Advancement of Transmission Systems Interconnection” is scheduled to be held February 25 – 26, 2015 in Colombo, Sri Lanka.
- USAID/India and the U.S. Energy Association will be conducting a Definitional Mission March 16 – 19, 2015 to finalize the short-term capacity building aspects of the India – Nepal Institutional Strengthening Plan.

### 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](http://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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*South Asia Regional Initiative for Energy Integration (SARI/EI)  
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