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Terms of Reference/Scope of Work on developing the Model Framework for Trading licence regime and Guidelines for Grant of Trading licence in SA countries

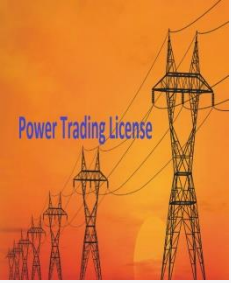
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6th Meeting of Task Force 2 on Advancement of Transmission Systems Interconnection
and

3rd Meeting of Task Force 3 on south Asia Regional Electricity Markets

20th April, 2016 | Pan Pacific Sonargaon, Dhaka, Bangladesh

Back ground-Trading licence in SA countries



India :

Currently electricity trading is licensed activity in India i.e. for Domestic electricity trading and is governed by CERC regulations Procedure, Terms, and Conditions for Grant of Trading License and Other Related Matters (2009).

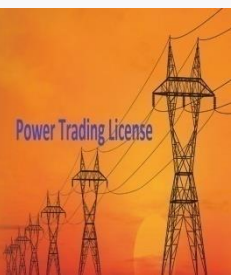
Bhutan : In Bhutan-The Electricity Act of 2001 recognizes export and import of electricity as licensed activities.

The BEA issues licenses and monitors the performance of the licensees to ensure compliance with the provisions of Acts, Regulations, Standards, Codes, etc., For instance, the Bhutan Electricity Authority (BEA) has granted license to Dagachhu Hydropower Corporation Limited (or Licensee) to carry out the activities of construction, generation, supply, and export.

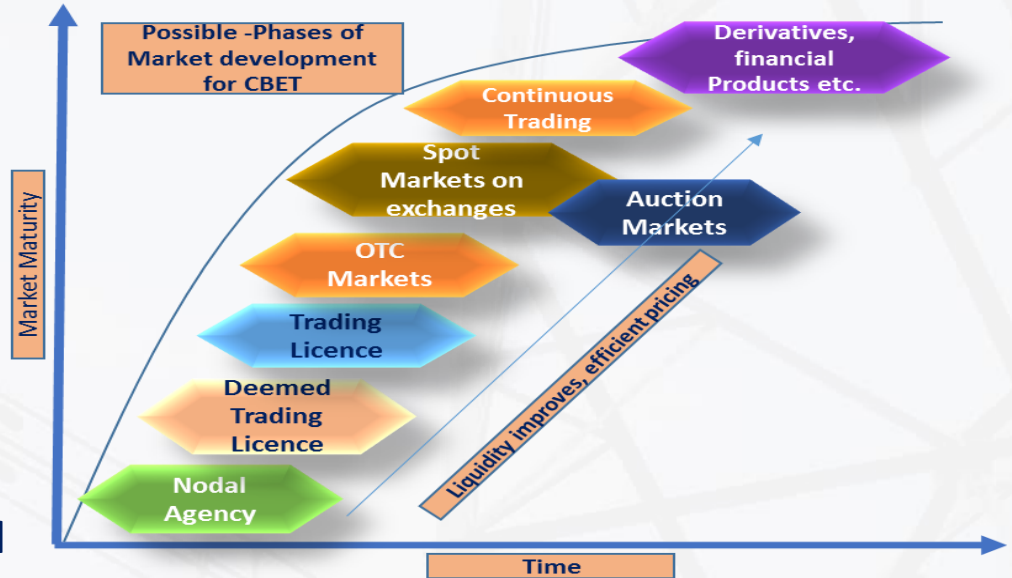


Bangladesh: The Bangladesh Electricity Regulatory Commission Act of 2003 does not mention export and import of electricity as a licensed activity.

Other SA countries do not have any trading licenses regimes.



On CBET front, currently trade is happening through Nodal Agencies (traders) such as PTC, NVNL between India-Nepal and India-Bhutan.



Guideline 1: Licensing Cross-border Electricity Trade Activities, Imports And Exports

Rationale

Since countries have different licensing rules and procedures, a **harmonized licensing framework** ensures that licensing does not restrict entry. It provides regulatory tools that helps regulators to keep an **oversight of the market**

1

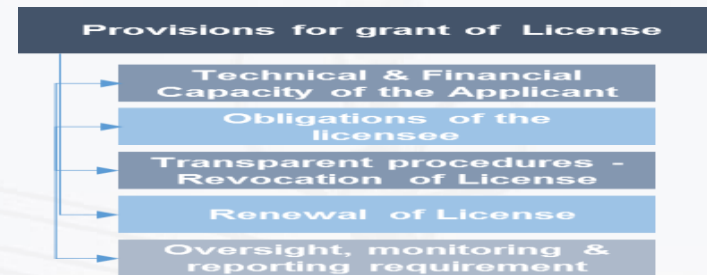
Member countries shall aim to recognize CBET as a **distinct licensing activity through amendments** in existing laws or regulations or through enactment of enabling regulations

2

National regulators to **define the process of obtaining and issuing licenses** for CBET subject to their national Legal & Policy requirements

3

Provisions to include



4

The license shall impose **conditions to comply with prescribed planning and technical standards** and may also require the licensee to provide specific information as deemed necessary by the regulator/designated entity

5

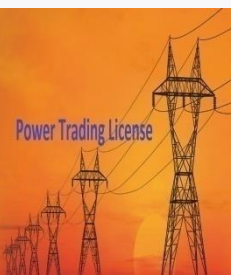
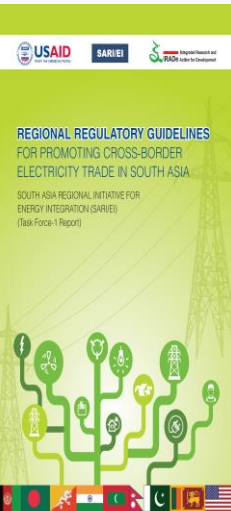
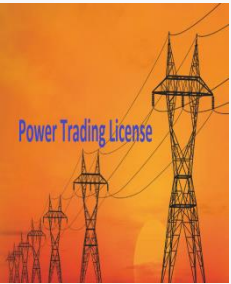
In the **absence of the regulator, grant of license shall rest with relevant Ministry/ Government body. Summary to be made public**

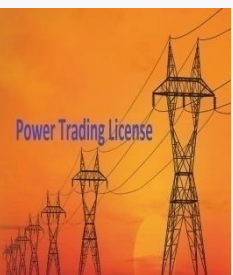
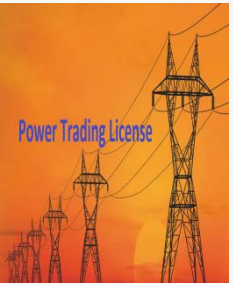
SAARC –IGFA-

Article 13-Facilitating Buying and Selling Entities Member States shall enable Buying and Selling Entities to engage in cross-border electricity trading subject to the laws and regulations of the concerned Member States.

PTA-India-Nepal

ARTICLE-IV-The Parties shall allow the **authorized/licensed electricity producers/ buyers/traders** of each country to engage in cross-border electricity trading, including that through Power Exchanges, and to seek cross-border transmission access as per the laws of the respective country.



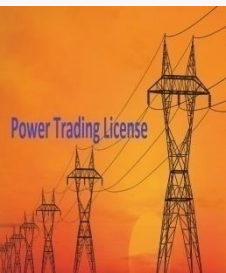
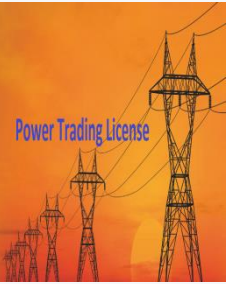


A. Objective of the Study

A. The objective of the study is to develop the Model Framework for Trading licence regime and Guidelines for Grant of Trading licence in SA with a view to initiate/advance power trading in SA countries as well as for facilitating Cross Border Electricity Trade (CBET) Region.

B. Scope of Work (SoW)/Terms of Reference (ToR)

- 1. Review and analyse the prevailing framework/regulations/procedures relating to Trading licence regimes and for grant of trading license from the perspective of developing Model Guidelines and Framework/Procedures for grant of trading license in SA Countries both for domestic as well as Cross Border Power Trade.**
- 2. Review and analyse the prevailing institutional structure/arrangements for granting trading license in SA countries.**
- 3. Review and analyse the international best practices (with particular focus on Indian experience) on Trading licence regimes and for grant of trading license in the context of domestic power sector as well as from the perspective of Cross Border Electricity Trade/Regional Power Markets particularly focusing on:**
 - ❖ **Key ingredients for Trading licence regimes and for grant of trading license.**
 - ❖ **Key governing and enabling factors lead to the implementation of Trading licence regimes and for grant of trading license.**
 - ❖ **Challenges associated with implementation of Trading licence regimes and for grant of trading license and key learnings.**
 - ❖ **Requirements of being an electricity trader, procedure for grant of licence, terms and conditions of the licence, obligations of the licensee and revocation of licence and other key aspects associated with grant of trading licenses.**
 - ❖ **Role of power traders and how power traders have impacted the development of power market.**

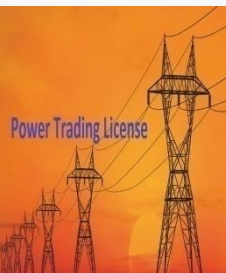
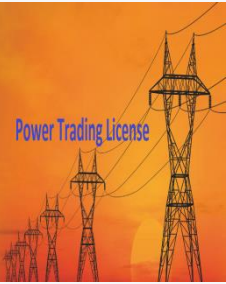


Scope of Work (SoW)/Terms of Reference (ToR)

4. Assess and analyse the views of key stakeholders (country wise) such as Regulators, Transmission Utilities, Power Generation Companies, Power/Energy Ministries, Independent power procedures etc. with respects to Trading licence regimes and for grant of trading license with a view to enhance power trading and CBET in SA countries.

c. Deliverables:

- 1) To submit draft report on Review/Analysis and key findings emerged from the Scope of Work/Terms of Reference.
- 2) Develop Suggested draft Model framework for South Asian Countries Trading licence regimes and for grant of trading license both for domestic as well as for Cross Border electricity Trade.
- 3) Based on the above (C 2), Develop Suggested draft Model set of guidelines for grant of trading license covering requirements of being an electricity trader, procedure for grant of licence, terms and conditions of the licence, obligations of the licensee and revocation of licence and other key aspects of the grant of trading licenses etc. (both for domestic and cross Border electricity Trade). It will also include various standard formats such as a) Application form b) Grant of trading licenses and other required formats.
- 4) To submit final Model Framework and Guidelines for Trading licence regimes and for grant of trading license after incorporating suggestions and inputs of various stakeholders such as Regulators, Transmission Utilities, Power Generation Companies, Power/Energy Ministries, Independent power procedures, TF Members, USAID,SARI/EI etc.





Thank You

Role of Power Trader

Electricity Trader plays a crucial role in optimization of existing energy resources and bring vibrancy to commercial outlook in the power market. Some of key role/functions played by trader are *a) Act as Counter Party b) helps in liquidity of the market c) finds new ways/opportunities to mitigate risks d) Facilitate attraction of capital to the generation and Transmission Inter-connections e) Bring transparency to the markets f) Remove Information Asymmetry g) Expand transactional opportunities.*

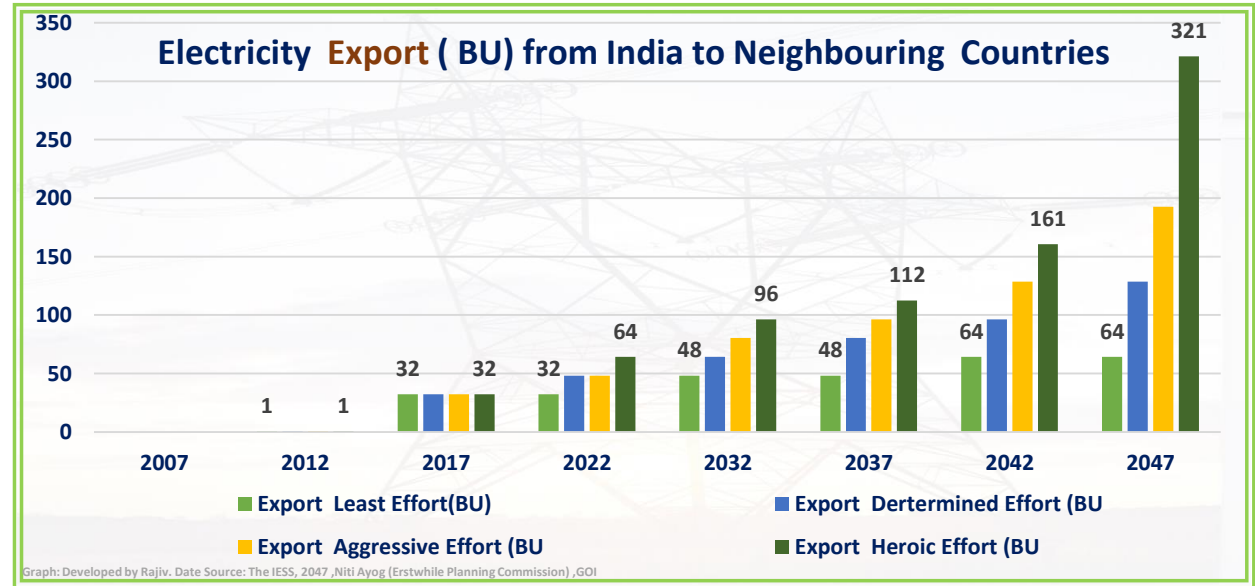
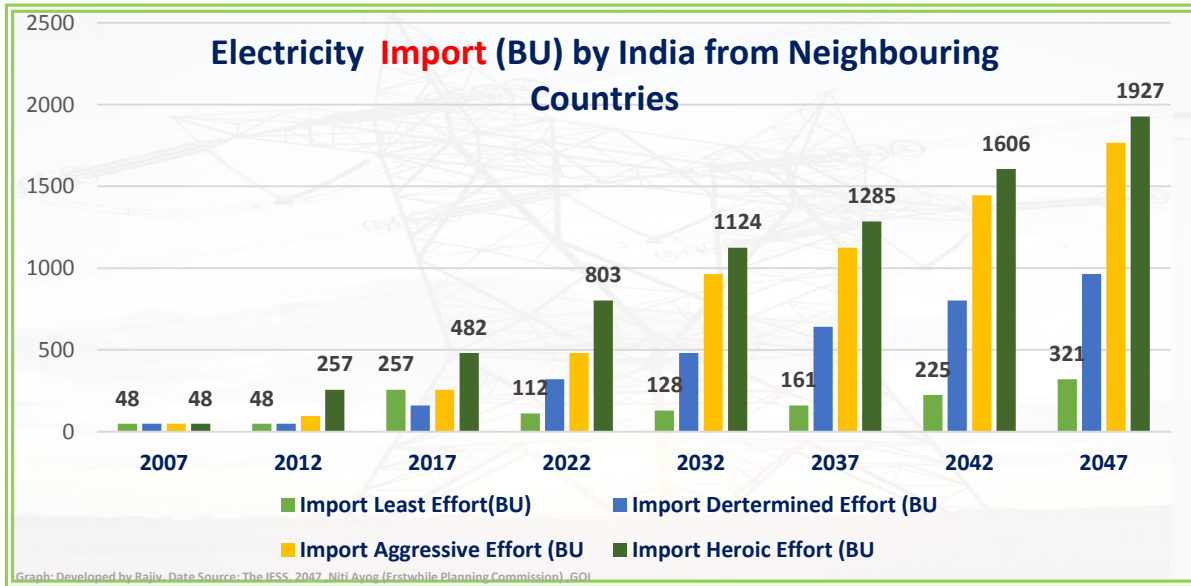
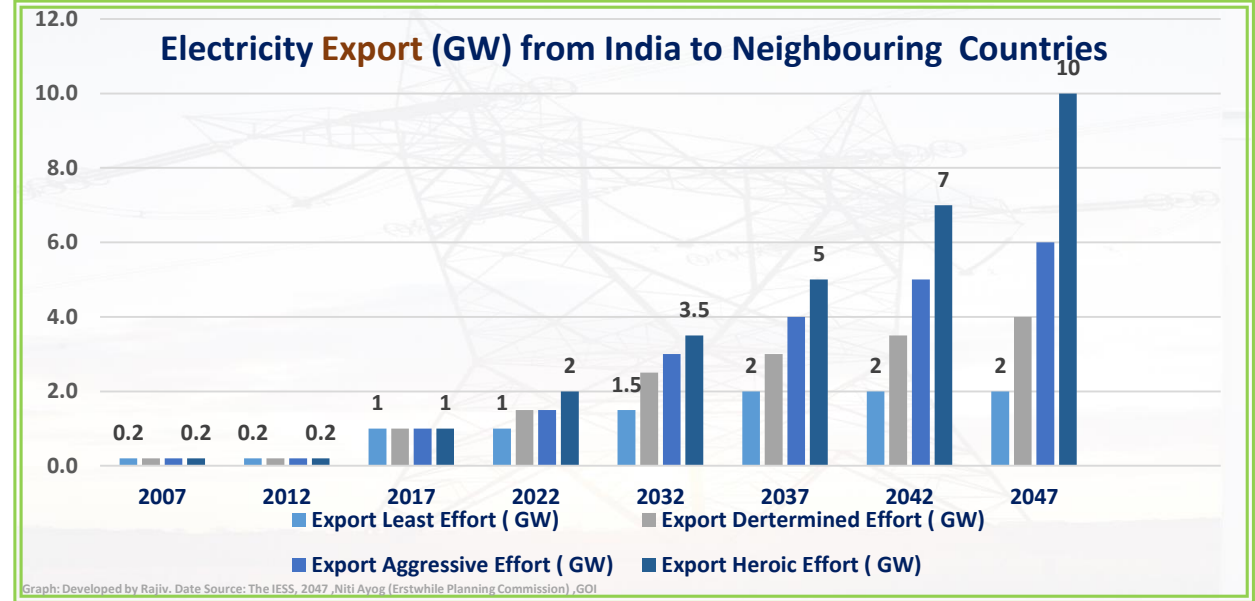
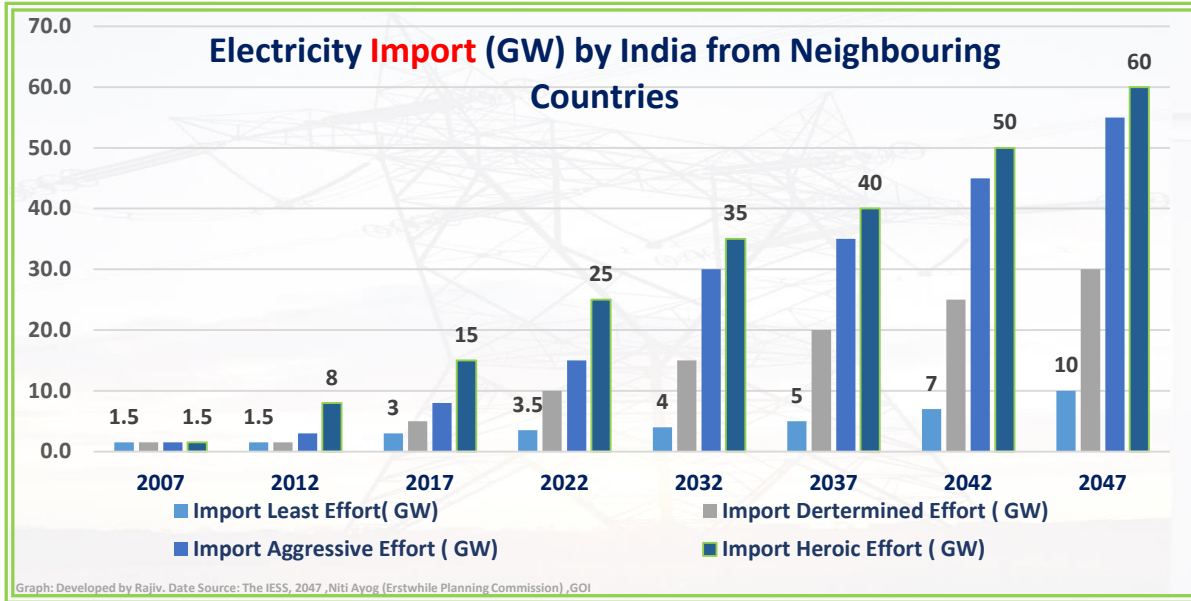
From a buyers perspective , traders

1. Arrange off-take of power as made available by the seller
2. Identify buyer for off-take of contracted capacity and enter into requisite commercial agreement on back to back basis
3. Manage entire transaction such as Open Access, scheduling, Energy accounting & other system compliance/approvals
4. Co-ordinate with relevant agencies for transfer of power
5. Facilitate sale of power to third party from alternate sources in case of short off-take by original buyer
6. Ensure payment security and Facilitate energy settlement
7. Ensure power for testing & commissioning of Power station/Transmission lines.

From a sellers perspective, traders

1. Arrange power as per requirement of buyer
2. Identify Seller for supply of contracted capacity and enter into requisite commercial agreement on back to back basis
3. Manage entire transaction such as Open Access, scheduling, Energy accounting & other system compliance/approvals
4. Co-ordinate with relevant agencies for transfer of power
5. Facilitate supply of power from alternate sources in case of generator outages
6. Ensure supply comfort (Contract performance)g) Supply of power to Industries/large consumers.

India: Cross Border Electricity Trade Export and Import by India from Neighbouring Countries



Possible -Phases of Market development for CBET

