

# South Asia Regional Initiative for Energy Integration (SARI/EI)

## Policies/Regulatory mechanism for Cross Border Energy Trade in South Asia

**“Workshop with Nepal stakeholders on  
“Enhancing Energy Cooperation between India- Nepal”**

**15.00- 17:00 HRs, 24th July 2019,  
Nepal Electricity Authority, Kathmandu, Nepal, India**

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# Why the Need for Policy & Regulatory Coordination/Harmonization ?

- Power and energy sector are **highly regulated** in South Asia.
- SA countries have different stage of evolution in terms of legal, regulatory and Policy Framework. **Need complementing regulatory frameworks.** →
- Strong **Political –Economy** of the Power/Energy Sector, Strategic nature.
- Development of Cross border projects, **mitigation of Investment risks** requires a robust legal, regulatory and Policy Framework.
- While each country is sovereign by itself, there is a **need to coordinate/ harmonise** the laws/rules/regulations related to CBET.
- Harmonised policy and regulatory framework for CBET **brings consistency, predictability and Minimize perception** of regulatory and Policy risks.

**CERC CBTE regulation relied upon domestic Regulation and Policy Frameworks**

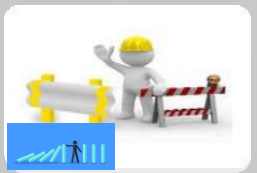
1. Tariff Policy
2. Tariff Regulations
3. Open access Regulation
4. Connectivity Regulation
5. Metering Regulation
6. Sharing of Inter State Transmission Charges and Losses
7. DSM Regulations
8. Scheduling and Dispatch rule.....
9. ....

CBET: Cross-Border Electricity Trade (CBET)  
CBTE: Cross Border Trade of Electricity

# Key Risk/Perceived Risks of Cross Border Electricity Trade Projects

## Why Cross-border Electricity Trade are Risky

- Project risks in general tend to be high without a comprehensive Policy, Regulatory framework for **large CBET project development.**
- Cross-border element greatly amplifies the risks due to **geopolitical, economic and trade related factors.**
- Even projects that appear to have feasible, rationale, economical **in practice struggle to get it financed and built.**
- Project risks in general tend to be high in **countries without wide experience on large project development.**



**Regulatory:** What happens if the domestic Policy, regulatory framework changes which impacts CBETproject/Investment ? What is the protection available to buyers/sellers/Investor ?

**Socio Political:** What happens if for socio-political reasons the flow is prevented in the exporting, intermediary (if relevant) or importing country ?

**Economic:** What happens if the economic assumptions on the project changes? What is the protection available to buyers and sellers ?

**Trade Barrier:** What happens if a tax or duty that affects the economic fundamentals is imposed ?

**Infrastructure:** What happens if the infrastructure to transfer the energy is not built or is not available when needed ?

# Key Regulatory Requirements for CBET

*Regional Regulatory Guidelines (RRG) provides Regulatory measures in 8 areas required for Harmonization/Coordination for Facilitating CBET*

1. **Licensing for cross border trading (important regulatory tool for trading)**
2. **Open access to Tx network (for competitive power market)**
3. **Transmission pricing regime (cost reflective & efficient)**
4. **Transmission planning (coordinated regional planning)**
5. **Imbalance settlement mechanism (transparent common procedure)**
6. **Harmonization of Codes (safe, secure system integration)**
7. **Dispute Resolution (transparent and fair legal framework)**
8. **Duties and tax regimes ( zero tax, no tariff & non tariff barriers )**



# South Asia CBET related Regulations: Summary of gap analysis


Requirement for CBET	Afghanistan	Bangladesh	Bhutan	India	Maldives	Nepal	Pakistan	Sri Lanka
Enabling provisions	⌛	⌛	⌛	🌲	✘	✘	⌛	✘
Accelerators	✘	⌛	✘	🌲	✘	⌛	⌛	✘
Harmonization and co-ordination	✘	✘	⌛	⌛	✘	✘	✘	✘
Safeguards	✘	✘	✘	⌛	✘	✘	✘	✘
Regulators having clear Jurisdiction over CBET Regulation	✘	✘	✘	🌲	✘	🌲	⌛	✘

 **Enabling Provisions**

Enabling provisions for CBET, such as eligibility criteria, non-discriminatory open access and approval procedures.

 **Harmonization and co-ordination**

Provisions for regulatory harmonization and co-ordination with neighboring countries on matters related to CBET

 **Accelerators**

Regulatory and institutional provisions that can reduce the effort and time for CBET, such as standardization of procedures, and appointment of nodal agencies.

 **Safeguards**

Safeguards for network protection, procedure for recovery from outages, and protection of public interest during emergency.

	<b>Available</b>		<b>Partially Available</b>		<b>Not Available</b>
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SARI analysis suggested that there is a complete or partial absence of clear and explicit provisions for CBET in the regulatory framework of South Asian Countries, notwithstanding the fact that in many of the countries, cross border electricity trade already happens under adhoc mechanisms or government-to-government arrangements.

## Some Points for Discussion

1. What are the Nepal's perspectives on policy, regulatory coordination to promote CBET ? What steps at Policy, Legal and Regulatory front needs to be taken in the context of CBTE regulations of India.
2. How to move towards a common and coordinated regional regulatory framework for CBET , when countries are at different stage of sector evolution ?
3. How the tariff for Nepal Hydro projects in Nepal should be decided other than GtG and Mutual agreed projects ?
4. Strategy and Approach for developing effective Regional Institutional mechanisms such as Association/Forum/working group of Electricity Regulators of SA for coordination of regulations ?
5. What regulatory and policy steps needs to taken in Nepal for power market reform and development of South Asia Power Market ?
6. Role of coordinated/harmonized policy, regulatory framework in promoting Investment in power projects and development of South Asia Power Market ?
7. How to work out the modalities (Regulatory, operational , transmission pricing , contractual etc.) for trilateral/Multilateral power Trade. What are the best practices in this area?
8. How to move from bilateral to regional energy integration ?



# Thank You