

TASK FORCE III

Terms of Reference for

Task Force III on South Asia Regional Energy Market

1. BACKGROUND & OBJECTIVE:

A regional energy market creation in the South Asia region is a key development challenge towards advancing energy integration. Many analyses recognize the need towards enhancing the bilateral and multilateral trade arrangements through various energy market products, including power exchange. The vast potential for such trading in the region can only be unleashed if exporters and importers of power/energy both have confidence in a system that is fair, transparent reliable and beneficial to all parties. It is very much likely that private investments may also get encouraged once the efficient and transparent design and market rules for energy market are in place.

In the SARI/EI phase-4 during the period 2012-2018, the Task Force-3 has evaluated the commercial terms and conditions for electricity trade, standard power purchase agreements (PPA), transmission service agreements (TSA) and tariff framework. An extensive simulation exercise has been conducted for trade through regional power exchange platform.

The SARI/EI TF-3 has focused on creating an enabling environment for regional energy/power market development for the last six years. In the extended phase of SARI/EI phase-4, TF-3 will continue its work on institutionalizing the South Asian Regional Energy Market (SAREM), operationalization of regional trade through power exchange platform- South Asian Regional Power Exchange (SARPEX), and developing the market monitoring and oversight mechanism for regional power trade.

2. CONSTITUTION OF TASK FORCE:

The Task Force on South Asia Regional Energy Market will comprise members from country utilities/regulators, private sector, power trading companies and energy exchanges, representing all South Asian (SA) countries.

3. TERMS OF REFERENCE:

- I. Technical assistance to the South Asian countries towards regional energy market development including the power exchange based trade. While the primary focus will be on supporting SA countries, TA may be provided to BIMSTEC countries¹.
- II. Review country specific policies, regulations and other aspects for market based trade, including Power Exchange based trade in the region.
- III. Review of best international practices for cross-border power market design and rules.
- IV. Review of key aspects related to renewable energy trading, ancillary services & spinning reserves sharing in SA region. Review and assess feasibility of other market products such as financial products.
- V. Review of various internationally prevalent institutional mechanism towards optimization of different aspects of energy trade in the region.
- VI. Review of commercial arrangements for power trade in the region and best international examples towards recovery of cost.
- VII. Review of best international practices in regional electricity market for efficient ways of handling congestion and market-based instruments, in order to ensure grid security, etc.
- VIII. Review on trilateral and multilateral trade framework.
- IX. Analysis of existing market monitoring & oversight mechanism, tools and market surveillance in the region and review of best international practices.
- X. Review and analysis of SA countries power markets and likely evolutionary path in the medium to long term.
- XI. Evaluation of risk available in the regional power trade, emphasizing the market related risk.
- XII. Review and analysis of future and forward market options in the context of SA region.

4. TIME SCHEDULE:

- ❖ The Task Force shall meet periodically at regular intervals preferably twice in a year. It may meet more often depending on the need.

5. DELIVERABLES

- a. Implementation and enhancement of power trade through bilateral, trilateral and multilateral trade in the region.
- b. Operationalization of power trade through the power exchange platform.
- c. Developing the strategy paper and creation of regional forum/working group in order to discuss various aspects of energy trade in South Asian region.
- d. Developing Framework for ancillary services, spinning reserve sharing and renewable energy trade in the SA region.

¹ Concurrence of USAID will be taken to initiate activities in South East Asia and will be done in coordination with USAID missions in South East Asia



- e. Framework for energy scheduling, accounting and deviation settlement mechanism for power trade in South Asian region.
- f. Development of dispute resolution and arbitration mechanism related to Cross Border Energy Trade.
- g. Development of transmission tariff framework for trading of electricity in South Asian region.
- h. Development of the trilateral and multilateral power trade framework in the region.
- i. Compilation of case-studies on the sharing of transmission charges for regional power trade, recovery of cost of investment and sharing of the CBET benefits equitably.
- j. Suggest risk mitigation measures for cross-border electricity projects.
- k. Developing the framework/guidelines for regional market monitoring and oversight. This will also include market reform and knowledge sharing.
- l. Workshops/capacity building/hand holding for the South Asian and BIMSTEC region on various aspects of power market development.