



Regional Electricity Cooperation and Trade in South Asia

(Final *Dissemination Workshop*)

REPORT OF THE WORKSHOP

MONDAY, 27TH JUNE, 2016

INDIAN Habitat Center, NEW DELHI, INDIA

“Confidence Building Measures across countries on trade and a bottom up approach involving civil Societies, local leadership key ingredients for cross border electricity cooperation and trade in south Asia”

BACKGROUND

The World Bank in association with CUTS International and CUTS Institute for Regulation & Competition (CIRC) organized a half day seminar on Monday, June 27, 2016, at Willow, Habitat World, at India Habitat Center, Lodhi Road, New Delhi, to present and discuss the finding of their Analysis on the Topic “Regional Electricity Cooperation and Trade in South Asia”.

The purpose of the seminar is to present and discuss the findings of an analysis of Regional Electricity sector Cooperation in South Asia, a study completed by the World Bank. The objective of the study was to analyze potential benefits of increased regional electricity cooperation and extra-regional energy trade; to take stock of political economy and institutional issues that limit the scope for increased regional cooperation; and to identify potential steps forward toward greater integration of power systems in South Asia.

The half-day launch Seminar was divided into two sessions and panel discussion. The first session was taken by **Mr. Govinda R. Timilsina** – Senior Economist, World Bank followed by question answer round. The second session was taken by **Mr. Michael Toman**, Lead Economist and Manager, World Bank.



FIRST SESSION RESEARCH OUTCOME

Deliberating on the research outcome, **Mr. Govinda Timilsina** from WB pointed that surplus hydro potential in Bhutan and Nepal could provide least cost alternative to the region as a whole while balancing climate and environmental goals. He emphasized that it makes sense to develop the hydro power in the region and trade the surplus as it provides seasonal complementarity across neighboring countries. He highlighted that the model envisages a saving of USD 226 billion in electricity supply cost over a period of 2015 to 2040 for the region. It has the potential to avoid an incremental capacity of 35000MW of coal based power projects and reduce 6.5% of the total CO2 emissions from the power sector in the region. He presented his analytical work in this study and invited comments from the audience.



Commenting on the model,

Dr Kirit Parikh, Chairman IRADE, expressed his concerns of not including solar and wind and other RE sources in the model given Govt of India's (GOI) ambitious target of adding 175GW of renewable energy (RE) by 2022. He also emphasized that in the current scenario where gas

price is falling down drastically and RE price is about to achieve price parity with coal, these factors need to be taken into consideration while designing the model.

Mr. Rahul Tongia, fellow, Brookings India raised concerns on 5% discounted model taken for the analysis which could be only possible in case of soft lending from the banks and financial institutions which is very unlikely. He was concerned about the role of MEA (Ministry of External Affairs) in facilitating the trade and appreciated the effort of MOP (Ministry of Power) at central level in facilitating cross country trade in power.

Mr. Radha Krishna Tripathy, Fellow, CIRC put forth his observation of not including climate change concerns and INDC commitments post COP21 while projecting capacity additions upto 2040 in the SAR. He also pointed that not all hydro capacities can be converted and there should be reality check on technical feasibility of how much hydro capacity can actually be explored in the model.

Mr. K Ramanathan, Distinguished fellow, TERI wanted to know that depending on the availability of hydro and its seasonal variations how this model incorporated these features and whether the model also took note on the ever changing technological implications which have a greater bearing on the cost side as being observed in the case of cost reduction of solar panels worldwide.

Mr. Chandra Prakash, Director, CEA highlighted that for a hydro project, gestation period varies from 7 years to 15 years depending on the project nature and its complexity along with other parameters like geological and environmental concerns. In this scenario, within a projected time frame of 25 years (2015-2040) , there should be a realistic calculation on how much hydro capacity can be installed.

SECOND SESSION

OVERVIEW OF THE ANALYTICAL WORK



Speaking on policy, institutional and political economy analysis for SAR electricity cooperation, **Mr. Michael Toman** from World bank highlighted case studies from Southern African Power Pool (SAPP), West African Power Pool (WAPP), Central American Power Market (SIEPAC), South East Europe market (ECSEE) and stressed that South Asia can benefit substantially from increased electricity cooperation and trade. He pointed out that India's distribution sector needs to provide incentives for efficiency improvements and higher quality service delivery. Talking on economically efficient pricing, he stressed that quality and price needs to move synchronously.

Commenting on the Analytical work, there were some questions and suggestions which were put forward by the audience:-

- Questions were raised on the issue of capacity addition in terms of KW and actual generation in terms of kWh (unit basis). Mr. Rahul suggested that if we follow Mark to Market technique then it would be easy to solve the investment vis-à-vis commercial issues in Indian Power sector.
- Mr. Rahul pointed that different kinds of economic efficient pricing mechanism are internalized in the study as environment factors come into play in a big way. For this, he suggested to incorporate the need to decide , what to internalize and How to internalize and at what cost.
- Concerns were raised on the availability of finance for regional trading and cooperation.

PANEL DISCUSSION



List of PANELLISTS:

1. Dr. Kirit Shantilal Parikh, Chairman, Integrated Research and Action for Development (IRADe)
2. Amulya Charan, Independent Advisor – Energy, Infrastructure & Finance
3. Dr. Shrikant Panigrahi, Director General, Carbon Minus
4. Daljit Singh, Energy Policy Specialist
5. Sanjeev Ahluwalia, Advisor Observer Research Foundation
6. Rahul Tongia, Fellow, Brookings India
7. Mr. Nitya Nanda, Fellow, TERI
8. Dr. Ritu Mathur, Associate Director, Modeling & Economic Analysis Division, TERI
9. V K Garg, Chairman, SAFEE India

Dr. Parikh started the discussion with a small briefing about the initiative taken by IRADe in association with USAID in India towards regional Integration in South Asian countries. Then he raised concerns on the way energy demand was projected especially in Nepal and India. He suggested that a robust analytical framework can be designed taking critical parameters region wise. He emphasized on exploring a common price of power acceptable to partner countries for trading across boundaries.

With this, he asked Mr. Amulya Charan to express his views on the subject.

Mr. Amulya Charan, appreciated the effort taken by World Bank and highlighted the investment requirement of 1 trillion USD for the region. Also, he emphasized the greater role of bureaucrats, politicians and other stake holders for developing cross border trade and cooperation in this area.

Mr. Sanjeev Ahluwalia stated that participation evokes trust and there is a greater need to engage stakeholders continuously on the subject matter to keep the momentum going. He highlighted the role of China in the bigger picture which should not be taken lightly given its interest in the internal matters of Nepal and Bhutan. He also highlighted the need to break away from the regional chain structure and design an effective, user friendly model to understand limits and decide actionable targets for proper implementation of the Initiative. **Dr. Shrikant Panigrahi**, highlighted the importance of the study and appreciated both the speakers from the World Bank on their efforts. He mentioned the Prime Minister's vision of a common grid for south Asian Countries where India can take a lead.

Mr. Daljit Singh, energy policy specialist was of the view that countries with a history of conflicts would be difficult to engage. Citing example of India, he stated that when states are not willing to share resources, particularly hydro and it remains a bone of contention among many states in India, it is foolish to think that regional cooperation would happen in near future. He expressed that political establishments would have to come forward to join hands despite differences to take this to the next level.



Mr. V K Garg, pointed out two issues. One was in regulations and other one in commercial issues. He suggested that any Business Model should fit into regulatory mechanism at both the sides which would make commercial arrangement to happen. Once this arrangement is in place, sourcing of finance would not be a hindrance.

Mr. Rahul Tongia raised the issue of differential pricing of power in India owing to different source of power generation and asked whether such type of cross country arrangements would be commercial viable and market driven in the long term.

Dr. Ritu Mathur appreciated the study and pointed that a detail analysis may be required for further study on this subject. She also emphasized to factor in the rapid changes happening in the sector and monitor it on a regular basis for accurate projections in the study.

Dr. Ashwini Swain, former director, CIRC highlighted the work done by CIRC on the issue of regional cooperation on energy, water and trade and concluded the session with thanks giving to the chair, panelist and participants.



ABOUT CIRC

CUTS Institute for Regulation & Competition (CIRC) was established in 2008 by CUTS International. With the vision to promote fair markets to enhance consumer welfare and economic development, CUTS & CIRC has been advocating for fair and competitive market promotion and effective regulations. Both CUTS and CIRC have been active players in designing the competition regime in India. They have access to a wide network of CSOs and academic institutions in India and globally, through professional collaborations. With the mission to be a Centre of Excellence on Regulatory and Competition Issues, CIRC primarily focuses on economic regulation in infrastructure sectors, and competition policy and law with an objective of reaching out to the target audience in India and other developing countries in Asia and Africa. Its crucial role in research and capacity building in the area of competition policy and law and regulatory reforms has created an intellectual knowledge base. Since its inception, CIRC has been undertaking several trainings, seminars and public lectures on competition law policy and regulation in India and abroad.



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