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Review of Electricity Laws and Regulations of SAARC Member States

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Afghanistan and Maldives

Afghanistan

- Afghanistan is desirous to get power sector back on rail thru reform and encouraging private investment .
- It is finalizing its electricity laws, regulation and policies to have self-sustaining electricity sector.
- Afghanistan will benefit as a transit country from power trade between CARs and SA.
- For this Afghanistan has to convince Stakeholders that it can provide security for inter-regional electricity infrastructure.
- Investment in power sector will help attract investment in other sectors as well.

Maldives

- Maldives power sector is an isolated system due to geographical location.
- It has therefore not laid emphasis on cross border electricity trade while formulating its EL&R.
- Limited load and high cost of undersea interconnections makes it difficult to connect Sri Lankan with Maldives grid.
- New technologies may make it possible to interconnect Sri Lanka with Maldives.
- Maldives may therefore evolve EL&R to join any regional electricity trading mechanism .

Bangladesh

- Though not meant to govern cross border power trade BERC Act will have implications thereon.
- Sections-24: GoB can ask regulator to undertake planning creating conflict of interest.
- Section-34:Traiff Fixation by BERC in consultation with GoB, compromising its independence.
- Section-36: BERC can vest properties, licensee etc. of an operator to any other person.
- Section-55: Decision of BERC final with no provision for further appeal.
- Bangladesh need to amend its EL&R to govern cross border electricity trade.
- A SAARC wide IGA could lay detail procedure of licensing, ownership, maintenance, operation, payment settlement mechanisms for smooth and orderly evolution of a South Asia electricity market.
- GoB has expressed desire to import electricity from Bhutan.
- For this to happen, new Generation plants have to be built in Bhutan and India has to facilitate power transfer.

Bhutan

- BE Act 2001 provides for development of hydropower as a revenue generator thru power export s.
- The Act clearly lays down the rules and procedures with regard to:
  - duties and obligation of the developer;
  - licensing norms;
  - provision of open access on transmission systems;
  - role and responsibilities of system operator including that for power exports;
  - designating bulk supplier including import/export of power; and
  - lay down rules and procedures relating to private sector participation.
- BEA 2001 is one of the Acts in SA that sets out legal/regulatory framework to promote cross border power trade.
- Electricity flows from Bhutan to any SMS has to be facilitated by India
- IGA between India and Bhutan provides for Bhutan to export the surpluses energy to India.
- Since existing plants are committed new plants have to be set up for supply of power to other countries.

India

- India, Bhutan, Nepal power trade predate EA2003, and are under bilateral aid assistance programs hence not covered under EA 2003.

- Despite India exchanges power with Nepal/Bhutan, EA 2003 silent about cross border power trade.

- Only reference to power imports as part of the implementation of provisions of EA 2003 has been made in CERC Notification No. L.7/143/158/2008-CERC

  - Issued under Section 178 of EA 2003 (36 of 2008), it deals with requirements, qualification etc. for obtaining license to become an "Electricity Trader".

  - Sub-section (k), under Section 2 (Definition and Interpretation) of Chapter-I (Preliminary), of this notification states that: *"inter-state trading" mean transfer of electricity from the territory of one State for re-sale to the territory of another State and includes electricity imported from any other country for re-sale in India".*

  - But CERC order dated Feb.16, 2009 clarified that above Notification does not apply to cross-border trade, and India's present agreements for cross-border electricity trade fall within purview of MEA.

  - It further states that definition referred to in the previous paragraph, "export of electricity needs to be excluded from the definition of inter-state trading". The order further states that the Regulation deals with electricity trade "after the stage of import".

Nepal

- Electricity Act, 2049 (1992) and Electricity Regulation, 2050 (1993) provide for import/export of electricity, including procedures for obtaining license/permits; approvals and agencies to grant these.
- The EL&R clearly specify legal/regulatory requirements of an importer or exporter of power.
- Regulations specify technical /operational performance parameters to be abided by Exporters/importers.
- There are no discriminatory provisions therein that would hinder cross border power trade.
- Bill to set up ERC with full power to regulate power tariffs waiting approval of the Parliament.
- Electricity Tariff Fixation Commission can only recommend tariff to GON, but is not functional.
- EL&R specify the quality and safety standards with regard to voltage level, technical parameter etc.
- Non-nationalization of electricity assets is assured by the government.

Pakistan

- Section7: Sub-section 1 of NEPRA Act 1997 gives it exclusive power to regulating electric services but weather electricity imports/exports/wheeled thru Pakistan will be dealt with NEPRA is not clear.
- Sub-section 2 empowers NEPRA to grant licenses for Gen., Trans., Dist.; prescribe procedures /standard of investment programs; operational and performance standards.
- Sub-section 3 of Section 7 defines NEPRA's role in to tariff fixation, review of performance of sector entities, setting of operational codes and standards among other functions.
- Section 7:Sub-section 4 permits Provincial govt. to build power plants and trans. lines and fix tariff for them. NEPRA to consult Provincial Governments in fixing tariffs from plants located in their states.
- Under Section-15 only KESC can build, own/operate Gen., trans facility without license from NEPRA.
- Section 19 provides for Open Access on Trans. Systems at approved user charges.
- Under Section 32: Sub-section 1 prior NEPRA approval needed for power procurement by Trans./Dist licensees.
- Would power imports have to comply with norms laid by NEPRA not clearly defined.

Sri Lanka

- Regulation Section 9 restricts issue of license to entities other than CEB, local authorities, societies and companies in which GOSL does not holds more that 50% equity stake; restricting investment.

- Section 10 (1) and (2) make provisions for exemption for issue of Gen./Dist license, but no norm laid down.

- Section 16 (b), (b) requires licensee to sell electricity only to transmission licensees.

- These provisions are a major hindrance in attracting investments in electricity sector including those for projects aimed at cross border power trade.

- Not having considered possibility of interconnection with SMS; Sri Lanka's EL&R do not have any provisions with regard to cross border electricity trade.

- Creation of India-Sri Lanka power interconnection and development of generation facilities could help Sri Lanka to export power to other SMS.

Summary

- Power Trades taking place between Afghanistan-CARs, India-Bhutan, India-Nepal, and Pakistan-Iran are not governed by their EL&R
- Private investment essential in the sector in view of diminishing government investment.
- EL&R have to help attract investment to give confidence to investors, lenders and other stakeholders.
- Capacity additions supported by private sector is key to enhance supply to meet the demand in SMS.
- That can happen only when there is will to allow and facilitate electricity trade amongst the SMS.
- SMS need to arrive at a SAARC wide IGA to promote cross border electricity trade and develop an electricity market in South Asia.
- The IGA should address all issues including: investment, building of cross border electricity infrastructure; setting up operational and technical parameters for connectivity; commercial matters, payment security mechanism etc; if SMS want to meet their electricity demand.
- Once the SAARC IGA on electricity trade is agreed upon, each country will have to align their EL&R so that there are no inconsistencies therein with regard to governing the sector operations within the country and trading electricity with other countries.

THANK YOU !