

Ministry of Power

Guidelines on Cross Border Trade of Electricity

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1.0 INTRODUCTION

- 1.1 The exchange of electricity across the South Asian Region will promote economic growth and improve the quality of life for all the nations and shall balance the diversity of primary energy sources and differences in seasonal patterns of supply and demand. A regulatory framework is required to accelerate the development of the cross-border trade of electricity.
- 1.2 The South Asian Association for Regional Cooperation (SAARC) countries envisaging the need for cross-border electricity cooperation signed the SAARC Framework Agreement for Energy Cooperation (electricity) on 27/11/2014 recognizing the importance of electricity in promoting economic growth and improving the quality of life in the region. The cross border trade of electricity also complements the electricity demand and resource endowments among the neighbouring and SAARC countries.
- 1.3 While each country is sovereign by itself, governed by its own policies and laws, there is a need to harmonise the laws/ rules/ regulations governing trade in electricity in order to facilitate the cross-border trade. It is therefore necessary to frame guidelines on cross border trade in electricity across and with the neighboring countries by India. The guidelines have been framed with this objective in view and aligned with the existing laws and requirement of the physical infrastructure development, system operation with reliability and stability, economic and commercial aspects, system demand, settlements and reconciliation of the obligations.
- 1.4 Notwithstanding anything done or any action taken or purported to have been done or taken for cross border trade of electricity with neighbouring countries shall be deemed to have been done or taken under provisions of these guidelines and shall continue to be in place till the expiry of the existing contract.
- 1.5 Keeping the above background in view, Ministry of Power in consultation with Ministry of External Affairs hereby issues the 'Guidelines on Cross Border Trade of Electricity'.

2.0 OBJECTIVE

2.1 The objectives of these guidelines are to:

- (a) Facilitate cross border trade of electricity between India and neighbouring countries;
- (b) Promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimise perceptions of regulatory risks;
- (c) Meet the demand of the participating countries by utilising the available resources in the region;
- (d) Reliable grid operation and transmission of electricity across the borders;
- (e) Evolve a dynamic and robust electricity infrastructure for cross border transactions.

3.0 AGREEMENTS FOR TRADE:

3.1 Any cross border transactions between India and neighbouring country shall be allowed through bilateral agreements between Indian entity and an entity of that country under the overall framework of agreements signed between the countries.

4.0 INSTITUTIONAL FRAMEWORK

- 4.1 Ministry of Power, Government of India shall designate an Authority (Designated Authority) for facilitating the process of approval and laying down the procedure for cross border transaction and trade in electricity.
- 4.2 The cross border trade of electricity shall be regulated by the Rules and Regulations framed or to be framed for the purpose of its implementation.
- 4.3 The Central Electricity Regulatory Commission (CERC) of India shall frame appropriate regulation for facilitating cross border trade of electricity with neighbouring countries in accordance with these guidelines. The regulation so framed by CERC shall be binding on all the participating entities.

5.0 COOPERATION WITH NEIGHBOURING COUNTRIES

- 5.1 The Designated Authority shall coordinate with the nodal agency of the neighboring country for all purposes as stated in the Rules or Regulations. These would include, inter-alia,
 - (a) facilitating the process of approval and laying down the procedure for cross border trade;

- (b) planning, monitoring and coordinating the commissioning of cross border transmission lines for cross border transactions;
- (c) the grid security, safety and operation;
- (d) any other function as assigned by Government of India, Ministry of Power.

5.2 The cross border trade of electricity transactions shall be governed by the policies of the respective countries.

5.2.1 Considering that electricity trade shall be involving issues of strategic, national and economic importance, participating entities (Participating Entity(ies)) complying with following conditions shall be eligible to participate in cross border trade of electricity after obtaining one-time approval from the Designated Authority :

- (a) Import of electricity by Indian entities from Generation projects located outside India and owned or funded by Government of India or by Indian Public Sector Units or by private companies with 51% or more Indian entity (entities) ownership;
- (b) Import of electricity by Indian entities from projects having 100% equity by Indian entity and/ or the Government / Government owned or controlled company(ies) of neighbouring country.
- (c) Import of electricity by Indian entities from licenced traders of neighbouring countries having more than 51% Indian entity(ies) ownership, from the sources as indicated in para 5.2.1(a) and 5.2.1(b) above.
- (d) Export of electricity by distribution licensees / Public Sector Undertakings (PSUs), if surplus capacity is available and certified by the concerned distribution licensee or the PSU as the case may be.

5.2.2 Any other participating entity shall be eligible to participate in cross border trade of electricity after obtaining approval of the Designated Authority on case to case basis.

5.2.3 Any change in the equity pattern of the participating entities after the date of approval shall be duly intimated to Designated Authority and fresh approval shall be obtained by the participating entities under para 5.2.1 and 5.2.2 above.

5.2.4 Any coal based Indian thermal power projects other than Public Sector Undertakings shall be eligible for export of electricity to neighbouring countries only if surplus capacity is certified by the Designated Authority.

5.3 Ministry of Power may also identify the sources from which power can be exported to neighbouring countries.

5.4 The Project Developer of the neighboring countries participating under cross-border trade shall submit the technical information to the Central Electricity Authority (CEA). Also, if required by the Designated Authority, the developer shall submit the commercial and financial information to the Central Electricity Authority.

6.0 TARIFF

6.1 Cross border transaction of electricity through Government to Government negotiations.

Where import/ export of electricity is agreed between the Government of India and the Government of neighbouring country involving the participating entities of the two countries, the tariff for such transaction shall be determined through Government to Government negotiations, which shall be adopted by the Appropriate Commission.

Provided that tariff of participating entity of the neighbouring country already determined through Government to Government negotiations shall continue to be determined through Government to Government negotiations.

6.2 Cross border transaction of electricity through arrangements other than Government to Government negotiations.

- (i) Tariff for import of electricity by Indian entities (including traders, distribution licensees) from generating stations (directly or through trader) located outside India may be determined, under long term/medium term/short term agreement, through a process of competitive bidding, which shall be adopted by the Appropriate Commission under Section 63 of the Electricity Act, 2003. Provided that in case of hydro projects, the tariff may be determined by the Central Electricity Regulatory Commission as per its Regulations, if approached by the generator through the Government of the neighbouring country and agreed by the Indian entities, including Public Utilities/Discos.
- (ii) Tariff for export of electricity to entities of neighbouring countries by Indian entities through long term/medium term/short term agreements may be as mutually agreed or through competitive bidding, subject to payment of the charges as applicable for transmission/wheeling of electricity through the Indian grid.

7.0 TRADE THROUGH INDIAN POWER EXCHANGES

- 7.1 Any Participating entity, with approval from the Designated Authority under para 5.2.1, after complying with the relevant regulations of CERC, shall be eligible for cross border trade of electricity through Indian Power Exchanges under the categories of Term Ahead Contracts, Intra Day Contracts/Contingency Contracts as defined in the Power Market Regulations of CERC. Provided that other entities shall be eligible to participate in the Indian Power Exchanges through the eligible licensees under the aforesaid Regulations of CERC.
- 7.2 Further, the quantum of electricity that can be traded under cross border trade for electricity in Indian Power Exchanges shall be prescribed from time to time by the Designated Authority.
- 7.3 Cross border trade of electricity can be extended to other categories of contracts based on review by Ministry of Power in consultation with CERC.

8.0 TRANSMISSION SYSTEM, SCHEDULING & ACCOUNTING

- 8.1 Transmission systems developed for cross border trade would normally be part of the integrated transmission system on the Indian side.
 - 8.1.1 The transmission interconnection between India and its neighbouring country shall be planned jointly by transmission planning agencies of the two countries with approval of the respective Governments. These interconnections would be planned based on the need for electricity trade in foreseeable future and sharing of information required for analysis and studies for such planning. The generator located outside the country may, if required keeping technical and strategic considerations in view, develop transmission lines to supply electricity to the pooling station at their cost. However, the associated transmission system in India shall be planned by CEA and Central Transmission Utility (CTU) with approval of Ministry of Power.
 - 8.1.2 The cross border transmission lines may be constructed between the pooling stations of one country to the pooling stations of the other country for secure, safe and controlled operation of the grid.
 - 8.1.3 The interconnection between two pooling substations of different countries shall be monitored and controlled by the respective system operators of the two countries, with proper coordination.

- 8.1.4 Pooling station will be the sub-station which shall be monitored by the system operator of the respective countries. Transmission line from pooling station of one country to the pooling station of the other country will be planned jointly by the nodal transmission agencies of the participating countries.
- 8.1.5 Transmission Access priority for Cross Border trade of electricity is to be determined by CTU as per the CERC regulation on Cross Border Trade of Electricity.
- 8.1.6 The transmission charges, scheduling, accounting, deviation settlement involving Indian Grid and any other related operational mechanism and matters involving inter connected grids of electricity shall be governed in accordance with the applicable CERC Regulations.
- 8.1.7 Ministry of Power shall notify Indian Nodal agency for each neighbouring country which shall be responsible for settlement of grid operation related charges as per CERC regulations.
- 8.2 Indian Generating Stations supplying electricity exclusively to neighbouring countries may be allowed to build independent transmission system for connecting to the neighbouring country transmission system keeping technical and strategic considerations in view and with the approval of the competent authority at the cost inbuilt in the contract agreement signed between Indian entity and the neighbouring countries. Such approval will be under applicable section(s) of the Electricity Act, 2003, subject to complying the technical and safety standards notified under various section of the electricity Act, 2003.

9.0 GRID OPERATION, SAFETY & SECURITY

- 9.1 Grid security is paramount, therefore, cross border electricity trade would be undertaken in a manner that does not jeopardize grid security at any point.

10.0 DISPUTE RESOLUTION

- 10.1 The disputes within Indian territory shall be settled as per the provisions of Electricity Act, 2003.
- 10.2 The disputes involving entities of separate countries may be settled through Singapore International Arbitration Centre or as may be mutually agreed by the participating entities.