

CROSS BORDER INTERCONNECTION

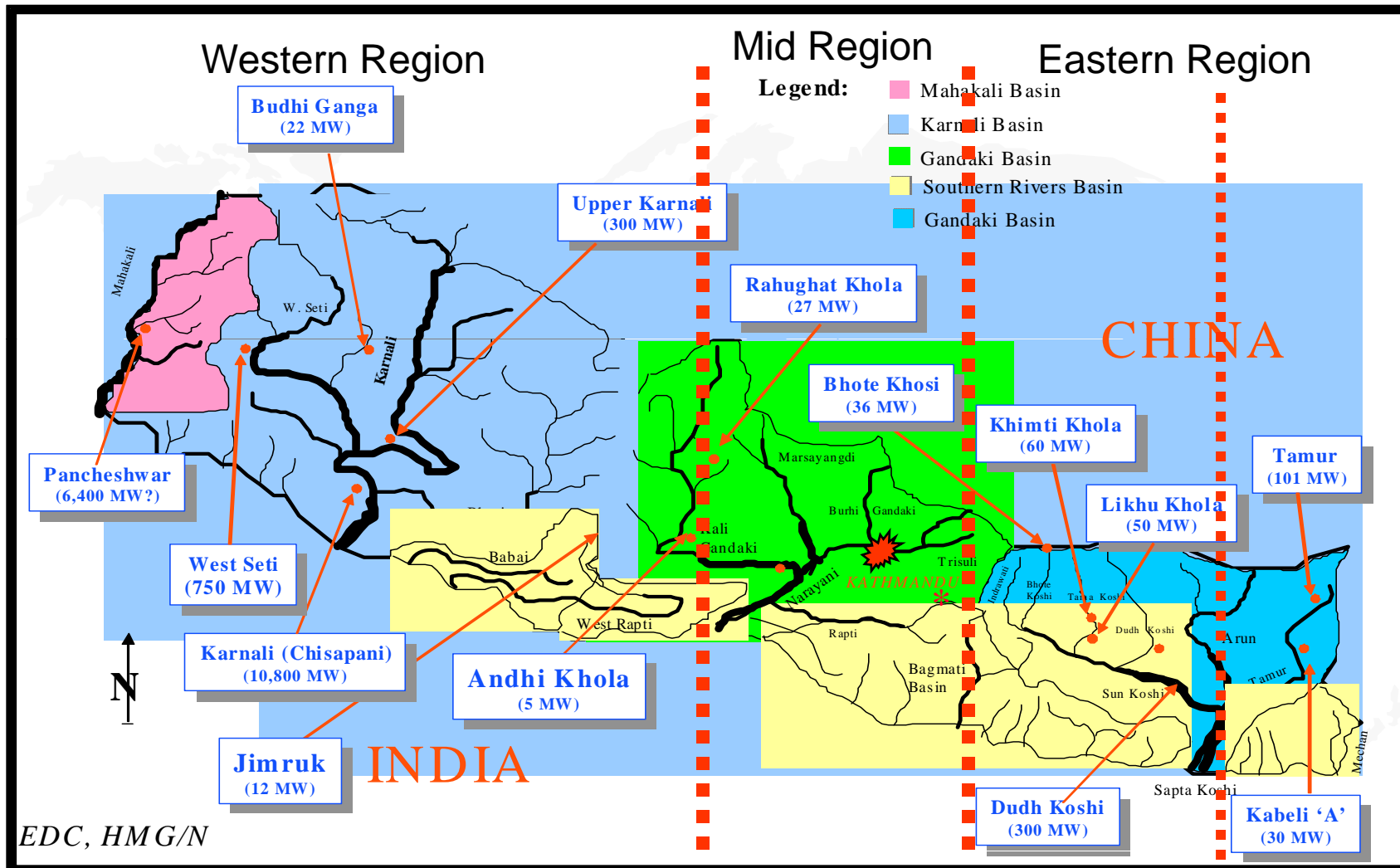
LDC

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Presented By

Sher Singh Bhat, Director, NEA

NEPAL RIVER BASINS



FACTS

- Nepal has huge hydro-potential
- Only less than 1% harnessed
- Surrounded by India from 3 sides
- India is a huge market

- We will be in supply deficit for next few years
- Import seems the fastest solution
- India and Nepal have diversities in demand and supply
- Nepal supply (hydro, ROR, snow fed, winter); Demand high during winter
- India supply (fossil base, good base supply); Demand high during summer
- This arbitrage gives high opportunity for exchange/trading

- **For that we need cross border lines and mechanism**

ISSUES -1

- What kind of interconnection?
 - AC Synchronous or
 - DC back to back
- What mode of development?
 - By governments under bilateral cooperation agreement or
 - By business entities in commercial mode
- What kind of operation?
 - Merchant line (charge for wheeled power)
 - Lease purchase
 - Complete capacity buy out (through ITSA)

ISSUES-2

- Two different regulatory regimes in two different geopolitical parts
- How to ensure the synchronization? Who will decide and give green signal?
- Electricity has still remained as strategic commodity despite:
 - international trade treaties like UNCTAD, GATT, WTO
 - regional trade organizations ANZUS, BENELUX, SAARC.
- Separate bilateral or multilateral agreements have been signed for cross border trade of electricity.
- What will safeguard us if we agree to sign ITSA for complete capacity buyout if line is developed under commercial mode? Is it the right choice?

ISSUE-3

- Is this mode of development so critical that we should step back?
- If not then what provisions of ITSA would ring fence our interests?
- If yes then how to move forward?
- **We believe that even if it is developed under commercial mode, a G2G agreement is must to ensure cross border trade of power without restrictions and synchronization of two systems. If synchronization is not their choice then agreement for DC back to back interconnection.**