



# SOUTH ASIAN ENERGY EXECUTIVES EXAMINE INTEGRATION OF THE EUROPEAN UNION ELECTRICITY MARKETS

**Under the South Asia Regional Initiative for Energy (SARI/Energy) Electricity Markets Partnership, funded by the U.S. Agency for International Development (USAID), thirteen executives from Bangladesh, Bhutan, India, Nepal, Pakistan & Sri Lanka met in Leipzig and Cologne, Germany, May 28 – June 1, 2007 to review Western and Southeast Europe’s electricity markets and their integration into an expanded European electricity market.**



*Delegates meet with the Federal Network Agency for Electricity, Gas, Telecommunication, Post and Railway – who is tasked with liberalization and deregulation, for the further development of the electricity, gas, telecommunications and postal markets.*

The USAID/SARI/Energy program promotes energy security in South Asia through three activities areas: (1) cross border energy trade, (2) energy market formation, and (3) regional clean energy development. Through these activities, SARI/Energy facilitates more efficient regional energy resource utilization, works toward transparent and profitable energy practices, mitigates the environmental impacts of energy production, and increases regional access to energy. SARI/Energy countries include: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka.

During the five-day exchange, representatives from government and private sector organizations of Bangladesh, Bhutan, India, Nepal, Pakistan, and Sri Lanka visited with the key market participants in Germany, as well as the market operators from Romania and Bulgaria.

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Meetings included:

- Romanian Electricity Market Operator (OPCOM) – responsible for issuance of licenses, approval of tariffs for grid usage, approval of market rules for the electricity market, and settlement of disputes in the network business
- Bulgaria Electricity System Operator (ESO-EAD) – organizes the electricity market through operation of the balancing market, enforcement of settlements, price setting, and maintenance of a market database
- European Energy Exchange AG (EEX) – operates spot and derivatives markets in power, CO<sub>2</sub> emission allowances and coal; and gas trading is scheduled to begin later this year. It is rapidly expanding its range of services with the aim of establishing EEX as Europe’s leading, multi-product energy exchange.
- European Commodity Clearing (ECC) – operates a clearing house for energy-related commodities and their derivatives. ECC provides clearing services for contracts traded on both the European Energy Exchange (EEX) and the European Energy Derivatives Exchange N.V. (ENDEX), as well as for over-the-counter (OTC) trades registered via these exchanges.
- Stadtwerke Leipzig GmbH – produces and distributes electricity, gas and long-distance heating in the net area of the city Leipzig, and have majority stakes in three long-distance heat supply enterprises in Poland. The company also offers energy services, invests in a range of renewable energies, and offers world-wide consulting services.
- RWE Trading GmbH – managing company for all energy trading activities within the RWE Group. The company operates throughout Europe and acts as a hub for all tradable commodities in physical form, such as power, gas, coal and oil, and for trade in energy derivatives geared towards hedging price risks.
- Federal Network Agency for Electricity, Gas, Telecommunication, Post and Railway (Federal Network Agency) – is a separate higher federal authority within the scope of business of the Federal Ministry of Economics and Labour. The organization acts as the root certification authority and is tasked to provide, by liberalization and deregulation, for the further development of the electricity, gas, telecommunications and postal markets and the railway infrastructure market.

*Ms. Mihaela Constantinescu, key expert with the development of the regional market framework within Romania’s system operator provided the delegation with an overview of the Romania electricity market and the extension of the European market to include the Southeast European region.*



*Mrs. Viktoria Popovska, Head of the Electricity Market Operator Division of the Bulgarian Electricity System Operator (ESO) provided the delegation with an overview of the Bulgarian electricity market formation, what initiated market reform, regulation, operational guidelines, pricing, and key players.*



*SARI/Energy delegates visit the European Energy Exchange AG (EEX) trading floor. Of Germany's 520,000,000 MW of consumption, approximately 17% were traded on the spot market in 2006. On the derivatives market, a product could be traded multiple times before delivery.*

*Dr. Norbert Verweyen, Vice President of Lobbying & Global Regulations for RWE Trading provided an overview of the functions of RWE Trading as the wholesale driven benchmark for the generation and supply sides of the RWE Group.*



*Mr. Holger Fleckenstein, an Analyst for Continental Europe for RWE Trading provides the delegates with an overview of the functions of the trading floor. RWE traders not only deal with commodities such as power, gas, coal and oil, they also actively trade physical and financial derivatives as well as environmental certificates.*

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The concluding meeting in Germany was with the Federal Network Agency, where the South Asian executives were given the history of liberalization of the European electricity markets and the function of the Council of European Energy Regulators and the European Regulators Group for Electricity and Gas in helping to shape the integration of the seven Electricity Regional Energy Market Projects into one functioning and competitive market.

*Results:*

The SARI/Energy executives will be able to apply numerous lessons-learned provided by the market players of Germany, Romania and Bulgaria along with the lessons shared by their other South Asian peers, to further energy security and give new investors confidence in the power sectors in South Asia.

RWE Trading provided the following documents to the South Asian executives:

- standard contracts provided by European Federation of European Traders (EFET) for physical delivery
- the International Swaps and Derivatives Association (ISDA) agreements and schedule for financial contracts

*SARI/E Electricity Markets Executive Peer Exchange Participants:*

*Bangladesh*

A.N.M. Obaidullah, Sub Divisional Engineer, Director of System Planning, Bangladesh Power Development Board

Md. Ruhul Amin, General Manager (Planning & Design), Power Grid Company of Bangladesh Ltd.

*Bhutan*

Dasho Sonam Tshering, Chairman, Bhutan Electricity Authority

Karma Tshering, Executive Engineer, Department of Energy

*India*

A.D. Mirajkar, Deputy Chief (Engineering), Central Electricity Regulatory Commission

Jiwesh Nandan, Director (Transmission), Ministry of Power

Rajeev Sharma, Executive Director, Power Finance Corporation Ltd.

*Nepal*

Anup Kumar Upadhyay, Joint Secretary, Ministry of Water Resources

Sher Singh Bhat, Chief, Load Dispatch Center, Nepal Electricity Authority

*Pakistan*

Nasiruddin Ahmed, Member (Tariff), National Electric Power Regulatory Authority

Nadir Altaf, Consultant, Regulatory Law, National Electric Power Regulatory Authority

*Sri Lanka*

Tissa Herat, Additional Secretary (Technical), Ministry of Power and Energy

Chamath Goonawardena, Team Leader, Public Utilities Commission of Sri Lanka

For more information, contact Sarah Blanford at [sblanford@usea.org](mailto:sblanford@usea.org).