

Summary of Discussions
Tenth Meeting of the Regional Power Trade Coordination Committee (RPTCC-10)
Siem Reap, Cambodia, 25-27 May 2011

Objectives

1. The Tenth RPTCC meeting (RPTCC-10) was held to: (i) discuss the requirements for setting up of a Regional Coordination Center (RCC) for power trade in the GMS; (ii) look into a suitable governance structure of the RCC ; (iii) discuss about the selection criteria for RCC headquarters, headquarters agreement, staffing and funding; and (iv) discuss about the contents of agreement to establish the RCC. Additionally, the RPTCC-10 meeting also discussed the latest draft of the new GMS Strategic Framework (SF), the results framework for energy and its implications on the GMS energy cooperation program, as well as the proposal of complementary capacity building program at national level in the GMS on RETA 6440 issues
2. The RPTCC-10 meeting was held in Siem Reap, Cambodia on 25-27 May 2011 and co-organized by the Ministry of Industry, Mines and Energy (MIME) of Cambodia and the Asian Development Bank (ADB). It was attended by RPTCC nominees of the six GMS member countries, as well as by representatives of ADB, Agence Francaise de Developpement (AFD), Australian Agency for International Development (AusAID), Environment Operations Center (EOC), Mekong River Commission (MRC) and the World Bank (WB). Attached is the agenda and program of the meeting (Annex 1) and the list of PTCC-10 participants (Annex 2).
3. The RPTCC-10 meeting was co-chaired by Mr. Dinh The Phuc, Deputy Director General, Electricity Regulatory Authority (ERAV) of Viet Nam and Mr. Anthony Jude, Director, Energy Division (SEEN), Southeast Asia Department (SERD), ADB.

Opening Session

4. Mr. Dinh The Phuc, DDG, ERAV, Viet Nam welcomed everyone to the RPTCC-10 meeting and expressed that Viet Nam was honored to Chair the GMS RPTCC and hoped his country could contribute positively to realizing the goals of the RPTCC program to promote power trade. He noted the important milestones in power trade development achieved earlier by the GMS countries and recalled the results of the RPTCC meetings in 2010 that contributed to these. He noted the current RPTCC focus to establish the RCC and gave a preview of the agenda for this meeting, which would mainly focus on fleshing out the design issues of the RCC. He wished everyone a successful and productive meeting.
5. H.E Tun Lean, DG, MIME, Cambodia thanked the RPTCC members for their support to further advance development of power trade arrangements, and also thanked ADB for support to the meeting and to power trade development. He recalled the significant advances in GMS power cooperation such as the signing of the Policy Statement on Regional Power Trade here in Cambodia and the Inter-Governmental Agreement on Regional Power Trade (IGA), both signed in Cambodia. The IGA set the long-term vision for GMS power trade and established the RPTCC that has since 2004 coordinated the various studies and activities to develop the policy and institutional framework for power trade. Two MOUs that expound on the IGA's vision for the GMS power market have also been signed to achieve the initial stage of power trade. He reiterated Cambodia's recognition of the strategic importance of GMS power sector cooperation to improve its competitiveness, through cross-border power transmission links to improve power supply and reliability and at the same time to lower energy costs for industry. He expressed

support for current efforts to develop a more permanent institution to oversee the phased evolution of the GMS power market, with the GMS RCC initially supporting power generation and transmission development, and later encouraging a power market competition when transmission links are well established. He enjoined everyone to actively participate in the discussions about RCC's role and structure.

6. Mr. Anthony Jude, Director, SEEN, ADB, welcomed the GMS participants and thanked MIME for hosting and co-organizing the meeting. He informed that the meeting will focus mostly on the requirements for establishing the RCC to coordinate step-wise progression of GMS power trade arrangements as the subregion advances in its stage of power trading. He noted that a draft report for the proposed GMS institutional structure was earlier circulated to the GMS countries, which was followed by an ADB consultation mission. He was pleased with the outcome of these consultations which led to the revision of the report. He went through the plan for the various sessions, which included the set up of the regional power trade organization, experiences in establishing similar organizations, and the proposed RCC governance structure, selection criteria for RCC headquarters, and the draft agreement to establish the RCC. An additional topic would be on the proposed complementary capacity building program under RETA 6440. He enjoined the participants to provide clear guidance on the RCC structure so as to reach consensus in setting up a workable regional power institution.

Country Updates of Power Development Programs (Annex 3)

7. **Cambodia.** Mr. Chan Sodavath from Electricite du Cambodge (EDC) provided updates on Cambodia's interconnection projects with Viet Nam and Thailand and informed that 40% of Cambodia's power demand (especially in Phnom Penh) is currently supplied by Viet Nam. Power imports from Thailand are used to meet demand mainly in the Siem Reap area. He informed of a planned high voltage transmission (230 kV) interconnection (Ban Hat-Stung Treng) to evacuate hydropower from Lao PDR to Cambodia, for which the bidding process would be started this month, and the transmission line will be commissioned in 2013. This transmission line is being financed by the WB.

8. **PRC.** Mr. Hu Feixiong, China Southern Power Grid Co. (CSG) presented the status of CSG in 2010, notably its generation and consumption and levels of exchanges with GMS neighbors. He provided details of CSG's 12th 5-year plan period noting the power exchanges within the CSG coverage area. He discussed details of power cooperation with Cambodia, Lao PDR, Thailand, Myanmar and Viet Nam. He stressed that a strengthened GMS power cooperation would entail coordinating the time sequence of generation and transmission development within the region but being mindful of environment/sustainability concerns.

9. **Lao PDR.** Mr. Bounnong Bouttavong, Electricite du Laos (EdL) provided an overview of power development in Lao PDR, and showed the milestones achieved in the power sector. He explained the industry's regulatory framework and the structure of the power market in the country. He showed the existing (2011) network and the various hydropower and transmission projects in the pipeline. He informed of the ongoing construction of the Load Dispatch Center (LDC) and regional control centers to be completed in 2015.

10. **Myanmar.** Ms. Mi Mi Khaing, Ministry of Electric Power-2 (MOEP-2) briefed on the structure of the electric power industry with MOEP-1 supervising hydropower development, and MOEP-2 supervising thermal power development and power system operation. She discussed the flow of power supply to consumers, the total installed capacity (current and past 5 years) the national grid system, transmission and distribution system. She discussed the capacities of

various hydropower projects planned near the border with PRC and Thailand. She also showed the future planned transmission lines.

11. **Thailand.** Mr. Suthep Chimklai, Electricity Generating Authority of Thailand (EGAT), provided a breakdown of energy generation and details of power imports (actual and potential) from GMS neighbors (Myanmar, PRC, Lao PDR and Cambodia). He informed of the status of power purchases from Lao PDR and the plan for power purchase from Myanmar.

12. **Viet Nam.** Mr. Trinh Quoc Vu, Electricity Regulatory Authority of Viet Nam (ERAV) provided the current status of the power system, noting that PDP VII (2011-2020) had been submitted to the Prime Minister. He updated on the status of current and future interconnection projects with PRC, Lao PDR and Cambodia.

13. **Discussions.** The following issues/ points on the presentations were raised:

- a. ADB (Mr. Bui) inquired about the status of the PRC-LAO-THA interconnection and the Xayaburi hydropower project. Thailand informed of the line route to move power from Xayaburi power station to Bangkok. PRC noted the recent developments in the MOU on the PRC-LAO-THA transmission project.
- b. Mr. Jude noted the need to improve the linkages with the GMS Working Group on Environment (WGE), especially given the need to address the huge water resource demands of the energy sector.
- c. In response to query from ADB, GMS representatives gave further details on key GMS projects highlighted in the country presentations.
- d. Mr. Jude inquired about the implementation of PPA wherein Viet Nam is required to supply 200 MW (full capacity) of power to Cambodia. Viet Nam informed that because of the drought last season caused a serious power shortage in Viet Nam and hence they were not able to supply the full 200 MW but they will be able to do so this year.
- e. Mr. Jude stressed that ADB could not support any hydropower project in the mainstream Mekong river but will support hydropower projects on the tributaries but these will be subject to strict adherence to ADB's safeguard policies..

The New GMS Strategic Framework (SF) 2012-2022 and Energy Results Framework (Annex 4)

14. Mr. Pradeep Srivastava, Senior Regional Cooperation Specialist, SERC, ADB, provided a background on the new GMS Strategic Framework (2012-2022) currently being reviewed by GMS governments and other stakeholders. A revised draft would be reviewed by GMS Ministers prior to final endorsement by the GMS Summit of Leaders in December 2011. The GMS SF consultations revealed that the GMS countries desired to maintain the current SF direction but with fine tuning to enhance impact, such as more effective focus on software, greater selectivity in focus areas, and more attention to cross-sector linkages. He explained how the new SF would be anchored on the corridor development approach to maximize leverage through project clustering (based on economic potential of selected areas) but with continued focus on a broad range of sector priorities. He presented the results framework for energy over five levels: GMS bodies and institutions; GMS interventions; changes in sector outputs; changes in sector outcomes; and regional impacts. This was compared to the overall results framework covering various GMS sectors of cooperation.

15. **Discussions.** The participants raised the following issues/ points on the GMS SF:

- a. Lao PDR inquired about the status of the GMS SF presented. Mr. Srivastava clarified that the draft has been disseminated to the GMS countries through the GMS national coordinators. Further comments received would be incorporated in the revised version that would be presented to GMS ministers' meeting in August'11 and endorsed at the 4th GMS Summit in December'11.
- b. WB inquired whether inputs of development partners to the GMS SF would be sought. Mr. Srivastava noted that a meeting to consult with core GMS development partners would be organized before the GMS SF is finalized.
- c. AFD noted that the outcomes and outputs shown in the GMS SF are consistent with the expected outcomes/ outputs from AFD's GMS energy cooperation program.

Setting up a Regional Organization for Power Trade (All RCC references: Annex 5)

16. Mr. Jong-Inn Kim, Lead Professional (Energy), SEEN, ADB suggested to GMS participants to ensure full understanding of the proposals on the RCC and to raise questions as and when they feel it necessary, to clarify matters.

17. Mr. Caubet, Consultant, gave the background to the current policy framework for GMS power cooperation, from the signing of the Policy Statement on Regional Power Trade (RPT) in 1999, to the IGA signing in 2002 to the signing of MOU-1 and MOU-2 in 2005 and 2008, respectively. He briefed participants on the governing structure and functions of the RPTCC that was established to coordinate implementation of RPT. He then explained the thrusts of the two MOUs signed after the IGA: MOU-1, which set more "modest" rules for initial trade at Stage 1 to guide future power market development and MOU-2 that prescribed a Road Map with milestones and timelines to fully achieve Stage 1 and to prepare for Stage 2. He expounded on the functions of both the Focal Group (FG) and Planning Working Group (PWG) to undertake specific studies and activities for the RPTCC. He discussed the activities undertaken under the two RETAs (6304 and 6440) in support of the RPTCC, and enumerated the activities which required the effective support of ADB such as the updating of the Master plan, and completion of the Grid Code study. He gave the rationale for the creation of the RCC as a permanent GMS organization that would send a positive signal to investors and development partners that the GMS countries are commitment to regional cooperation for strengthening competitiveness within the GMS.

18. Mr. Caubet also presented the desired institutional design of the RPT organization that should be able to evolve its governance and regulatory structure as competition in the market becomes more feasible. He noted the various objectives of the RPT organization and explained its logic through the links between actions (e.g. more investments, more power trade) and outcomes (e.g. more power facilities built, lower energy cost, more reliable supply). He discussed the two types of key design issues that need to be addressed, i.e., internal governance and external regulation issues. Among the key governance design issues are: the type of legal entity, its internal components, allocation of decision authority, funding sources, and reporting systems that need to be used. Among regulation issues are: kind of regulator, powers of the regulator (reviewing/ modifying pool-made decisions, appointing Board members and allocating voting rights), and its role in enforcing transparency was explained. He then presented the possibilities for the RPT organization in terms of the type of legal entity, the type of Governing Board, the allocation of decision authority, membership and allocation of voting rights, rule changing, dispute resolution, information system and reporting requirements, structure and membership, and finally regulatory authorities/ procedures.

Lessons Learned from International Experiences in Power Trading/ Pooling

19. Mr. Caubet presented the lessons learned from international experiences in power trading/pooling in the South African Power Pool (SAPP), West African Power Pool (WAPP), East African Power Pool (EAPP), Central America Power Pool (SIEPAC) and the European Union power pools. The lessons covered each power pool's organization, management structure, coordinating center functions, staffing and financing of the center, and members' contributions. He did a comparison of governance structures in terms of their legal background, governing authority, executive authority, regional regulator, administrative organ, information/ coordination center, membership, legal form, legal personality, and independency/ neutrality.

20. Mr. Kim (ADB) reported on the first results of the consultation missions in all six GMS countries in 19 April-6 May 2011, which resulted in a consensus that RCC be an international non-profit association and that RCC be vested a legal personality. Through the consultations four countries (PRC, Lao PDR, Thailand and Viet Nam) expressed interest to host the RCC headquarters.

21. Experiences in Establishing Similar Organizations in the Region. Mr. Caubet discussed two cases of setting up international organizations in Southeast Asia- the ASEAN Center for Energy (ACE) and the Mekong Tourism Coordination Office (MTCO). ACE, which is based in Jakarta was established in 1999 to initiate, coordinate and facilitate regional and joint collective activities on energy. He discussed the ACE organizational chart, and management and staffing. Meanwhile, MTCO which is based in Bangkok was established in 2006 to coordinate the implementation of the GMS development and marketing agenda in the tourism sector. He discussed the MTCO's financing, budget, staffing, and the institutional recommendations to improve its effectiveness.

22. MRC Presentation. Mr. Pich Dun, MRC noted that MRC is an inter-governmental river organization created in 1995 as an advisory body. He explained the MRC's governance structure and the MRC Secretariat's organizational structure. The first MRC Summit (April 2010) envisioned MRC to be financially sustained by members by 2030. He discussed the manner in which MRC coordinates with member countries and cooperates with dialogue partners. He showed the various MRC programmes and the guidance MRC receives from the Governance body. He then explained the MRC's current and future funding arrangements, contribution mechanism and implementation modality. He briefed in the rules of operational procedures (ROPs) for the MRC Council, Joint Committee and MRC Secretariat.

23. **Discussions.** Mr. Kim (ADB) asked the amount that is contributed by each member of MRC. Mr. Dun replied that the assessment is based on the size of the economy. He said MRC enjoys certain tax exemption privileges given by the host country and that Thailand and Viet Nam contribute a larger share of the annual funds.

Governance Structure of RCC for the GMS

24. Mr. Caubet presented the proposed seven-point design criteria for the RCC as follows: (i) that it be an international non-profit association; (ii) that it be an independent legal entity; (iii) membership of national utilities; (iv) level of decision making; (v) operation with fair members' funding; (vi) efficient external regulation; and (vii) adequate dispute resolution mechanism. He showed the rationale and the proposed governance structure for the RCC, distinguishing the existing with the structure for the interim phase and final stage. He discussed the proposed duties of various actors- the ministerial meeting, the executive committee, the regional

regulatory body, and finally the proposed RCC. Functions of the RCC include promoting infrastructure projects emerging from the master plan, maintain an electronic repository and retrieval system of regional power data, and evaluate/ advise on impact of future projects. He showed the proposed organigram for the RCC and required personnel complement and budget. He also listed the proposed duties of the technical working groups (TWGs) and four are being envisaged at this stage (on planning, operations, environment and market development/ monitoring).

25. **Discussions.** Mr. Jude stressed the need for GMS members to decide on specifics of the staffing and other design elements of the RCC. On external regulation, this would not be necessary at this point when power trade transactions are not yet feasible. However Mr. Caubet stressed that it would be important for GMS members to have a vision of what they want the RCC to be capable of doing in the future. Thailand stressed that current efforts should focus on strengthening the less developed power systems rather than dealing with the structure of a power market that would not be in place for quite some time. Mr. Kim suggested adoption of the first three design criteria, leaving the next four for confirmation/discussion later that will be defined during review of draft inter-utility MOU and necessary legal documents.

26. Mr. Kim stressed that the interim phase of the governance structure would need more discussion by the GMS members. PRC noted the complications it would arise between the RCC's regulatory function and the various agencies involved in electricity regulation within PRC. Mr. Kim added that regulatory function of the RCC would be nil during the interim phase when competitive power trade would not be present yet. On the governance structure for the final stage, Viet Nam noted that a transmission system operator (TSO) representative to the Executive Committee would not have the mandate to make or change policy. Mr. Caubet said that the structure provides for a regional body, where the ministries would be represented, to undertake regional regulation.

27. Mr. Jude noted that the structures presented would be models that could be further fine-tuned into structures suitable for the GMS region. He enjoined participants to think back on what would work in their power markets and to look at the prospective roles their respective organizations could play in the future regional organization.

Discussions on Proposed Governance Structure of RCC / Country Position

28. Mr. Phuc (Chair) gave a brief recap of the previous day's discussions. Mr. Caubet presented a revised proposal for institutional arrangement for both the interim phase and final phase, based on earlier discussions. He gave the first stage and second stage activities for the final phase, and reviewed the revised list of activities, with some requiring the support of ADB, that needed to be started shortly. Mr. Kim stressed the need for the countries to agree at this point, to various functions that the RCC would take on. With regard to time frame of RCC establishment, considering time taken in preparing relevant inter-utility MOU and necessary ratification process in each country, time taken in physical operation of RCC after completing legal mandates, and time taken in preparing technical environment which enable regional power trade such as synchronized power trade by RCC, it is the right time to discuss establishment of RCC.

29. The participants raised the following issues/ points on the governance structure:

- a. The countries generally support the idea that the RCC should be placed under the RCC Board (the term "Executive Committee" will be used as RCC Board) which in turn oversees the RCC.
- b. In response to Lao PDR's query, Mr. Caubet clarified that the representatives of utilities to the RCC Board would also be RPTCC members. The RCC would be established already in the interim phase and reporting to the RCC Board and RPTCC. Cambodia requested that instead of creating a new RPTCC, the existing RPTCC functions could be reviewed and used.
- c. Mr. Kim noted that when RCC is established, it would take over some of the RPTCC functions as listed in the interim phase chart.
- d. Viet Nam inquired about details of the relationship of RCC and the RPTCC. Mr. Caubet clarified that the new RPTCC would be composed of representatives of utilities, ministries (in charge of legal/ institutional issues) and national regulators, while the RCC Board would be composed of CEOs of utilities.
- e. WB noted that with RCC taking over technical functions, it could move faster on the power trade work program such as updating/maintaining the database and the regional master plan. He stressed the long internal process within the countries needed to establish the RCC.
- f. ADB (Mr. Kim) raised the issue of whether revision of the IGA would be needed to pave the way for the inter-utility MOU to establish the RCC. Mr. Caubet explained that IGA revision would not be needed during the interim phase. However in the final phase, reconstitution of the RPTCC would take place so IGA revision may be needed by then.
- g. The GMS countries generally realized that no IGA revision would be needed in the interim but recognize that revision of the IGA would be needed before the time of establishment of the Executive Committee, replacing the RPTCC.
- h. Viet Nam suggested commencing revision of the IGA since this would be needed sooner or later. ADB suggested amending the IGA and formulating the inter-utility MOU in parallel, given that both processes would take a long time.
- i. Cambodia asked whether there is a strong reason for revising the IGA now. As per provision of establishment of RPTCC under the IGA, the RCC could be established under the inter-utility MOU (IUM) within the umbrella of the IGA. ADB opined that establishment of the RCC as a legal entity may not be binding to the countries if it is provided for only by the inter-utility MOU, but this view may have to be validated by legal experts.
- j. AFD noted that a revision of IGA may be needed to empower the RPTCC to be a decision-making body. ADB added that currently the RPTCC is only an advisory body specified in guidelines of RPTCC and may create bodies with similar mandate.

30. Mr. Caubet reviewed the proposed functions of the three units of RCC (Regional Planning/ Environment, Operation, and Finance/ Administration) in initial phase and sought comments on the proposed personnel complement. GMS participants generally supported the proposed 3-unit structure of the RCC and cost of \$50,000 per person/ year (initial estimate). Mr. Caubet also presented the estimated RCC budget (staff and office/ equipment costs). PRC noted that these costs would be dependent on cost of living of the city where the RCC HQs would be based. Mr. Caubet added that personnel costs would roughly amount to \$500,000 per year for the proposed seven professional staff and 2 contract staff, and variations could result from various factors such as city cost of living, existence of secondments and the number of meetings RCC staff needs to attend. Thailand said that future adjustments may be needed as necessary. Mr. Kim added that more detailed personnel costing including secondment arrangements and number of staff could be discussed later.

31. The participants discussed the possible composition of the RCC Board and noted that countries could be represented either by utilities or transmission system operators (TSOs) or Ministry for Myanmar. For the final phase, Mr. Caubet noted the RCC Board would supplant the RPTCC, and which will be constituted by the regional regulators as well as utility representatives. Mr. Kim discussed the legal approach for establishing the RCC, in terms of needed revisions in the IGA, and the signatories to the agreement to set up the RCC, among others. It was agreed to leave it to the GMS countries to consult with their respective legal experts on the most feasible legal approach and the internal processes needed to get the RCC established.

Selection Criteria for RCC Headquarters,

32. Mr. Caubet presented the six-point proposed selection criteria for the RCC as follows: (i) RCC as international non-profit organization; (ii) provision of independence and neutrality to the RCC; (iii) provision of privileges and immunities to help RCC carry out its duties; (iv) provision of office space and facilities; (v) secondment of professional staff to RCC; and (vi) contribution to RCC operating budget (beyond amount to be given by other GMS members). He posed a number of questions under each criterion that a prospective host would need to answer to determine its suitability to host the RCC headquarters. Examples of questions are as follows: (i) criteria 1- does the country legal system allow for establishment of RCC with status of international organization; (ii) criteria 2- does the country agree on the principle of independence and neutrality for operation/ management of RCC; and (iii) criteria 3- will country's national authorities exempt RCC its assets, income and other property from all direct taxes.

33. **Discussions.** The participants raised the following points:

- a. PRC agreed with the proposed selection criteria but noted that only diplomats could be given immunities. He reiterated PRC's offer to host the RCC in Kunming (which will be treated as the other international organizations in PRC) and readiness to provide office facilities and equipment for free.
- b. Viet Nam informed of her country's positive compliance with a number of questions in the listed criteria, except provision of office space and facilities (criteria 4) which needs to be confirmed with higher authorities in Viet Nam.
- c. Cambodia showed support for establishing the RCC, but expressed that it was not interested in participating as a candidate to host the RCC.
- d. Lao PDR indicated that terms of his country's offer to host the RCC would be confirmed with the legal and foreign affairs officials, but confirmed that provision of office space and facilities would be provided by EdL.
- e. Thailand indicated that RCC staff would get the same immunities/privileges given to ADB in Thailand. She said Thailand's terms of offer for criteria 4, 5 and 6 would have to be discussed with relevant officials in Thailand.
- f. Myanmar said that his country should be able to enact special laws covering specific terms for hosting an organization such as the RCC, including staff privileges and immunities.
- g. Viet Nam noted that fair financial contribution of GMS members to operational costs of the RCC should ensure the RCC's independency and neutrality, although start-up costs (venue, equipment and facilities) could be shouldered by the host.
- h. Mr. Caubet said the countries may vary their responses to the criteria questions, which would be evaluated later for the purpose of ranking the offers to host RCC. He stressed that the criteria presented were generally accepted elsewhere.

- i. Lao PDR asked for a clearer time frame for setting up the RCC, since conditions faced by a prospective host could change over time.
- j. In response to PRC's query, ADB said that scoring and evaluation of proposals according to the criteria, and by whom, would need further guidance from the countries.
- k. ADB noted that a key issue to be decided is the composition of this committee. All these would be needed to ensure transparency.
- l. Mr. Caubet suggested eliminating outright a country with a negative answer to any one criterion. For scoring purposes, Mr. Kim suggested removing criteria 1 and 3, since all countries comply with criteria 1, while criteria 3 would be dependent on the provisions of the agreement to establish the RCC HQs.
- m. Lao PDR suggested that the evaluation committee should be able to propose another criterion for selection. ADB said however that in case this happens the committee would need to consult with the RPTCC once again on the acceptability of this new criterion.
- n. WB suggested asking each country to propose 1-2 criteria, which should be submitted to the committee within a week, and which will be evaluated by the committee for adoption.
- o. ADB stressed it would be preferable for the countries to agree beforehand on what these criteria are, and once the criteria are announced, the committee could no longer change the rules of selection, and should just focus on scoring the offers based on the criteria.

34. **Agreements.** On the composition of the evaluation committee, the participants suggested to exclude all GMS countries and include only non-GMS partners namely, ADB, AFD, WB, SIDA and AusAID. The meeting also agreed that the GMS countries would give further comments on the criteria no later than 15 June 2011. If there is no response by 15 June, ADB will assume there are no comments from respective country. Timelines would be set later for the other milestones that include: (i) constitution of the evaluation committee; (ii) finalization of criteria by committee; (iii) send and get back comments on the draft of mechanism and criteria for evaluation; (iv) issuance of finalized criteria and request for proposals (RFP) to prospective hosts; and (v) submission of proposals (within 60 days of issuance of the RFP).

35. A video introducing the CSG's coverage, progress and recent accomplishments as a leading power grid company in PRC was shown during the meeting upon PRC delegation's request.

Review of Draft Agreement to Establish Regional Coordination Center (RCC)

36. Mr. Caubet explained that there is no need to revise the present IGA but there is need to establish the inter-utility MOU (IUM). He presented and briefly explained each component of the IUM as follows: preamble, objectives, hierarchy of documents governing RPT, definitions, effective dates of IUM, membership, agreements with non-members, previous agreements, interconnected transmission facilities, governance structure of the GMS RPT, executive committee, various working groups (planning, operating, environmental, market), RCC, interaction with other stakeholders, termination of membership, dispute resolution, amendments, assignment, confidentiality, notices/ domicilium, and signatories.

37. **Discussions.** The participants raised the following points:

- a. Lao PDR said that aside from costs, income of the RCC (such as future trading fee) should be discussed, agreed on and included in the IUM. Mr. Caubet said this could be included as a separate article or subsumed in the RCC's interaction with other stakeholders (item 15).
- b. Cambodia informed that 3 months would be needed to review and seek internal clearances on the IUM provisions. Thailand, Viet Nam and Myanmar also needed about 3 months to review the draft internally. PRC and Lao PDR said 1 month would be enough lead time for review of the draft.

38. **Next Steps.** The meeting proposed that a draft of the IUM would be prepared by consultant by 30 June 2011 and circulated for review to the countries. A special RPTCC meeting could be held at the end of July 2011 to further discuss the energy ministries' and utilities' comments on the draft IUM. However the internal review and clearance process involving other ministries after the July 2011 meeting could take time and the countries will exert best efforts to finalize and secure authorization to sign the IUM in time for either the 4th GMS Summit in Myanmar (December 2011) or the GMS Ministerial Meeting in 2012. The GMS countries (except Thailand) agreed to this timetable; Thailand delegation will consult higher energy authorities on the proposed timetable and relay its view by email shortly.

Proposal of Complementary Capacity Building Program at National Level in the GMS on RETA 6440 Issues:

39. Mr. Kim reviewed the various activities undertaken under RETA 6440 (SIDA financed) particularly for component 1 (facilitation of development of regional power trade), and component 2 (capacity development for environmental impact assessment [EIA]). He pointed out training opportunities through knowledge sharing and workshops covering the activities and timetable under the updated RPT road map. These include among others, updating of the master plan (every 2-3 years), completing the study on grid code, especially GMS performance standards and metering and communications (2011 onwards) and adopting/ implementing proposed GMS policies, especially policy on data exchanges (2011-2013).

40. **Discussion.** PRC stressed the need for capacity building in master plan coordination and conduct of two-way power exchanges. The Chair (Viet Nam) agreed on importance of latter topic, and Lao PDR stressed that focus on technical grid code issues could help minimize barriers to interconnection among GMS members. ADB stressed that GMS members with more advanced power systems could help share knowledge with other GMS members. Thailand informed of its training program assistance to GMS members. Cambodia expressed concerns about synchronization of two or more systems, and together with Viet Nam, expressed support for training in adoption of performance standards and the grid code. WB noted that a critical area is in synchronizing the master plan with individual country plans and investment program and WB would be supporting training in performance standards and other technical issues. Thailand noted that some training areas such as power trade rules for settlements and third party access may not be needed in the short term in the absence of an operational GMS power market. ADB (Mr. Kim) agreed to the suggestions and informed of the focus of training on technical grid code issues such as performance standards and metering and communications.

41. Mr. Bui (ADB) presented the objective and rationale of capacity building activity under the Phnom Penh Plan (PPP); objective is to enhance decision making skills for non-energy managers in agencies responsible for reviewing/approving energy programs/projects. He explained the proposal for a workshop cum training for director level managers of government

agencies to be supported by ADB PPP and Sida. The program for the workshop, currently being prepared, would entail 7 working days to be held in Vientiane in the first quarter of 2012.

42. **Discussion.** The Chair noted that the proposed program would be useful for enhancing power system knowledge of non-energy managers. The GMS participants agreed to the proposed PPP activity.

Sida Evaluation Study

43. Mr. Kim briefed the participants on the background, purpose and intended use of Sida evaluation study proposal on behalf of and upon the request of Sida. He explained the scope of work of this study and its implementation plan, which will look into both components of RETA 6440. He stressed the importance of this evaluation, as it will be a crucial input into Sida's decision on future assistance to GMS power cooperation. He said the Sida evaluation team will contact GMS representatives, and commence work in August/ September'11 and complete its work by the end of 2011. He clarified that the evaluation report will be shared with the GMS members.

Closing Session

44. **Synthesis of Discussions/ Venue of Next Meeting.** The Chair (Viet Nam) noted the various items discussed during the meeting, including the updates of country programs, the requirements for setting up the RCC and the proposal for future capacity building. He added that Viet Nam would inform ADB of its decision to host the next RPTCC meeting in Da Nang after consulting with higher authorities.

45. **Consideration and Adoption of Proceedings.** The Chair announced the distribution of the draft summary of proceedings for review by the participants. After the RPTCC members have reviewed the draft summary of proceedings, and after incorporation of suggested changes, the body therefore approved the minutes of the RPTCC-10 meeting *ad referendum*.

46. **Closing Remarks.** The Chair thanked the participants for their insights during the meeting discussions and expressed appreciation for the support of the Cambodian Government and ADB in hosting and organizing the meeting.



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Tenth Meeting of the
Regional Power Trade Coordination Committee (RPTCC-10)
Angkor Palace Resort Hotel, Siem Reap, Cambodia
25-27 May 2011**

Agenda and Program

<u>24 May (Tue)</u>	Arrival of Delegates
<u>25 May (Wed)</u>	Day 1
08:30am-08:45am	Registration
08:45am-09:15am	Opening Session Opening Address by Incoming RPTCC Chair (Viet Nam for 2011-2012) Welcome Address by Mr. Tun Lean, Director General, Department of Energy, Ministry of Industry Mines and Energy (MIME), Cambodia Welcome Address by Mr. Anthony Jude, Director, Energy Division, Southeast Asia Department, ADB
09:15am- 09:45am	Discussions: Country Updates of Power Development Programs: Focus on Cross-Border Projects (Reference: Country Briefs; each country may allot 3 minutes to give only the highlights) <ul style="list-style-type: none">- Chair, GMS power focal persons
09:45am-10:05am	Presentation on draft GMS Strategic Framework: Energy Results Framework <ul style="list-style-type: none">- Pradeep Srivastava, ADB
10:05am-10:50am	Setting up a Regional Organization for Power Trade: <ul style="list-style-type: none">• A Regional Coordination Centre for GMS Power Trade: Background and Objectives• Institutional and legal framework for good governance and efficient organization of Regional Electricity Markets (REMs): Design issues to be addressed <ul style="list-style-type: none">- ADB, Consultant
10:50am-11:00am	Coffee Break
11:00am-12:00nn	Setting up a Regional Organization for Power Trade: <ul style="list-style-type: none">• Highlights of Other Regional Power Market Experiences (Africa, Central America and Europe).• Comparison of Governance Structures: what lessons to learn for the GMS Organization for Power Trade?• Results of the Consultation Mission carried out in the GMS Countries. <ul style="list-style-type: none">- ADB, Consultant
12:00nn-01:30pm	Lunch Venue: Sunset Cafe

- 01:30pm-03:00pm Experiences in Establishing Similar Organizations in the Region: ASEAN Center for Energy (ACE); Mekong Tourism Coordinating Office (MTCO); Mekong River Commission (MRC)
- ADB, ACE, MTCO and MRC Representatives
- 03:00pm-03:15pm Coffee Break
- 03:15pm-05:30pm Governance Structure of RCC for the GMS
- Proposed Design Criteria
 - Proposed RCC Organization/ Governance Structure
 - Proposed Duties and Responsibilities for RCC
 - Proposed Staffing and Implementation Phasing
 - ADB, Consultant
- Group photo
- 06:30pm-08:00pm Dinner hosted by ADB

26 May (Thur)

Day 2

- 09:00am-09:15am Recap of Previous Day's Discussion
- Chair, ADB, GMS Participants
- 09:15am- 10:30am Discussions on Proposed Governance Structure of RCC / Country Position
- 10:30am-10:45am Coffee Break
- 10:45am-12:00pm Continuation of Discussions on Proposed Governance Structure of RCC / Country Position
- Recap of Discussions & Recommendations
- 12:00pm-01:30pm Lunch
Venue: Sunset Cafe
- 01:30pm- 03:00pm Selection Criteria for RCC Headquarters, Headquarters Agreement, Staffing and Funding
- Views of GMS Participants
 - ADB, Consultant, GMS Participants
- 03:00pm-03:15pm Coffee Break
- 03:15pm-05:30pm Review of Draft Agreement to Establish Regional Coordination Center (RCC)
- Analysis of Current Institutional Framework: Needs for Revision?
 - Proposed MOUs
 - Reactions/ Views of GMS Participants
 - Reactions/ Views of Development Partners on Next Steps for RCC

06:30pm	- ADB, Consultant and GMS Participants Dinner
<u>27 May (Fri)</u>	Day 3
08:30am-9:30am	Continuation of discussion for review of draft agreement
9:30am-10:00am	Synthesis of Discussions/ Agreements on RCC, Next Steps and Milestones with Timetable <ul style="list-style-type: none"> • Additional Suggestions, Discussions - ADB, GMS Participants
10:00am-10:30am	Proposal of Complementary Capacity Building Program at National Level in the GMS on RETA 6440 Issues: <ul style="list-style-type: none"> • Technical Proposal: Topics, Duration and Tentative Schedule • Discussion Proposal for Capacity Building for non-energy officials in the GMS countries under Subregional Energy Forum and Phnom Penh Plan <ul style="list-style-type: none"> - ADB, Consultant and Meeting Participants
10:30am-11:00am	Coffee Break
11:00am-11:30am	The Proposed SIDA Evaluation Study <ul style="list-style-type: none"> • Discussions
11:30am-12:00nn	Closing Session <ul style="list-style-type: none"> - Synthesis of Discussions/ Agreements by RPTCC Chair - Consideration and Adoption of Proceedings - Next Meeting - Closing Remarks by RPTCC Chair
12:00pm-01:30pm	Lunch Venue: Sunset Cafe



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LIST OF PARTICIPANTS

A. GMS Countries

1. Cambodia

H.E. Tun Lean

Director General of Energy
Ministry of Industry, Mines and Energy
Tel.: +855 11 825135
Email: tunlean@gmail.com

Mr. Chan Sodavath

Deputy Managing Director
Electricité du Cambodge
Tel.: +855 23 724771 (ext 125)
Fax: +855 23 426938
Email: sodavath@yahoo.com

Mr. Heng Kunleang

Director
Department of Energy Development
Ministry of Industry, Mines and Energy
Tel.: +855 12 829778
Email: hengkunleang@yahoo.com

Mr. Gnhoung Choumnit

Officer, Planning Office
Department of Energy Development
Ministry of Industry, Mines and Energy
Tel.: +855 23 216735
Fax: +855 23 218634
Email: choumnit320246@yahoo.com

Mr. Nou Sovannara

Deputy Director
Energy Development Department
Ministry of Industry, Mines and Energy
Tel.: +855 12 829778
Email: sovann_dara@yahoo.com

Mr. Math Rofat

Officer, Planning Office
Department of Energy Development
Ministry of Industry, Mines and Energy
Tel.: +855 23 216735
Fax: +855 23 218634
Email: mrofat_cam@yahoo.com



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Mr. Kin Sothea

Officer
Department of Energy Development
Ministry of Industry, Mines and Energy
Tel.: +855 23 216735
Fax: +855 23 218634
Email: ksotheamime@yahoo.com

2. PRC

Mr. Shi Shengguang

Director
International Cooperation Department
China Southern Power Grid Co. Ltd.
Tel.: +86 20 3812 1388
Fax: +86 20 3812 0189
Email: shisg@csg.cn

Mr. Deng Xiaowen

Division Chief
China Southern Power Grid Co. Ltd.
Tel.: +86 20 3812 1826
Fax: +86 20 3812 0189
Email: dengxw@csg.cn

Mr. He Yang

Division Director
Department of Power Market Regulation
State Electricity Regulatory Commission of China
Tel.: +86 10 66597311
Fax: +86 10 66023677
Email: yang-he@serc.gov.cn

Ms. Li Hongna

Section Chief
Ministry of Finance
Tel.: +86 10 68551169
Fax: +86 10 68551119
Email: lihongna@mof.gov.cn

Mr. Du Weilun

Director of Cost
China Southern Power Grid Co. Ltd.
Tel.: +86 20 38120223
Fax: +86 20 38120199
Email: duwl@csg.cn



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Ms. Zeng Mengyu

Engineer
China Southern Power Grid Co. Ltd.
Email: zengmy@csg.cn

Mr. Hu Feixiong

Engineer
China Southern Power Grid Co. Ltd.
Tel.: +86 20 38121716
Fax: +86 20 38121825
Email: hufx@csg.cn

Mr. Tang Min

Deputy Director
International Cooperation Department
Yunnan Power Grid Corp.
China Southern Power Grid Co. Ltd.
Tel.: +86 871 3012224
Fax: +86 871 3138433
Email: tmyhypp@gmail.com

3. Laos

Mr. Daovong Phonekeo

Deputy Director General
Department of Electricity
Ministry of Energy and Mines
Tel.: +856 21 951072
Fax: +856 21 413013
Email: daovongph@yahoo.com

Mr. Chansaveng Boungnong

Director, Power Sector Planning Division
Department of Electricity
Ministry of Energy and Mines
Tel.: +856 21 415036
Fax: +856 21 413013
Email: cboungnong@yahoo.com

Mr. Boungnong Bouttavong

Deputy Director
Technical Department
Electricite du Laos
Tel.: +856 21 451519
Fax: +856 21 415039
Email: bboungnong@yahoo.com



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Mr. Heuan Chanphana

Assistant Head of GMS National Secretariat
Water Resources and Environment Administration
Tel.: +856 21 243701
Fax: +856 21 243700
Email: chanpanah@gmail.com

4. Myanmar

Mr. Khin Maung Zaw

Director General
Department of Electric Power
Ministry of Electric Power No. (2)
Tel.: +95 67 410203
Fax: +95 67 410077
Email: depdg@mepe.gov.mm

Ms. Mi Mi Khaing

Director
Department of Electric Power
Ministry of Electric Power No. (2)
Tel.: +95 67 410396
Fax: +95 67 410219
Email: depmmk@gmail.com

Mr. Aung Naing

Deputy Director
Union Attorney General's Office
Tel.: +95 67 404169
Email: aungnaing.oag

Ms. Khin Khin Aye

Deputy Director
Energy Planning Department
Ministry of Energy
Tel.: +95 67 411320
Fax: +95 67 411113
Email: myanmoe@mptmail.net.mm / kkaye_6591@gmail.com



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5. Thailand

Mr. Suthep Chimklai

Director
System Planning Division
Electricity Generating Authority of Thailand
Tel.: +662 4363500
Fax: +662 4363590
Email: suthep.ch@egat.co.th

Ms. Athikarn Dilogwathana

Third Secretary
Ministry of Foreign Affairs
Tel.: +662 6435000 ext 11074
Fax: +662 6435020
Email: athikarnd@mfa.go.th

Mr. Hiran Rujirawirote

Policy and Plan Analyst
National Economic and Social Development Board
Tel.: +662 2804085
Email: hiran@nesdb.go.th

Mr. Nattawoot Tripetch

Policy and Plan Analyst
National Economic and Social Development Board
Tel.: +662 2804085
Email: nattawoot@nesdb.go.th

6. Vietnam

Mr. Dinh The Phuc

Deputy Director General
Electricity Regulatory Authority of Vietnam
Tel.: +844 3554 3195
Fax: +844 3554 3008
Email: phucdt@moit.gov.vn

Mr. Trinh Quoc Vu

Deputy Director
Planning and Demand-Supply Balance Monitoring Department
Electricity Regulatory Authority of Vietnam
Tel.: +844 2212 0779
Fax: +844 3554 3008
Email: vutq@moit.gov.vn



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Ms. Luong Lan Dung

Director
International Cooperation Department
National Power Transmission Corp.
Tel.: +844 2220 4485
Fax: +844 2220 4434
Email: dungll@npt.evn.vn

Mr. Nguyen Chi Hieu

Expert
Power Market Department
Vietnam Electricity
Tel.: +844 2220 0995
Fax: +844 2220 1346
Email: hieunc@evn.com.vn

B. Others

Mr. Pich Dun

Officer-in-Charge
Mekong River Commission
Email: dun@mrc.Mekong.org

C. Development Partners

1. ADB

Mr. Anthony Jude

Director
Energy Division
Southeast Asia Department
Tel: +632 632 6198
Fax: +632 636 2336
Email: ajude@adb.org

Mr. Jong-Inn Kim

Lead Professional (Energy)
Energy Division
Southeast Asia Department
Tel: +632 632 5736
Fax: +632 636 2336
Email: jkim@adb.org



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Mr. Duy-Thanh Bui

Senior Energy Economist
Energy Division
Southeast Asia Department
Tel: +632 632 6768
Fax: +632 636 2336
Email: buiduythanh@adb.org

Mr. Pradeep Srivastava

Senior Regional Cooperation Specialist
Regional Cooperation and Operations Coordination Division
Southeast Asia Department
Tel.: +632 632 5612
Email: psrivastava@adb.org

Mr. Nida Ouk

Senior Project Officer (Infrastructure)
Cambodia Resident Mission
Tel.: +855 23 2158056
Fax: +855 23 215807
Email: nouk@adb.org

Mr. Michel Caubet

ADB Consultant
Energy Division
Southeast Asia Department
Tel.: +417 889 97783 / +33 607 607224
Email: michel.caubet@orange.fr.

Mr. Jesusito Tranquilino

ADB Consultant, GMS Unit
Southeast Asia Department
Tel: +632 632 5448
Fax: +632 636 2226
Email: jtranquilino@adb.org

Ms. Ma. Trinidad Nieto

Senior Operations Assistant
Energy Division
Southeast Asia Department
Tel: +632 632 6389
Fax: +632 636 2336
Email: tnieto@adb.org

Ms. Margaret Rose Ocbina

Senior Operations Assistant
Energy Division
Southeast Asia Department
Tel.: +632 632 6409
Fax: +632 636 2336
Email: mocbina@adb.org



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2. AFD

Ms. Isabelle Vincent

Project Manager
Agence Francaise de Developpement
Bangkok, Thailand
Tel: +662 663 6090 ext 145
Email: vincenti@afd.fr

3. AusAID

Mr. John Dore

Senior Water Resources Advisor
Mekong Water Resources Unit
Australian Agency for International Development
Email: john.dore@ausaid.gov.au

4. EOC

Mr. Sumit Pokhrel

Energy/Climate Change Coordinator
GMS Core Environment Program
Environment Operations Center
Bangkok Thailand
Tel.: +662 2074435
Fax: +662 2074400
Email: sumit@gms-eoc.org

5. World Bank

Mr. Jie Tang

Senior Energy Specialist
World Bank
Bangkok, Thailand
Tel: +668 7552 6828
Email: jtang@worldbank.org

Mr. Veasna Bun

Senior Infrastructure Specialist
World Bank
Phnom Penh, Cambodia
Tel.: +855 23 217304
Fax: +855 23 210504
Email: vbun@worldbank.org

RETA 6440 - Facilitating Regional Power Trading and
Environmentally Sustainable Development of Electricity
Infrastructure in the Greater Mekong Subregion

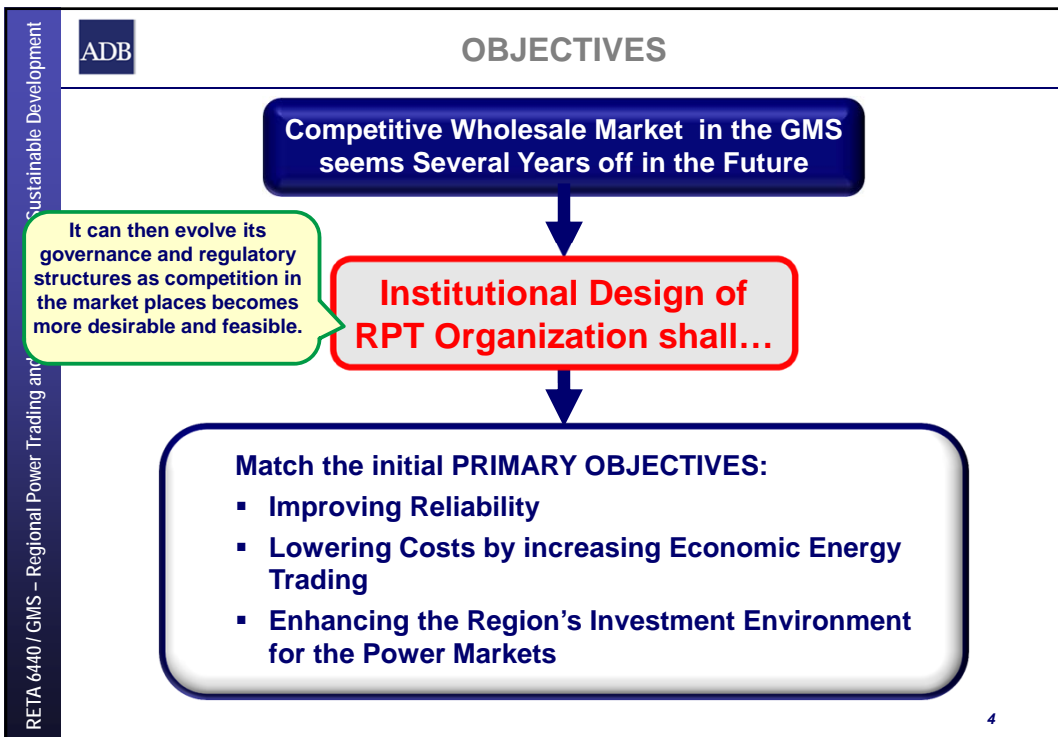
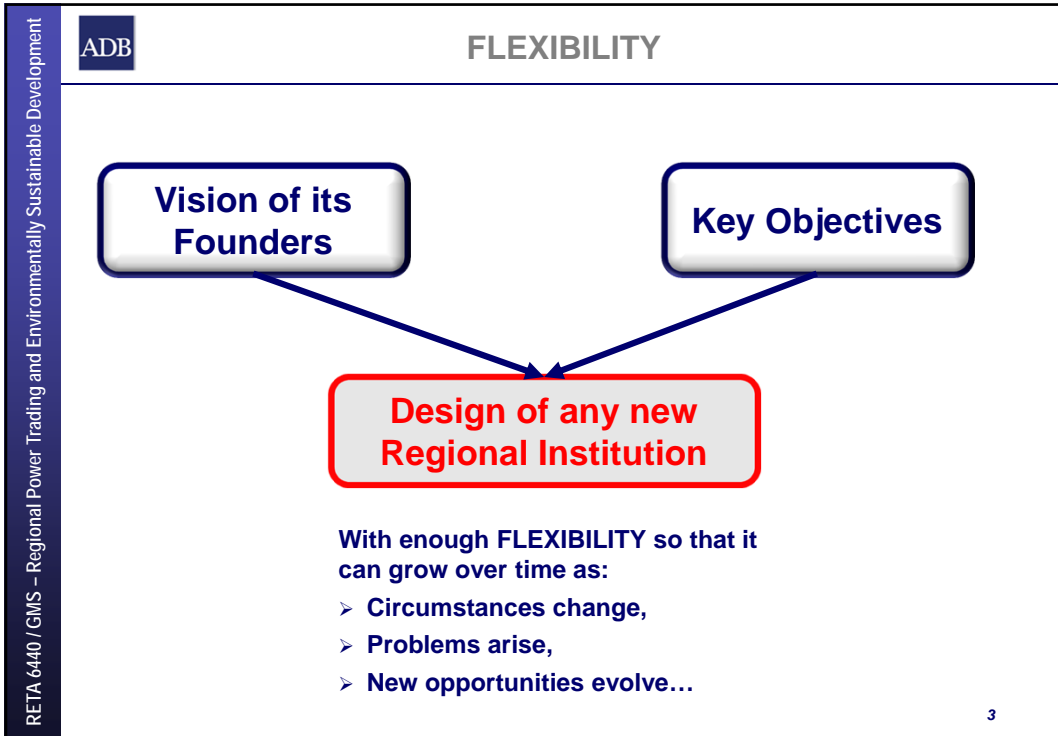
**SETTING UP A REGIONAL ORGANIZATION
FOR THE GMS POWER TRADE**

2. INSTITUTIONAL FRAMEWORK – DESIGN ISSUES

Tenth Meeting of the RPTCC
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Prepared by: Michel CAUBET

2. Institutional Framework – Design Issues



OBJECTIVES OF GMS RPT ORGANIZATION

GMS RPT Organization

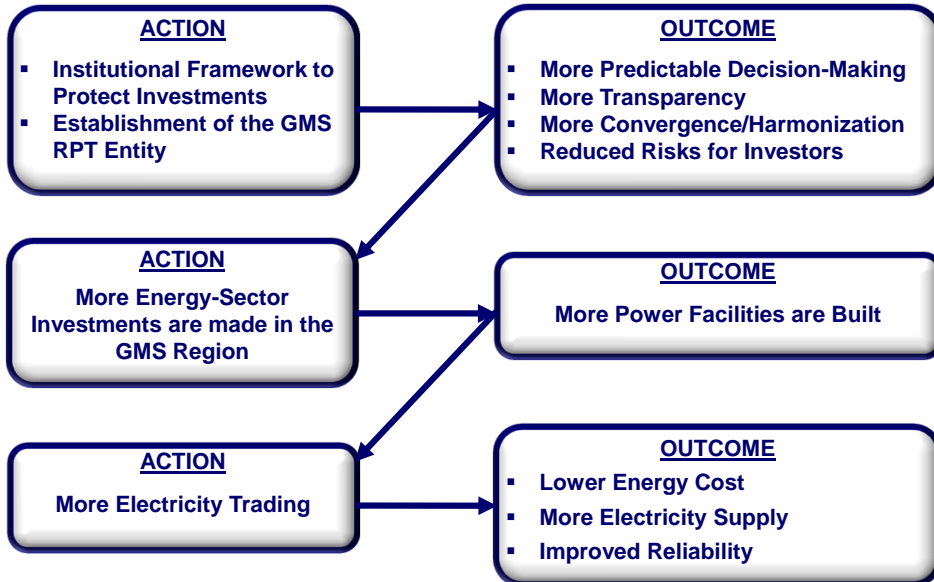
- Institutionalize more formal and extensive regional cooperation in the development of cost-effective electricity infrastructure.
- Improve system reliability and power quality throughout the region.
- Lower system costs by:
 - increasing economic trading of both power and energy within the region,
 - optimizing the utilization of energy resources in the region, and
 - managing more effectively and efficiently the region's seasonal and weather-related imbalances.
- Reduce the overall amount of capital needed for system expansion.

OBJECTIVES OF GMS RPT ORGANIZATION

GMS RPT Organization

- Create an investment environment for the region's power sector that will facilitate the financing of priority generation and transmission projects
- Create an ongoing forum in which regional power issues can be discussed and worked out within an agreed-upon policy framework and set of operating principles
- Create a transparent and reliable mechanism for the prompt settlement of commercial electricity transactions
- Increase the overall level of electricity service within the region through the implementation of priority generation and transmission projects as the basis for economic development and the extension of paid-for electrical service to more consumers

THE LOGIC OF THE GMS RPT ORGANIZATION



KEY DESIGN ISSUES FOR RPT ORGANIZATIONS

THERE ARE TWO TYPES OF KEY DESIGN ISSUES THAT WILL NEED TO BE ADDRESSED BY THE RPTCC:

INTERNAL GOVERNANCE DESIGN ISSUES

“Governance” refers to how decisions are made and implemented within an organization

EXTERNAL REGULATION DESIGN ISSUES

“Regulation” refers to direct or indirect control of a governmental entity over the actions and decisions of an enterprise or organization



KEY DESIGN ISSUES FOR RPT ORGANIZATIONS

CORE GOVERNANCE ISSUES

- Who makes what Decisions?
- How Decisions are enforced? and
- How Disputes are resolved?

EXTERNAL REGULATION

- How Government reviews and changes Decisions made by the Organs of the RPT Organizations?
- Otherwise: How it exercises oversight to prevent the accrual or abuse of Monopoly Power?

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STRONG INTERNAL GOVERNANCE VERSUS EXTENSIVE EXTERNAL REGULATION

As long as a Power Sector is based on exclusive Franchises and depends on essential Facilities (or has so-called “Bottlenecks”)



External Government Regulation is needed to prevent the abuse of Monopoly Power



However, if a RPT Organization develops a strong, well thought out, and effective Internal Governance Structure, the need for External Regulation by Governments can be minimized, but not eliminated

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KEY DESIGN ISSUES FOR THE GOVERNANCE

- The type of Legal Entity the RPT Organization will be?
- The type of Board it will have?
- The internal Organizational Components it will have (for example, an executive committee, technical committees, operating organ, etc.)?
- How it will allocate Decision Authority among its Organizational Components?
- Who will constitute its Membership and how Voting Rights will be allocated among Members?
- What Methods and Procedures it will use for Decision Making?

KEY DESIGN ISSUES FOR THE GOVERNANCE

- What will be its source(s) of funding and method of budget setting?
- How it will change its operating and technical rules once they are established?
- What procedures it will use to resolve disputes?
- What information systems and reporting requirements it will use? and
- How it will protect proprietary and commercially sensitive information?

EXTERNAL REGULATION KEY DESIGN ISSUES

- What kind of “Regulator” or external oversight of RPT Operations will there be?
- Which pool-made decisions will be subject to review and modification by the Regulator?
- What prerequisites will be required in order to appeal pool-made decisions to the Regulator?
- Whether the Regulator’s decisions can be appealed?

“Regulator” means here the Regulatory Entity that will have oversight authority over the regional Organization. The issue related to the structure and membership of the Regulatory Entity will have to be addressed and decided explicitly.

EXTERNAL REGULATION KEY DESIGN ISSUES

- Whether the Regulator can unilaterally make changes to pool rules?
- Whether the Regulator has authority to either appoint or approve members of the Board or the Executive Committee?
- Whether the Regulator can change voting rules and allocation of voting rights?
- Whether the Regulator sets or reviews pool prices and price setting mechanisms?

EXTERNAL REGULATION KEY DESIGN ISSUES

- What information the Regulator will automatically receive and what information the Regulator will have the authority to require be produced? and
- What role the Regulator will have in enforcing the transparency of RPT operations and in evaluating its effectiveness in meeting its founders’ objections and adhering it their policies?

TYPE OF LEGAL ENTITY

The Organization can be set up as:

- a Non-profit Corporation
- a Non-profit Registered Association
- an Incorporated For-profit Joint Stock Company
- a Not-for Profit Development Corporation or
- a “Gentlemen’s Club” with an Incorporated Coordination Center (as in Southern Africa)

TYPE OF GOVERNING BOARD

There are four primary types of Governing Boards :

1. A “Representative Board” in which all stakeholders are represented
2. An “Independent Board” of Professionals who are expected to represent the “Public Interest”

Major Disadvantages of the “Representative Board” are that it most often results in a large and unwieldy board that gets stuck in policy deadlocks, causing unwanted outcomes and preventing rule changes to fix problems as they emerge.

Major Disadvantage of the “Independent Board” is that it can become isolated and not have enough information with which to make informed decisions. Therefore, this type of Board is often supplemented by a Technical Committee.

TYPE OF GOVERNING BOARD

3. A “Club Board”, in which either all members are from, or in which all voting rights are held by, only one Class (ex: only generators as in Chile, or the only government-owned generators as initially in Southern Africa)
4. A “Corporate Board” as legally required for a for-profit company incorporated under and subject to the legal requirements of a country’s corporate law (ex: Nordpool).

For a RPT Organization that is in need of raising significant capital, the decision to exclude private sector participants from the Organization’s governing board is most certainly self-defeating and counter-productive.

Governments could fear a loss of control, but they can still maintain sufficient oversight of the Organization through the mechanisms of ownership and regulation.

ALLOCATION OF DECISION AUTHORITY

- The founders of a RPT Organization can organize decision making so its full membership, meeting at regular intervals, retains all authority to make all decisions.
- Such a decision mechanism is a sure route to cumbersome, untimely and inefficient decision-making, impeding the organization’s ability to function smoothly, solve problems as they emerge, or pursue opportunities as they arise.
- Therefore, all recently created power pools now delegate most decision-making authority to their Executive Boards, which in turn are able to delegate certain types of decisions to subordinate bodies (administrative/operating staff).

MEMBERSHIP & ALLOCATION OF VOTING RIGHTS

- a. Some RPT Organizations have, at least initially, restricted membership to only large generators or to only large generators plus retail distributors or to only government-owned utilities.
- b. Other organizations have allowed generators, retail distributors and large bulk power customers to be members, distributing voting rights among them on the basis of weighting according to some criteria or on the basis of one-member-one vote, which generally prevent domination by one member, one group or one type of entity.

MEMBERSHIP & ALLOCATION OF VOTING RIGHTS

- c. To address the danger of dominance by one-member or by one-group, some power pools have also adopted voting rules that differentiate voting rights by the type of issue involved.
- d. At least, voting rules should be constructed so that they prevent both one class from being able to block or veto an action and two classes from being able to form a majority and vote together to make or veto a decision.
- e. A difficult issue as to allocation of voting rights arises when vertically integrated utilities are members as are entities that are only generators, or only transmission providers, or only wholesale customers. Should, for example, all such entities receive one vote of equal weight?

MEMBERSHIP & ALLOCATION OF VOTING RIGHTS

- f. Another issue of pertinence to the GMS Organization is whether membership and/or voting rights will be extended initially to other than government-owned utilities?
- g. While it may be natural for the founders of a RPT Organization to wish to exercise control either by limiting membership to just large generators or just government-owned utilities, or just transmission entities, or by retaining all voting rights even if membership is opened more broadly, it should be recognized that such a choice conflicts with the need to attract the private investors so needed to build the new generation capacity.

RULES FOR CHANGING RULES

- a. No newly created RPT Organization has been perfect from its start.
- b. Therefore, one of the most important Issues in the Design of a RPT Organization is its “Rule for Changing its Rules”.
- c. The Key is to design the “Rule for Changing Rules” so that no one entity or group or type of entity can exercise dominance and maintain a commercial advantage by preventing a rule change when one is needed to solve an emergent problem or would be of advantage to the RPT Organization as a whole.

METHODS FOR DISPUTE RESOLUTION

- a. Disputes between power pool participants are inevitable, if not over major policy issues and the interpretation of operating rules, then over commercial issues between buyers and sellers.
- b. An Internal Procedure needs to be specified so that a Party can appeal the Decision of One of the Organization’s Decision-making Bodies and receive an answer in a timely manner.

METHODS FOR DISPUTE RESOLUTION

Process for resolving disputes between Participants of the RPT is generally composed of Three (3) Steps:

1. The “First Step” is to assure that there is a reasonably streamlined and timely process for the internal appeal of decisions made by the various bodies of the Organization.
2. The “Second Step” is to assure that there is a process that encourages the disputing Parties to attempt to negotiate a resolution or to seek help from a disinterested, neutral mediator.
3. The “Third Step” is to allow appeal to an external body such as a regulator or the courts or to refer the matter to international arbitration.

INFORMATION SYSTEM & REPORTING REQUIREMENTS

A Key Design Element for the effective and efficient Governance of a RPT Organization is the design and development of its Information System and Reporting Requirements.

- The Information System must be designed to track and link each part of the RPT operation, starting from the metering of transactions and continuing through to the settlements function.
- It is also needed to evaluate both the efficiency and transparency of the operations as well as the effectiveness of Organization’s governance and regulatory structure in meetings its objectives and protecting against the accrual of market power or the abuse of monopoly control over essential facilities.

KEY DESIGN ELEMENTS FOR GOVERNANCE

INFORMATION SYSTEM & REPORTING REQUIREMENTS

- The Information System need to include the appropriate and normal safeguards that protect proprietary information or data that has commercial value from abuse.
- Concerns about confidentiality have to be addressed clearly so they cannot be used as an excuse to withhold the data and information necessary to assure the proper, and especially the transparent, operation of the RPT Organization.
- Given modern communications technology and the need for transparency, no single entity needs to or should have a monopoly on the access to and use of information about operations.

KEY DESIGN ELEMENTS FOR REGULATION

RPT involves the use of an interconnected Power Network, which is an “Essential Facility” with monopoly characteristics. It is likely to experience congestion or “bottlenecks.”



There is a possibility of misusing control of or access to such a Monopoly Facility for improper Commercial Gain. Therefore, there is need for some form of external oversight...



The Key Design Elements of a Regulatory Scheme for RPT include: its structure and membership, and its authorities.

STRUCTURE AND MEMBERSHIP

There are four options for the structure and membership of a regulatory entity:

1. A Committee of Energy Ministers
2. A Representative Regulatory Board

A Committee of Energy Ministers: is an appropriate body for setting broad objectives and policies for a regional power pool during the pool’s design and start-up. During the Initial Phase, it can provide significant part of the needed external regulation.

A Representative Regulatory Board, with each country appointing one (or more) member(s) as its representative, could be constituted on a permanent basis and vested with appropriate regulatory authorities. It has the disadvantage of size.

STRUCTURE AND MEMBERSHIP

3. A Committee of National Regulators
4. An Independent Board of Experts

A Committee of National Regulators, similar to Representative Regulatory Board, but with the advantages of:

- being composed of individuals who already serve as power sector regulators in their own countries.
- being able to be convened on an as-needed basis to decide such issues as the methodology for establishing wheeling tariffs or how to handle congestion...

An Independent Board of Experts of at least three to not more than five members could be constituted and vested with appropriate authorities to regulate the RPT, with advantages like independence, not involved in issuing licenses or approving projects, etc.



KEY DESIGN ELEMENTS FOR REGULATION

REGULATORY AUTHORITIES AND PROCEDURES

The most essential decisions as to authorities that could be vested in a RPT Regulator are:

- Whether it will be involved in RPT rule changes, and if so, whether it will be able to initiate RPT rule changes itself or only review changes that the RPT Organization has adopted or is proposing?
- To what extent (and how) will it be involved in establishing tariffs and pricing methodologies for RPT transactions?
- Whether it will have any involvement in determining or approving the composition of the Organization’s governing board?



KEY DESIGN ELEMENTS FOR REGULATION

REGULATORY AUTHORITIES AND PROCEDURES

- Whether it will be involved in dispute resolution and/or serve as a body to hear appeals of the decision of the Organization’s governing board?
- Whether it should be the entity to perform the market monitoring function, and if so how will it be assured of receiving all pertinent information about pool operations?
- What mechanisms it can use to enforce its decisions?

**THANK YOU VERY MUCH FOR
YOUR ATTENTION**