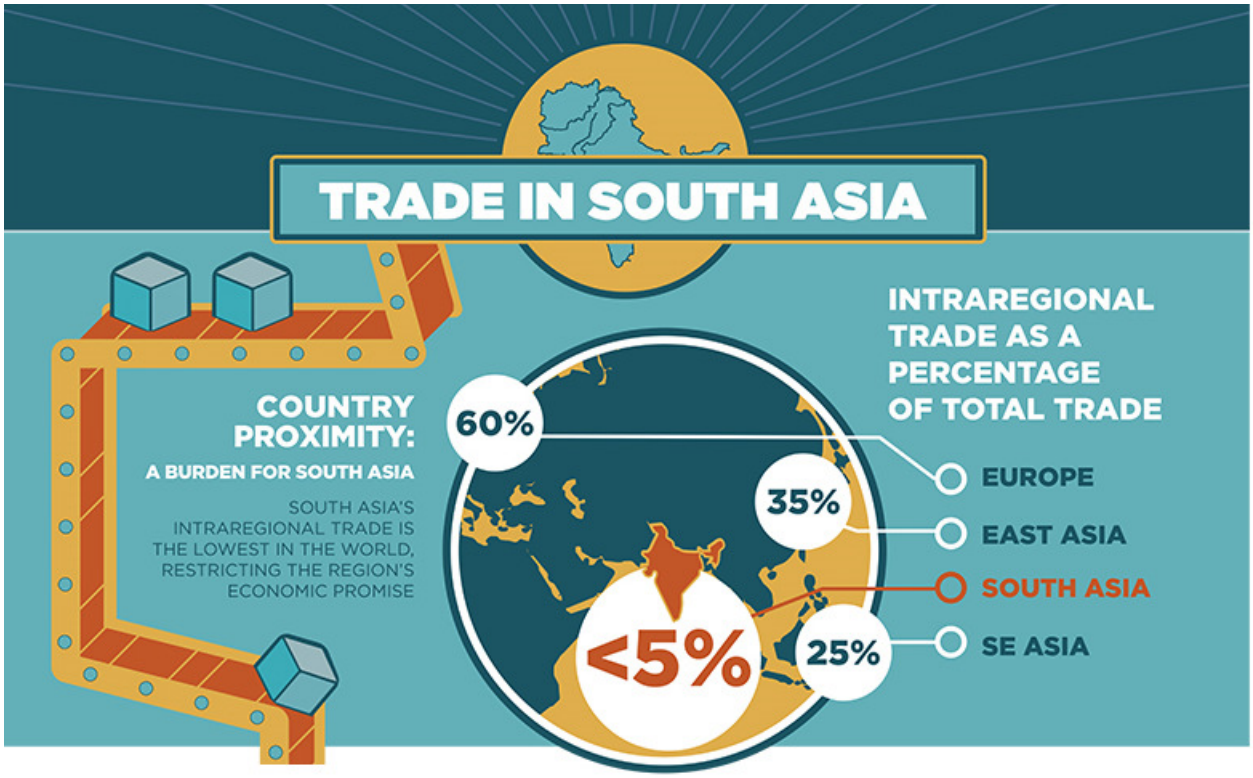
Powering South Asian integration



The Union Ministry of Power issued a memo that set the rules for the flow of electricity across South Asian borders.
Evaluated against the turbulent politics around the issue, the new guidelines are a startling departure from India's previous stance.
In an atmosphere of regional intrigue and mistrust, it is a rare and recent example of political pragmatism.
It is important not only because it leads South Asian electricity trade in progressive directions but is also a concession to India's neighbours in an area of political and economic importance.
South Asia has always played an important role in India's foreign policy but the commitment was reaffirmed and revitalized.
The new guidelines are a tentative first step towards the creation of a true regional market in which generators across the subcontinent compete to deliver low-cost, green energy to consumers.
Since this would soften the hard borders of South Asia, it is essentially a political vision.

Economic Integration of South Asia:
The economic sustainability of SAARC region is pillared on energy security as 30% of the region's energy demands are met through imports.
In order to resolve this, India advocated a three pronged strategy by leveraging:

- Harnessing conventional and renewable sources of energy
- Building inter-connected transmissions grids and

- Forging efficacious power trading agreements.

South Asia is a robust market but constraints are primarily on the supply side as there are pockets where deficits persist.

SAARC Power Grid will Integrate South Asia:

- Rivers can flow only in one direction, but power can flow in the direction of our choice.
- Building SAARC power grid so that excess production of power in one region can easily be used to meet deficit elsewhere.
- For example: Hydroelectric power generated in North East India could be transported via Bangladesh, India and Pakistan, on to Afghanistan or offshore wind projects could be set up in Sri Lanka's coastal borders to power Pakistan or Nepal.
- The eastern region of India is also rich in hydro resources. If exploited, Bangladesh can share the hydro-electricity from the eastern region of India.
- India will need the cooperation of Bangladesh to transport hydro-electricity from its eastern states to West Bengal and beyond.

Some irritants that need to be Addressed:

- The guidelines prevented anyone other than Indian generators in the neighbouring country, or generators owned by that country's government, from selling power to India.
- Excluded were scores of privately held companies, particularly in Nepal, that had hoped to trade with India.
- In restricting access to the vast Indian market, the economic rationale for Nepali hydropower built for export was lost.
- Bhutan was worried about a clause that required the exporting generation companies to be majority owned by an Indian entity.
- This created friction in joint ventures between India and Bhutan. Bhutan also fretted about limited access to India's main electricity spot markets, where it would have been well placed to profit from evening peaks in demand.
- The presented guidelines complicated Bangladesh opportunity to address its power crisis by giving India disproportionate control over such trade.

After two years of protests from neighbours, the new guidelines resolve all these issues and restore the governance of electricity trade to a less restrictive tone. More broadly, India seems to have acknowledged that the sinews of economic interdependency created by such arrangements have the political benefit of positioning India as a stable development partner rather than one inclined to defensive realpolitik.

South Asian Electricity: Tool for a Greener Grid:

A liberal trading regime is in India's national interest. As India transitions to a power grid dominated by renewables, regional trade could prove useful in maintaining grid stability.
Major commitments to renewables, which could amount to half of India's installed power within a decade, have prompted justifiable concerns about stabilising the grid when the sun goes down or in seasons when renewables are less potent.
Harnessing a wider pool of generation sources, particularly hydropower from the Himalayas that ramps up instantly as India turns on its lights and appliances after sunset, could be an important instrument in achieving a greener grid.
Nepal and Bhutan have long recognised that their prosperity is tied to the sustainable use of vast hydropower reserves.
Highlighting the correlation between per-capita electricity consumption and Human Development Index (HDI) , the impact of electricity on human lives is profound ranging from healthcare to education to employment opportunities.

Conclusion:
The new guidelines are a significant step in this direction because, for the first time, they allow tripartite trading arrangements, where power generated in a country is routed over the territory of a neighbour to be consumed in a third.
This is a crucial move towards the evolution of complex, multi-country market arrangements. Such markets require the construction of regional institutions that absorb the politics and manage the technicalities of electricity trade.
At present, this function is managed by the Indian state because of its geographic centrality and the ready availability of institutions that manage its domestic power sector.
As volumes increase and experience in regional trade grows, South Asian nations might feel the need to build joint, independent regional institutions that proffer clear and stable rules of the road.
The political vision to create this felt in the new guidelines must be maintained.
The possibilities are limitless. This not only strengthen the economic ties among the South Asian nations but also deepens the people to people relationship.