

Summary of Discussions
3rd Meeting of the Focus Group (FG-3) of the
Regional Power Trade Coordination Committee (RPTCC)
Lijiang, PRC, 9 November 2006

1. **Background.** The Focal Group was established with the holding of the first meeting (FG-1) in Hanoi in January 2006. The second FG meeting (FG-2) was held in Siem Reap, Cambodia on 14 June 2006. With PRC as chair and ADB as co-chair, the FG-2 meeting discussed the progress and endorsed the next steps proposed by the PWG-1 for priority RPTCC activities, namely, preparing the GMS power master plan, developing the power sector database and website, and formulating best practices for power purchase agreements (PPAs). The third FG meeting (FG-3) held in Lijiang, PRC was co-organized by the China Southern Power Grid Co. (CSG) and the Asian Development Bank (ADB). It was attended by FG members of the six GMS member countries, as well as by representatives of ADB, AFD, Soluziona, TEPCO, and the World Bank.

2. **Objectives.** The FG-3 meeting was held to: (i) confirm the recommended next steps with respect to priority studies on performance standards and transmission regulation, and the training program; (ii) confirm the next steps and chart the specific activities for the GMS power master planning, power sector database and website, and best practices for power purchase agreements (PPAs); and (iii) update on the projects in support of the RPTCC work plan. Attached is agenda and program of meeting (Annex 1) and the list of participants (Annex 2).

Session I- Opening Session

3. Mr. Shi Shengguang, Chairman of the Focal Group and Deputy Director of the International Cooperation Department, China Southern Power Grid Company (CSG), warmly welcomed the members of the FG and recalled the productive discussions which took place earlier at the PWG-2 meeting. He cited in particular the agreed work plan and next steps for priority RPTCC activities such as the preparation of the GMS power master plan, the development of the GMS power sector database, the development of best practices for PPAs, the implementation of the training program and the conduct of studies on transmission regulation and performance standards. He said the PRC looks forward to closer power sector cooperation with the GMS countries, ADB and development partners, particularly as the priority work plan proposed by the PWG will be further reviewed and confirmed in this FG-3 meeting. He thanked ADB for its support in hosting the meeting and enjoined participants to enjoy the beautiful scenery of Lijiang after the meeting.

4. Mr. Anthony Jude, Principal Energy Specialist, SEID, ADB recalled the important outcomes of the PWG-2 meeting and explained the purpose of the FG-3 meeting, which would mainly review PWG-2 suggestions concerning the next steps for priority FG activities concerning the development of the GMS power master plan, the power sector database and best practices for PPAs, and the training programs. He said the FG meeting would also discuss the status of proposed additional TA for the RPTCC from the SIDA, with AFD also providing comments on directions that the RPTCC has taken so far. He noted the fruitful discussions on the studies on performance standards and transmission regulation, which are on target with the FG's own timeline. He reported on the productive exchanges which took place on the priority cross-border transmission lines under preparation, noting that there were issues requiring additional analysis to confirm the viability of the proposed lines connecting PRC-LAO-THA and THA-LAO-VIE. He informed of the progress of the PRC-VIE line. He added that the FG would

be asked to brainstorm on a possible document on the Regional Power Trade Operating Agreement (RPTOA) which could be timed for signing at the 3rd GMS Summit in Lao PDR in 2008. He counted on the FG's usual contributions that would lead to firm agreements on the important provisions of the RPTOA for the Summit. He concluded by wishing for continued success in GMS efforts at realizing power trade development. He thanked CSG for the warm hospitality and excellent meeting arrangements.

Session II- Confirmation of Next Steps for Priority PWG Activities

Presentation of PWG Agreements/ Recommendations and Next Steps (Table of PWG-2 agreements and recommendations is attached, Annex 3)

5. **Study on Performance Standards and Transmission Regulation.** Soluziona (Mr. Benitez) presented the PWG-2 agreements on performance standards and transmission regulation. He noted that the study would commence with the analysis of the current power situation in the GMS and added that GMS counterparts for the study were named.

6. **Training Implementation Plan.** Soluziona showed the venues for the three training courses and noted that discussions with the hosts to prepare the holding of the courses (PRC, Cambodia and Thailand) would commence shortly. He stressed that the GMS countries would send comments on the training plan by the end of November 2006.

7. **GMS Power Master Plan.** Soluziona noted that the countries would submit the requested data, while the consultant would secure participation of local consultants by the end of November 2006.

8. **Regional Power Database/ ICT Strategy.** The conceptual design would be circulated to the countries by 15 November 2006, and that the comments would be submitted after two weeks. The functional design and TOR should be completed by 22 December, after which the IT company would be appointed to start the development phase by January 2007.

9. **PPA Best Practices.** Soluziona presented different practices in the use of PPAs and recommended the two-tier PPAs (capacity and energy). CSG requested that the PPAs be presented from a practical point and not too theoretical. CSG asked that the standard PPA be prepared for cross-border power transmission and as well as PPAs for thermal and hydropower projects taking a power interconnection project as an example.

10. **Agreements.** The meeting agreed to the PWG-2 recommendations shown in the table (Annex 3) presented by Soluziona. The meeting also agreed that an agreement on the RPTOA would have to be prepared in time for signing at the 3rd GMS Summit. ADB and Soluziona would prepare a draft outline of the agreement and circulate this to the GMS countries by 15 November 2006. The GMS countries were requested to submit their comments on the draft agreement outline by 15 December 2006.

Session IV- Status Report of Projects in Support of RPTCC Work Plan

11. **Update on SIDA Project** (presentation attached, Annex 4). ADB (Mr. Bui) provided a history of the TA and summarized the major issues which arose from the previous review of the project. One major comment was that the TA should avoid overlap with ongoing activities. He said the revised TA paper would have only two components: facilitating regional power trade; and capacity building for environmental management of power projects.

12. **GMS Regional Energy Market Roadmap.** ADB presented the proposed road map (Annex 5) which would chart the steps that would be taken to move from one stage to another. He noted the current institutional situation, as well as the transmission projects that would help realize bilateral trade, then multi-party power trade and eventually competitive power market trading. He noted that stage 0 of the road map shows the preparatory work for stage 1 and primary responsibilities of the various parties (GMS members, WB, ADB, AFD and SIDA). While the GMS power market is still in stage 0, he noted that some stage 1 work has started. For stage 1 the focus would be on regulatory functions, regional project implementation, enhancing benefit sharing, and continuing capacity building, which would be covered in component 1 of the SIDA TA. For component 2 of the SIDA TA, activities covered are: the preparation of EIA, EMP, and monitoring of EMP during construction and operation; focus on hydropower and transmission projects; and conduct of pilot projects and on-the-job training. He stressed the importance of GMS countries' commitments to the activities of the TA.

13. **Discussion.** AFD (Mr. Breton) restated the interest of AFD in the development of regional power trade arrangements in the GMS. WB (Ms. Arizu) noted the usefulness of the road map and emphasized that it is a tentative road map which would benefit from comments from the GMS countries. She enjoined the countries to review carefully the road map and take time to identify the gaps that would complete the road map, such as the specific roles/ tasks of the GMS countries. The GMS countries were asked to submit comments on the road map by the end of November 2006. The GMS countries were also asked to submit comments on the report on PPA Best Practices to Soluziona by the end of November 2006.

Session V- Closing Session

14. **Synthesis of Discussions/ Agreements.** ADB (Mr. Jude) cited the FG agreement on the work plan and next steps and announced that ADB would be circulating the proceedings containing the time line for the next steps. He requested the GMS representatives to review the proceedings and submit their comments to ADB before Saturday 11 November 2006.

15. **Consideration and Adoption of Proceedings.** After the FG members reviewed the draft summary of proceedings and after incorporation of suggested changes, the body therefore approved the minutes of the FG-3 meeting.

Closing Remarks

16. Mr. Shi noted that the proposed road map activities are practical and enjoined the GMS representatives to provide comments that would be the basis for further advancing the activities prescribed in the road map. He noted the productive discussions and thanked the GMS and development partner representatives for their contributions and participation in the meeting. He thanked ADB for its support in organizing the meeting.

17. Mr. Jude said that the next RPTCC meeting is planned around April-May 2007 to take into account the expected outputs from the various PWG/ FG activities discussed earlier. He noted that the next PWG/ FG meeting may be held back-to-back with the next RPTCC meeting. He introduced Mr. Yongping Zhai of ADB who will henceforth handle the PWG/ FG from ADB's side. He thanked the CSG for the excellent meeting arrangements and hoped everyone would later enjoy the beautiful scenery of Lijiang.