

SUMMARY OF PROCEEDINGS OF THE SECOND MEETING OF THE SUBREGIONAL ELECTRIC POWER FORUM

A. INTRODUCTION

1. The Second Meeting (the Meeting) of the Subregional Electric Power Forum (EPF) was held in Vientiane, Lao People's Democratic Republic (Lao PDR) on 12-13 December 1995. The Meeting was organized by the Asian Development Bank (ADB) and hosted by the Ministry of Industry and Handicrafts (MIH) of Lao PDR. The primary objective of the Meeting was to strengthen the subregional consultative process in the power sector among the countries of the Greater Mekong Subregion (GMS), with a view to facilitating the preparation and implementation of the priority power projects. The specific objectives of the Meeting were to discuss (i) the terms of reference for Projects A1 (Xe Kong and Se San basin hydropower development studies in Cambodia, Lao PDR, and Viet Nam, including transmission interconnection among these countries and Thailand) and A4 (Nam Theun basin hydropower development study in Lao PDR, including transmission interconnection between Lao PDR and Thailand); (ii) arrangements for Project A5 (Thanlwin basin hydropower development study in Myanmar and Thailand, including transmission interconnection between Myanmar and Thailand); (iii) the implementation of Project A3 (feasibility study of transmission interconnection of the Jinghong hydropower project in Yunnan Province and Thailand); (iv) training in the power sector; (v) organizational, administrative, and procedural matters related to the operations of the EPF; and (vi) the next steps to be taken.

2. Participants included delegations from Cambodia, the People's Republic of China (PRC), Lao PDR, Thailand, and Viet Nam, and ADB staff and consultants. Representatives of the Governments of France and Norway, United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), Mekong River Commission (MRC) Secretariat, Overseas Economic Cooperation Fund (OECF) of Japan, United Nations Development Programme (UNDP), and the World Bank attended as observers.

B. OPENING SESSION

3. H.E. Vice Prime Minister Khamphoui Keoboualapha welcomed the participants and acknowledged the importance of subregional cooperation in the countries of the GMS. He noted the importance of the establishment of the EPF at the Ministerial Meeting held in Yangon, Myanmar in April 1995. On behalf of the Government of Lao PDR, he thanked ADB for its support to the subregional cooperation program, in general, and for organizing the Second Meeting of the EPF, in particular.

4. In his opening address, H.E. Soulivong Daravong, Minister, Ministry of Industry and Handicrafts, noted recent domestic and subregional developments in the energy sector initiated by Lao PDR. For example, the Government of Lao PDR executed agreements with the Government of Viet Nam for the export of electricity

for 1,500-2,000 MW up to the year 2010, and with the Royal Thai Government for the export of electricity for 1,500 MW up to the year 2000. Emphasis was also given by the Government of Lao PDR to rural electrification from diversified sources of energy. He highlighted the importance of the EPF in facilitating technical cooperation among the countries of the GMS, and in enabling subregional consultation on macro-planning, resource mobilization, and expediting subregional projects in the energy sector.

5. Mr. John Taylor, Director, Infrastructure, Energy, and Financial Sectors Department (West), ADB, noted the benefits of subregional cooperation in the energy sector, such as resource complementarity, reduced power system losses and environmental impact, increased reliability of supply, and environmental sustainability. He summarized the progress of priority subregional energy projects which were endorsed by the six countries of the GMS; examples of progress to date were: (i) financial commitment of the Government of France had been secured for the Xe Kong/Se San and Nam Theun basin studies, including associated transmission development; (ii) a gas purchase agreement between Myanmar and Thailand had been concluded for the Yandana-Bangkok gas pipeline project, with financing and construction arrangements for the Myanmar section of the project already finalized; and (iii) implementation of the Theun Hinboun hydropower project in Lao PDR by a public-private joint venture company was well advanced with all financing requirements met, and negotiations for a power purchase agreement at their final stage. Mr. Taylor emphasized the EPF as a means for a more "hands-on" involvement by the participating countries in developing their respective energy sectors.

C. TERMS OF REFERENCE FOR THE XE KONG/SE SAN AND NAM THEUN BASIN STUDIES, INCLUDING ASSOCIATED TRANSMISSION DEVELOPMENT

6. Mr. Harald Reite, Consultant, ADB, presented the terms of reference (TORs) of the Xe Kong/Se San and Nam Theun basin studies, including associated transmission development. The Meeting recommended the following: (i) the two studies should be combined and implemented by a single team of consultants (such an approach was deemed to be more cost effective and easier to implement); (ii) during the first phase of the study, a preliminary analysis should be carried out of the various hydropower projects currently under consideration, in order to determine how they would fit into the overall optimum hydropower development plan for each river basin (this approach would enable modifications, if any, to be introduced in time to make the projects compatible with the overall optimal plan); and (iii) the TORs should be revised to avoid any overlaps with the various transmission studies currently being undertaken.

D. IMPLEMENTATION ARRANGEMENTS FOR THE XE KONG/SE SAN AND NAM THEUN BASIN STUDIES, INCLUDING ASSOCIATED TRANSMISSION DEVELOPMENT

7. Mr. B. M. Karunaratne, Project Engineer, ADB, outlined the proposed implementation arrangements for the consolidated river basin study. The ADB would process a regional technical assistance (RETA) to the concerned countries, through which the study would be implemented. The proposed RETA would be financed by an ADB-administered technical assistance grant provided by the Government of France.

8. The Mekong River Commission would serve as the Implementing Agency for the RETA, and the following entities would serve as Cooperating Agencies: (i) in Cambodia, the Department of Energy under the Ministry of Industry, Mines, and Energy; (ii) in Lao PDR, the Department of Electricity under the Ministry of Industry and Handicrafts; (iii) in Thailand, the Electricity Generating Authority of Thailand (EGAT); and (iv) in Viet Nam, the Electricity of Viet Nam under the Ministry of Industry. The Cooperating Agencies would provide adequate number of counterpart staff to assist and work with the consultants to be selected for the study.

It was further agreed that a Steering Committee comprising representatives of the concerned countries, MRC, and ADB, would be formed to oversee implementation of the RETA, and to provide policy guidance. A draft Memorandum of Understanding (MOU) detailing proposed implementation arrangements and expected counterpart inputs would be prepared by ADB shortly, and distributed to the concerned parties for review and approval.

E. THE THANLWIN BASIN HYDROPOWER DEVELOPMENT STUDY, INCLUDING TRANSMISSION INTERCONNECTION BETWEEN MYANMAR AND THAILAND

9. The Meeting discussed the general scope of work of the Thanlwin basin hydropower development study, including transmission interconnection between Myanmar and Thailand. It was agreed that the project would be considered further by the EPF.

F. THE JINGHONG HYDROPOWER PROJECT AND ASSOCIATED TRANSMISSION DEVELOPMENT

10. The PRC delegation informed the Meeting that the feasibility study for the Jinghong hydropower project and associated transmission development would be financed by a joint venture comprising the Electric Power Bureau of Yunnan Province and MDX Co. of Thailand. The PRC delegation requested assistance from ADB in undertaking the transmission study. It was agreed that ADB would assist as a facilitator, rather than a donor, by providing technical advice and helping bring together concerned parties from the participating countries. For this purpose, the following agencies were identified as Cooperating Agencies: (i) the Department of Electricity under the Ministry of Industry and Handicrafts of Lao PDR; (ii) EGAT; and

(iii) the Electric Power Bureau of Yunnan Province. The Lao PDR delegation indicated its agreement in principle with routing the transmission line through the territory of Lao PDR. In reciprocation, the PRC delegation agreed that the transmission study would take into account the interests of Lao PDR, including the power situation in the northern part of the country, and that the feasibility study for the Jinghong hydropower project would consider the project's impact on flow fluctuations in the downstream countries. The PRC delegation noted in this context that this impact was expected to be minor, given the relatively small regulating capacity of the proposed Jinghong reservoir.

G. TRAINING AND MANPOWER DEVELOPMENT NEEDS IN THE POWER SECTOR

11. The Thai delegation informed the Meeting about the training in the power sector provided by EGAT for the neighboring power utilities. The Meeting recommended that an assessment of priority training requirements in the GMS countries be carried out, and that the training expertise available in Thailand be utilized to the maximum extent possible. With the impending privatization of EGAT, its training services would have to be provided on a commercial basis. Training courses could also be arranged by various Thai Government agencies, such as the Energy Training Center of the Department of Energy Development and Promotion and the Energy Conservation Center of Thailand. Some of this training assistance could be organized on a grant basis by the Department of Technical and Economic Cooperation.

H. OTHER ONGOING AND PLANNED ACTIVITIES

12. The delegation of Lao PDR reported on the progress of Project A2 (Nam Tha hydropower project). The concession for the feasibility study was awarded by the Government of Lao PDR to SPB Power Ltd of Thailand in October 1995. The study was expected to be completed by mid-1997. The EPF would be kept informed on the progress of the project.

13. A progress report on the Mekong Integrated Transmission System Study (the Study) was presented by Mr. Nguyen Duc Lien, Senior Project Officer, Water Resources and Hydropower Unit, MRC Secretariat. Financed by the Government of Japan, the Study started in June 1995 and was expected to be completed in September 1996. The Study was divided into two parts with the participation of, and a training program for, counterpart staff from the riparian countries integrated into it. The first part of the Study involved the identification of transmission interconnection options and a preliminary economic evaluation of an overall long-range plan, while the second part would be a prefeasibility study of the priority options, and an outline of the terms of reference for the required feasibility studies. To date, considerable data on existing power facilities, and national load forecasts and development plans were obtained from the counterpart staff. Technical, environmental, and economic screening and ranking of planned hydropower projects were also conducted to select the proper generation program.

The draft Interim Report of the Study was being prepared for completion in March 1996, and the draft Final Report would be ready in September 1996. It was agreed that the findings of the recently concluded transmission study, which was financed by the Ministry of Trade and Industry of Japan and executed by the Engineering Consulting Firms Association of Japan, would be considered while carrying out the MRC Study.

I. NEXT EPF MEETING

14. It was agreed that the Third Meeting of the EPF be held in the fourth quarter of 1996, and it was proposed that its venue be Kunming, PRC. The PRC delegation would report to the Government of PRC this proposal and would advise ADB accordingly.

15. The tentative agenda for the Third Meeting of the EPF would include the following main items (the parties responsible for the preparation of the background material and its presentation are shown in parentheses): (i) presentation on the power sector in Yunnan Province (PRC); (ii) status report on the priority subregional power projects (ADB); (iii) final findings of the Mekong Integrated Transmission Study (MRC); (iv) progress report on the feasibility study of the Jinghong transmission (PRC); and (v) reports on the latest power sector activities in the GMS countries (EPF members).

16. In order to ensure the continuity of subregional dialogue within the EPF, with the view to strengthening the EPF's advisory capacity, it was agreed that a high-level of representation by the countries of the GMS be maintained, and changes in the membership be avoided to the extent possible.

J. CLOSING SESSION

17. Representatives of the Government of Norway, OECF, and the World Bank expressed their appreciation to the Meeting for the open and highly useful discussions, and highlighted their interest in supporting the development of the power sector in the GMS. The representative of the Government of Norway emphasized the EPF's role in coordinating power sector development within and among the countries of the GMS, and in mobilizing resources not only for specific projects, but also for studies which would address the software aspects of power sector development. A statement by Mr. Yasunobu Matoba, Chief Executive Officer, MRC Secretariat, which was circulated to the Meeting, reported on the ongoing activities of the MRC Secretariat in the power sector in the riparian countries, as well as on MRC's Work Program for 1996.

18. In his closing statement, Mr. Vladimir Bohun, Manager, Energy Division (West), ADB, and Co-Chairman, thanked the Government of Norway for its financial assistance to the Meeting, and the Government of France for its grant financing of the Xe Kong/Se San/Nam Theun basin studies, including associated transmission development. H.E. Khammone Phonekeo, Vice Minister, MIH, and Chairman,

expressed his appreciation to the participants of the Meeting for their active participation in the discussions, and to the staff of ADB, Electricite du Laos, and MIH for the excellent arrangements made for the Meeting.