

**MEMORANDUM OF UNDERSTANDING
FOR
THE BIMSTEC GRID INTERCONNECTION**

PREAMBLE

THE GOVERNMENTS of the Peoples' Republic of Bangladesh, the Kingdom of Bhutan, the Republic of India, the Union of Myanmar, the Kingdom of Nepal, the Democratic Socialist Republic of Sri Lanka and the Kingdom of Thailand, the member countries of BIMSTEC (Bay of Bengal Initiatives for Multi-Sectoral for Technical and Economic Cooperation), hereafter referred to collectively as "the Parties" and individually as "a Party";

RECOGNIZING that the Parties strongly realize on strengthening economic, commercial and technical collaborations in the region and one of the six sectors the member countries are engaged with, is a greater potential to increase and promote the development on Energy Cooperation Program which will provide the opportunities and challenges to : (i) enhance the intra-regional coordination through an action plan for developing and utilizing natural energy resources; (ii) coordinate the energy infrastructure investment; (iii) encourage the new or renewable sources of energy project and (iv) establish the energy information center;

MINDFUL of the necessary to harmonize with the enhancing energy development in the intra-region, the Parties, by the second BIMSTEC Ministerial Meeting, in Dhaka, December 1998, requested the respective Lead Countries of each sector to take further steps to form sectoral committees and Group of Experts to : (i) examine the different approaches for the establishment of beneficial projects and to provide ongoing support for BIMSTEC's members and (ii) to draw up detailed proposals of cooperation for implementation;

RECALLING that the Priority Project for Trans-power Power Exchange and Development, coordinating by Thailand, was adopted by the fourth meeting of BIMSTEC Energy Sector Committee of Experts/Officials, in Yangon, September 2003, to prepare the Concept Paper of the development on grid interconnections and to propose the action plan for the setting up the Task Force of the Parties;

RECALLING that the first BIMSTEC Energy Minister's Conference, October 2005, in New Delhi, approved the Action Plan and concurred the setting up of Task Force for BIMSTEC Trans-power Exchange and Development Project, to study and implement BIMSTEC Grid Interconnection Master Plan;

CONSIDERING (i) that the optimization on using energy resources in the region needs sharing the mutual benefits, non-discriminatory basis and closer cooperation; (ii) that the promotion on more efficient, economic, and secure operation of power system requires the development of national electricity networks by region – wide interconnections and (iii) that the minimization of capital cost is necessary for generation capacity expansion.

Now, through their duly authorized representatives who are the signatories of this Memorandum of Understanding, the Parties have agreed as follows:

ARTICLE 1: PURPOSE OF THE MEMORANDUM OF UNDERSTANDING

- 1.1 The purpose of this Memorandum of Understanding (MOU) is to provide a broad framework for the member countries to cooperate towards the implementation of grid interconnection for the trade in electricity in the BIMSTEC region according to the Declaration of the first BIMSTEC Energy Ministers Conference in October 2005. The Declaration of the first BIMSTEC Energy Ministers Conference is incorporated into this MOU as Annex A.

ARTICLE 2: PRINCIPLES AND OBJECTIVES

- 2.1 The principles and objectives under this Article are consistent with the Declaration of the first BIMSTEC Energy Ministers Conference, as incorporated as Annex A.
- 2.2 The member countries accept that their relationship be based on the following principles:
- a) Cooperation: That issues related to regional interconnection be handled in a spirit of cooperation and mutual benefit, that the member countries have equal rights and obligations, act in solidarity, and refrain from taking advantage of one another.
 - b) Environmentally Sustainable Development: That regional trans-power exchange and development is implemented within a framework of respect for the environment.
- 2.3 The objectives of grid interconnection for the trade in electricity under this MOU are for all participants to:
- a) Coordinate and cooperate in the planning and operation of interconnected systems to minimize costs while maintaining satisfactory reliability; and
 - b) Fully recover their costs and share equitably in the resulting benefits, including reductions in required generation and transmission capacity, reduction in fuel costs and improved use of low-cost electricity sources; and
 - c) Provide reliable and economic electric service to the customers of each member country.

ARTICLE 3: INSTITUTIONAL ARRANGEMENTS

- 3.1 The member countries agree for appropriate institutional and other policy measures to implement this MOU.
- 3.2 The member countries recognize the need for a high level body, the ***BIMSTEC Grid Interconnection Coordination Committee*** (BGICC), to actively coordinate and represent the countries involved, for successful implementation of grid interconnection and trade in electricity. The member countries designate their national representatives to constitute the BGICC to implement this MOU. The BGICC shall report to the BIMSTEC Energy Ministers Conference/Senior Official Meeting and respective national governments through the ministries. The BGICC shall have independence in management of its operations for the purpose of achieving its main objectives. The current Energy Sector of Committee of Experts/Officials shall provide technical support to the BGICC.
- 3.3 The BGICC shall determine steps to establish and implement of grid interconnection and regional trade arrangements, which they shall submit to the member countries for endorsement.
- 3.4 The member countries also authorize their respective appropriate national authorities and government-designated electric utilities enter into the necessary agreements, subject to the approval of the BGICC and respective national governments.

ARTICLE 4: PARTIES TO THIS MOU

This MOU is open to signature by all BIMSTEC Members Countries.

ARTICLE 5: SETTLEMENT OF DISPUTES

The agencies implementing this MOU shall seek amicable resolution through consultation if there is any divergence in interpretation or implementation of this MOU. In the event that the divergence continues, it will be referred to BGICC. If BGICC is unable to resolve the differences, that issue shall be referred to the BIMSTEC senior officials meeting on energy for resolution.

ARTICLE 6: RATIFICATION AND ENTRY INTO FORCE

- 6.1 This MOU shall be ratified by the member countries in accordance with their respective national procedures. The member countries shall oversee and expedite the ratification process in their respective national bodies. Each member country shall notify its ratification to the other member countries.
- 6.2 This MOU shall enter into force between and among the member countries that have ratified, provided at least half of the total number of member countries have ratified the MOU.

ARTICLE 7: DURATION OF THE MOU

This MOU shall remain in effect until revised or terminated by all member countries.

ARTICLE 8: WITHDRAWAL FROM THE MOU

Any member countries may, by giving one (1) year written notice to the other member countries, withdraw from this MOU, after the expiration of two (2) years from the date of its entry into force or any time thereafter. The withdrawal shall take effect one year after receipt of notification by all member countries, during which time the withdrawal member country shall continue to comply with the provisions of this MOU. Withdrawal from this MOU will not affect agreements and contracts signed on basis of this MOU until the expiration of these agreements and contracts.

ARTICLE 9: RELATION TO OTHER AGREEMENTS

9.1 Agreements with Non-BIMSTEC Member Countries

This MOU shall not restrict any BIMSTEC Member Countries from having agreements with non-BIMSTEC Member Countries or with any other countries on bilateral/multilateral basis provided that such agreements do not create obligations upon the BIMSTEC Member Country that is not the party to such agreements, and that such agreements shall not impair

a BIMSTEC Member Country who is party to such agreements from fulfilling its obligations under this MOU.

9.2 Other Existing Agreements

The member countries hereby undertake that they shall continue to respect their rights and obligations under other similar agreements, to which they are also parties, on power interconnection and electric power trading existing prior to this MOU.

ARTICLE 10: REVIEW AND AMENDMENT

The provision of this MOU shall be reviewed at five year intervals or earlier, as requested by at least half of the total number of Member Countries, and shall be amended, if required, by consent of all member countries.

ARTICLE 11: ENTIRE AGREEMENT

This MOU constitutes the entire understanding among the member countries.

IN WITNESS HEREOF, the undersigned, being duly authorized thereto, have in the names of their respective Governments, signed this MOU in seven originals in the English Language.



DECLARATION OF FIRST BIMSTEC ENERGY MINISTERS' CONFERENCE

We, the Ministers/ Heads of delegations of the People's Republic of Bangladesh, the Kingdom of Bhutan, the Republic of India, the Union of Myanmar, the Kingdom of Nepal, the Democratic Socialist Republic of Sri Lanka and the Kingdom of Thailand gathered in New Delhi, India, on 4th October 2005 for the first BIMSTEC Ministers' Conference on Energy Cooperation,

Recalling the agreement at the first BIMSTEC Summit held on July 31st 2004 at Bangkok to promote sustainable and optimal energy utilization through development of new hydrocarbon and hydropower projects, interconnection of electricity and natural gas grids, energy conservation, and renewable energy technologies,

Taking note of the recommendations of the 5th Meeting of Experts/Officials in BIMSTEC Energy Sector held on January 27, 2005 at Yangon,

Resolving to further our joint efforts to pursue the goal of providing secure, reliable and affordable energy to our people which is fundamental to economic growth, realizing our development potential and improving living standards,

Agree to a vision of BIMSTEC Trans Power Exchange and Grid Interconnections by developing country to country grid interconnections, to ultimately enable flow of electricity across the BIMSTEC region,

Agree to evolving a common regulatory framework for developing grid interconnections to turn the above vision into reality.

Agree that the concept of Trans BIMSTEC Gas Pipeline(s) would further enhance the objective of providing the region with a secure supply of energy and would contribute to the social and economic development of member countries,

Recognize the need for detailed feasibility studies and techno-economic agreements between and among participating countries to allow for the optimal utilisation of the resources of the region.

Reiterate that all hydro power projects, irrespective of their size, are clean and renewable sources of energy and recognize that developing the hydro potential of the BIMSTEC region would facilitate economic development of the concerned area in particular and the region in general,

Resolve to develop the full hydro-power potential of the region ensuring that concerns of rehabilitation and environment are addressed adequately,

Agree to share and strengthen our capabilities in the field of planning, design and construction, operation & maintenance and renovation of hydro power stations,

Appreciate the ongoing cooperation among the member countries for development of various hydro projects and call upon all the member countries to further enhance cooperation.

Recognize that BIMSTEC region offers an excellent opportunity for development and promotion of non- conventional sources of energy for enhancing energy security with sustainable development with significant potential for CDM projects and express appreciation for the on going cooperation in this area,

Agree to develop institutional linkages among the member countries to facilitate joint R&D activities for development of cost effective technologies.

Recognize that improvement in energy efficiency has significant benefits for economic growth and competitiveness of our economies, and realizing that buildings, domestic appliances and transport, in addition to certain industries, are the areas to focus upon as these offer maximum potential for energy conservation, agree to

- sharing of existing policies, programmes and capabilities of the member countries and networking of relevant institutions,
- developing and harmonizing ‘Standards and Labelling’ in BIMSTEC countries.

Agree to enhance energy security through optimal development of energy resources of the region namely, oil, gas, hydro power, coal, bio-fuels and other non-conventional energy resources.

Agree to share the available expertise for coal exploration and mining, for hydro power development, for development of hydrocarbons and for developing non-conventional energy resources and to pool our strengths for capacity building in all areas of energy sector.

Agree to share our experience in reforms, restructuring, regulation and best practices in energy sector. To attain this objective, we agree to setting up of a BIMSTEC Centre of Energy.

We also recognize the need for and possibilities of fruitful cooperation in energy sector with other regional organizations.
