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## WORLD

# Neighbourhood First: India Allows Three Neighbours Real-Time Access To Its Energy Market

- *The agreement to allow Nepal, along with Bhutan and Bangladesh, access to real-time market was reached at a high-level meeting of officials of Nepal and India at Jaipur in February this year*

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Thursday, August 10, 2023 9:42 am IST



As part of Prime Minister Narendra Modi's 'neighbourhood first' policy, India has allowed Bangladesh, Bhutan and Nepal real-time access to its energy market.

With this, all the three countries can buy or sell power in the energy market in real time as per their requirements. This access was a key demand of all three countries and is expected to boost New Delhi's ties with them.

The Central Electricity Authority (CEA) under the Ministry of Power has amended the procedures for approval of cross-border trade energy trade with the three countries last week.

The three countries had, till now, access only to India's 'day ahead market' (DAM) in energy where prices and quantity of electricity are determined a day before the actual physical trading.

But that was causing spillage of electricity produced by Nepal and Bhutan, especially in the monsoon season, because of excess production.

"It is not possible to foresee how much electricity would be produced in excess of our domestic requirement on a particular day. With access only to DAM, we had to second-guess on that and if the actual excess production was higher than what we had anticipated a day earlier, as was often the case, we had to frequently suffer spillage of electricity. That meant considerable financial losses for us," said Prabal Adhikari, power trade director of Nepal Electricity Authority (NEA).

"We will benefit from it both in the import and export of power when there is a sudden rise or fall in demand," Adhikari told *Swarajya* over phone from Kathmandu.

Adhikari explained that Nepal will benefit from real-time access to India's energy market both in terms of export and import according to fall or rise in domestic demand for power and power generation.

"When there is a sudden outage at a power plant and production dips suddenly, we can immediately import power to meet the gap in demand and prevent blackouts," he added.

The CEA's amendment allows any Indian power trader to trade at Indian Power Exchange (both DAM and RTM (real time market) on behalf of any entity in Bangladesh, Bhutan and Nepal after obtaining approval from the designated authority.

But this amendment retains the ban on trading power generated from power plants set up by China in Nepal. Power generated from those plants cannot be traded in the Indian energy market.

The CEA has reiterated that only power generated from a plant (owned or controlled by a neighbouring country) with which India has inked a power cooperation agreement would be allowed to trade in RTM.

Nepal Electricity Authority (NEA) spokesperson Suresh Bhattarai said that till now, Nepal would be duty-bound to sell committed power to buyers even during emergencies like an outage at a generating plant that disrupts power distribution within the country.

“With access to RTM, we can sell more than an earlier estimated amount of electricity if generation suddenly rises within a span of a couple of hours. On the other hand, a buyer can also reduce its purchase of power if it experiences a sudden slack in demand. This is a win-win for both the buyer and the seller,” Bhattari told *Swearajya*.

Nepal buys power from India during the dry season when production of electricity at its hydel-power plants drops due to low volumes of water in the reservoir. But during the monsoons, when these reservoirs fill up and overflow, power generation shoots up and the country is saddled with excess power.

NEA director Adhikari said that from now on, Nepal will be able to ensure uninterrupted supply of electricity to its domestic consumers throughout the year and earn a lot more revenue as well from trading in the regional energy market.

Bhutan's Electricity Regulatory Authority (ERA) director Nima Tshering told *Swarajya* that this access to India's real-time energy exchange granted by New Delhi would also boost Bhutan's power sector.

The ease of selling power in the real time market would boost profitability of power plants in Bhutan. And that, said Tshering, would attract fresh investments in the hydro-power sector in the Himalayan kingdom.

Ashish Garg, the vice-president of Independent Power Producers' Association of Nepal (IPPAN), told *Swarajya* that since a key demand of Nepal--access to RTM--has been met, the next step would be to sign long-term trade agreements with Indian companies for selling power in the Indian market.

"This new development-allowing Nepal real-time access to India's energy market--is very welcome. But it does not guarantee long-term access to the Indian power market for power generated by Nepal's power companies. For that to happen, we need to start signing long-term energy deals with Indian companies. That will also encourage more investments in Nepal's power sector," said Garg.

The agreement to allow Nepal, along with Bhutan and Bangladesh, access to RTM was reached at a high-level meeting of officials of Nepal and India at Jaipur in February this year. The two sides had also agreed to increase power trade and build more cross-border transmission lines while upgrading the existing ones in a bid to scale up bilateral trade of electricity.

Nepal also wants New Delhi to sign a 25-year-long intergovernmental framework agreement on selling power generated in Nepal to India.

This agreement, initialled during Nepal Prime Minister Pushpa Kamal Dahal's visit to India from May 31 to June 3 this year, will guarantee long-term market access for Nepal's power to the Indian market.

India had recently allowed use of high-power transmission lines passing through its territory to export power from Nepal and Bhutan to Bangladesh. All three countries, which had been demanding this, had welcomed New Delhi's approval.

That marked another milestone in multilateral ties between the four South Asian neighbours.

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