

Access to Bilateral Energy Markets – Challenges & Way Forward in Times of COVID-19

The electricity industry can be viewed as a combination of several activities comprising generation, transmission, distribution, supply, and metering. The industry in Pakistan has been traditionally composed of vertically integrated companies. A country-wide wholesale market is needed as a backbone for the national grid. Key to its success would be building a joint vision and a common reform roadmap among a broad range of central government agencies, state authorities, system operators and utilities.

Since worldwide liberalisation of the electricity industry in the 1980s, more countries around the world have replaced vertical integration and reorganised the production of electricity around markets. Conceptually, competition can be established at several levels in the electricity sector as liberalisation programmes consider each industry activity separately.

One of the most pertinent questions for liberalisation programmes, in the light of key objectives such as reducing electricity prices while keeping the lights on, is how to arrange electricity trading between generators and buyers in the wholesale market. There is no ready-made answer to this question as different electricity market structures and regulatory policies exist in different countries.

At the most basic level, electricity pooling is a centralised form of trading electricity with competition focused solely on generators with minimal input from buyers. The bilateral model is a more market-oriented design that encourages more interaction between generators and buyers. There are key differences in the manner in which both models deal with key market issues such as determination of the electricity wholesale price, determining when generators increase or decrease plant output or stop generating (scheduling and dispatch), the incidence of generation/ demand shortfalls or excess (imbalances), and the constraints on transmission capacity that may affect system stability.

As a first step towards market reforms, Pakistan's National Electric Power Regulatory Authority (NEPRA) recently approved a detailed design implementation plan of Competitive Trading Bilateral Contracts Market (CTBCM). The main aim behind embarking upon the power sector's massive unbundling is to transform the industry into functionally more efficient entities through introducing competition in the market. CTBCM would help accomplish this critical goal. It would usher a new era of transparency, predictability, and credibility, whereby electricity may be traded like any other commodity. This,

added with issues pertaining to energy stakeholders under the stress of COVID- requires detailed discussion. This session would, therefore, focus on the following critical questions:

- What is the current state of the energy demand and supply system?
- What opportunities lie in transitioning towards CTBCM?
- What good and best international practices can be followed with regards to implementation and tailoring of the CTBCM?
- What are the challenges to CTBCM implementation, monitoring and control?
- What are the next steps envisaged to achieve this transition, especially given COVID-19 ramifications?

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