



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

### **PREAMBLE**

The Governments of the People's Republic of Bangladesh, the Kingdom of Bhutan, the Republic of India, the Republic of the Union of Myanmar, Nepal, the Democratic Socialist Republic of Sri Lanka and the Kingdom of Thailand, the Member States of BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation), hereinafter referred to collectively as the "Parties" and individually as a "Party";

*Recognizing* the need of strengthening economic, commercial and technical collaborations in the region on energy cooperation programs, which will provide the opportunities and challenges to: (i) enhance the intra-regional coordination through an action plan for developing and utilizing various energy resources; (ii) coordinate and optimize the energy infrastructure investment including Grid Interconnections; (iii) encourage the new or renewable sources of energy projects; (iv) enhance energy security of the region (v) encourage for generating additional energy; (vi) encourage cross border energy trade, and (vii) establish the BIMSTEC Energy Center;

*Affirming* to enhance energy development in the region, the Parties, at 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 of beneficial projects and to provide support for BIMSTEC members and (ii) to draw up proposals of cooperation for implementation;

*Emphasizing* that the priority project for Trans-Power Exchange and Development, coordinated 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 for the development of grid interconnections and to propose the action plan for setting up of 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 stipulations made in respect of energy cooperation in the Declaration;

*Further Recalling*, the Outcome Document of the BIMSTEC Leaders' Retreat 2016, held in Goa, India on 16 October 2016, where the Leaders decided to expedite the signing of the BIMSTEC Memorandum of Understanding on Grid Interconnection.

*Considering* that (i) the optimization of using the energy resources in the region for mutual benefits on non-discriminatory basis subject to laws, rules and regulations of the respective Parties; (ii) the promotion of efficient, economic, and secure operation of power system needed through the development of regional electricity networks (iii) the necessity of optimization of capital investment for generation capacity addition across the region and (iv) power exchange through cross border interconnections;

**Have agreed to the following:**

## **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 Parties to cooperate towards the implementation of grid interconnections for the trade in electricity with a view to promoting rational and optimal power transmission in the BIMSTEC region.

## **ARTICLE 2**

### **PRINCIPLES AND OBJECTIVES**

- 2.1 The Parties accept that their relationship be based on the following principles:
- a) Cooperation: The issues related to regional interconnections be handled in a spirit of cooperation and mutual benefit, that the Parties have sovereign equal rights and obligations, act in solidarity, and refrain from taking advantage of one another. Each Party agrees to cooperate and implement the principle set forth in this MoU in accordance with the laws, rules and regulations of the Member States.
  - b) Sustainable Development: The BIMSTEC Trans-Power Exchange and Development Projects be implemented through strengthening of bilateral and intra-regional cooperation within the framework of relevant laws, rules and regulations of the Member States.
- 2.2 The objectives of grid interconnections for the trade in electricity under this MoU are for all Parties to:
- a) Coordinate and cooperate in the planning, development and operation of interconnected systems to optimize costs while maintaining satisfactory reliability and security;
  - b) Fully recover the costs and share benefits equitably, resulting from the reductions in investments on generation, transmission systems and fuel cost;
  - c) Provide reliable, secure and economic electricity supply to the Parties;
  - d) Develop transmission tariff framework for trading of electricity among the Parties; and
  - e) Open up new avenues of cooperation to promote electricity trade.

- 2.3 Grid interconnections among the BIMSTEC Member States, subject to existing relevant laws, rules and regulations of the respective Member States, will also consider issues, *inter alia*:
- a) Power flow among participating Member States on a non-discriminatory basis taking cognizance of available grid capacity, power supply position and steps to harmonize technical, planning and operational standards of the grids of the connected Parties.
  - b) Arrangements for the mutually agreed imposition or exemption of import, export or transit fee, duty, tax or other government imposed fees and charges on the construction, operation and maintenance of the BIMSTEC grid interconnections.
  - c) Harmonization of institutional, operational, legal and regulatory frameworks for implementation and operation of the grid interconnections and trade among the Parties.

### **ARTICLE 3 INSTITUTIONAL ARRANGEMENTS**

- 3.1 The Parties agree for appropriate institutional arrangements and other policy measures to implement this MoU.
- 3.2 The Parties recognize the need to have an appropriate structure referred to as the BIMSTEC Grid Interconnection Coordination Committee (BGICC), to actively coordinate, for successful implementation of grid interconnections and trade in electricity. The Parties also recognize the need to plan cross border interconnections through power system studies. For this, the Parties may enable their transmission planning agencies to plan the cross border grid inter-connections through bilateral/trilateral/ multilateral mutual agreements among the Parties concerned based on the needs of the trade in future through power system studies and sharing of requisite information. The Parties shall designate their national representative(s) to constitute the BGICC which shall report to the BIMSTEC Senior Officials' Meeting on Energy and/or Energy Ministers' Meeting.

- 3.3 The BGICC may engage BIMSTEC Energy Sector Committee of Experts/Officials, Task Force for BIMSTEC Trans-Power Exchange and Development Projects, BIMSTEC Energy Center and other institutions to provide technical support.
- 3.4 The BGICC shall determine modalities to implement BIMSTEC Grid Interconnections Master Plan and regional trade arrangements.
- 3.5 The Parties shall authorize their appropriate agencies to enter into necessary agreements for implementation of this MoU.

#### **ARTICLE 4 SETTLEMENT OF DISPUTES**

- 4.1 The Parties implementing this MoU shall seek amicable resolution through negotiation/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 5 ENTRY INTO FORCE**

- 5.1 This MoU shall enter into force on completion of formalities by all Member States and upon issuance of the notification thereof by the Secretary General of BIMSTEC.

#### **ARTICLE 6 VALIDITY OF THE MOU**

- 6.1 This MoU shall remain in effect until revised or terminated by all Parties.

**ARTICLE 7**  
**WITHDRAWAL FROM THE MOU**

- 7.1 Any Party may withdraw from this MoU by giving written notice one year in advance to the Secretary General of BIMSTEC. During the time of withdrawal notification, the Party shall continue to comply with the provisions of this MoU. Withdrawal from this MoU will not affect agreements and contracts signed on the basis of this MoU until the expiration of such agreements and contracts.

**ARTICLE 8**  
**RELATION TO OTHER AGREEMENTS**

- 8.1 Agreements with non-BIMSTEC country(ies): This MoU shall not restrict any BIMSTEC Member State from entering into agreements with non-BIMSTEC country(ies) on bilateral/multilateral basis provided that such agreement(s) do not create obligations upon the other BIMSTEC Member State(s) that is (are) not Party to such agreement(s). Such agreement(s) shall not impair a BIMSTEC Member State who is Party to such agreement(s) from fulfilling its obligations under this MoU.
- 8.2 Other Existing Agreements: The Parties hereby undertake that they shall continue to respect their rights and obligations under other similar agreements, to which they are also Parties, on power interconnections and trading in electricity existing prior to this MoU.

**ARTICLE 9**  
**REVIEW AND AMENDMENT**

- 9.1 The provision of this MoU may be reviewed at five year intervals or earlier, if requested by any Party, and shall be amended with the consensus by the Parties.

**ARTICLE 10**  
**ENTIRE AGREEMENT**

10.1 This MoU constitutes the entire understanding among the Member States.

10.2 *In witness whereof*, the undersigned plenipotentiaries, being duly authorized by their respective Governments, have signed this MoU.

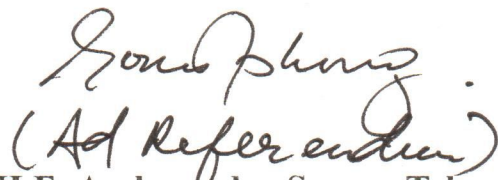
DONE in Kathmandu on the Thirty-First Day of August in the year Two Thousand and Eighteen, in eight originals, in the English language, all texts being equally authentic.

**For the People's Republic of Bangladesh**




**H.E. Mr. Abul Hassan Mahmood Ali, M.P.**  
**Foreign Minister**

**For the Kingdom of Bhutan**

  
(*Ad Referendum*)

**H.E. Ambassador Sonam Tshong**  
**Foreign Secretary**

**For the Republic of India**



**H.E. General (Dr.) Vijay Kumar Singh (Retd.)**  
**Minister of State for External Affairs**

**For the Republic of the Union of Myanmar**



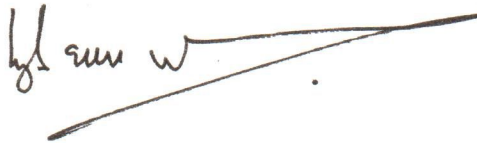
**H.E. U Kyaw Tin**  
**Union Minister for International Cooperation**

**For Nepal**



**Hon'ble Mr. Pradeep Kumar Gyawali**  
**Minister for Foreign Affairs**

**For the Democratic Socialist Republic of Sri Lanka**



**Hon. Vasantha Senanayake**  
**State Minister of Foreign Affairs**

**For the Kingdom of Thailand**



**H.E. Mr. Siri Jirapongphan**  
**Minister of Energy**