

Power Market Development NEWSLETTER



Newsletter Summary:

Page 1

The context and overall strategy on Market Development is discussed here. It also highlights the vision, mission and core values of the Market Operator.

Page 2

The milestones achieved by CPPA-G so far in the power market development are shared. Also some information on competitive power markets is also discussed for the benefit of the readers.

Page 3

The way forward in market development and the expectations from the market entities are discussed. We have also shared the transition journey of Turkish Electricity Market.

Also in this edition we have shared two stories from our staff expressing their feelings about our Company's Culture.

Happy readings!

CPPA- Pakistan Electricity Market Operator

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OUR VISION

To become a world-class power market operator by providing the optimum environment for trading electricity in the Pakistani power market

OUR MISSION

To achieve our vision we are determined to become one of the best-run public organizations in the world, a place where people love to work, developing capacity of stakeholders and helping improve the processes and procedures. During the transition period, however, our company will also procure the required energy on behalf of the consumers transparently and efficiently.

OUR CORE VALUES

- ◇ Transparency
- ◇ Excellence
- ◇ Teamwork
- ◇ Be-respectful

"CPPA-G is the heart of power sector and the power sector is the heart of economy. I feel honored leading the Market Operator and feel very confident that together we will be able to make power market competitive"



Strategy and Market Development

As per the mandate given by Economic Coordination Committee (ECC) and NEPRA, the Market Operator (CPPA-G) is directed to facilitate the power market transition to a competitive regime. For this purpose, Strategy and Market Development Department of CPPA-G has been working with technical assistance provided by globally renowned Consultants to achieve this goal. It's an inclusive process in which CPPA-G is performing a central facilitation role. The market development strategy has been divided into the following three phases:

Phase I: This phase includes (a) Research and study of global competitive markets, (b) capacity building of market entities, (c) proposing the market model and Competitive Trading Bilateral Contract Market (CTBCM) Plan for Pakistan through a consultative process, (d) Building strategic partnerships with Market Operators globally and (e) submission of the CTBCM Plan for obtaining regulatory approval.

Phase II: During this detailed market design phase each entity will work on the initiatives identified in CTBCM Plan.

Phase III: During this implementation phase all entities will implement the initiatives as per the timelines approved by the Regulator in CTBCM Plan.



In the Picture: From Left to Right

- ◆ Mr. Roberto (Market Development Consultant CPPA)
- ◆ Mr. Kasper (Training Consultant CPPA)
- ◆ Mr. Abid Lodhi (CEO CPPA)
- ◆ Mr. Omer Haroon (Manager Strategy and Market Development CPPA)
- ◆ Mr. Noman Rafique (Company Secretary CPPA)

SOME KEY POINTS

Why Transparency?

Because transparency is a fundamental pre-requisite for attracting investors on a risk sharing basis and open up the market

Why Excellence?

Because we want to ensure excellence in everything we do. The Market Operator is a mentor organization that plays the role of a coach to help develop the market and the stakeholders

Why Teamwork?

We believe that market development is a collective effort and requires team work within and outside CPPA-G boundaries with the market entities

SINGLE-BUYER

Single-buyer market is the market where there is only one authorized buyer (Monopsony).

SINGLE-BUYER PLUS

In single-buyer plus model, bilateral contracts between participants (buyers and sellers) co-exist with the central single-buyer.

WHOLESALE MARKET

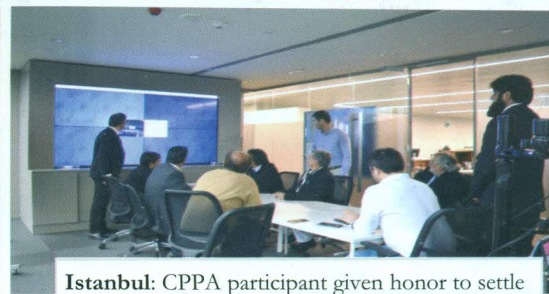
There are multiple buyers and multiple sellers in the wholesale market. The wholesale market establishes platforms, systems and mechanisms that allow sellers and buyers to trade electricity.

BILATERAL CONTRACTS

Bilateral Contract is a reciprocal arrangement directly between buyer and seller without the involvement of any third party.



Islamabad: EPIAS experts giving briefing on Turkish Market's transition to CEO CPPA



Istanbul: CPPA participant given honor to settle whole Turkish Market with click of a button



April 2017: Training and Capacity Building Workshop Organized by CPPA-G



March 2017: Consultation session on the proposed Market Model with DISCOs



Market Model Workshop: CEO CPPA-G presenting Certificate to delegate from NERPA



K-Electric and CPPA-G participants during market development workshop

Market Development Activities: Some Key Achievements

- ◆ Forming the market development team in CPPA-G
- ◆ Engaging reputable market development MRC consultants and training partners Maycroft
- ◆ Extensive research and progress that resulted into development of the proposed market model and CTBCM Plan
- ◆ Market Development an inclusive process:
 - Conductive numerous proposed market model consultative workshops
 - Conducted four trainings through international consultants
 - Conducted an international exchange involving key Power Sector entities
- ◆ Establishing the strategic partnership with Turkish Market Operator (EPIAS)
- ◆ Becoming the member of full-time Association of Power Exchange (APEX)

What are the Objectives for Making a Market Competitive?

The objectives pursued for such transformation always includes the following:

- Security of Supply
- Efficiency improvements
- Appropriate energy prices
- Move away from Sovereign guarantees
- Progressive de-carbonization

Why Now?

In competitive markets the risks are shared between the multiple buyers and the sellers. Pakistan is transitioning from a demand dominated regime (in which demand is more than supply) to a supply dominated regime. This is the right time to open the market for incremental competition overtime.



Turkish Electricity Market

Turkey was a country that hugely relied upon the foreign investments for its economic growth. The Turkish government and banking systems lacked the financial means to support meaningful economic development. The budget deficits swelled and it led to the serious financial crisis in 2001. This financial crisis pushed the investments away from the country including the investments in the power sector. This situation fostered the liberalization of the power market, seeking for attracting investments and help the stabilization of the sector.

Turkish Electricity Corporation (TEC) was the vertically integrated utility that was unbundled to form Generation and Transmission Corporation (TEAS) and Distribution Company (TEDAS). TEAS was further unbundled to form Electricity Generation Corporation (EUAS), Turkish Electricity Transmission Company) and TETAS (Turkish Electricity Trade and Contract Corporation). Till 2001, these were the important players of Turkish Electricity Market. Electricity Market Law was introduced in 2001 which aimed at ensuring the establishment of financially sound, stable and transparent electricity market operating under the competitive environment. After the introduction of this law, the competitive regime in Turkey began to form shape.

By 2009, balancing and settlement applications had launched, day ahead planning and balancing power market had started. Two years later, in 2011, Day Ahead Market was launched. For 4 years, Day Ahead Market functioned in parallel to Balancing Market. Then in 2015, Intra-day Market was also opened for operation.

Till 2015, Market Operator was the part of the system operator. However, in 2015 it was separated and EPIAS, the Market Operator of Turkey, was established. In the same year, TEDAS was divided into 21 separate distribution companies. Currently, there is one network and system operator in Turkey. Market Operator is a private and independent entity. There are 21 distribution companies, public and private generators and one regulator in Turkey.

WAY FORWARD

Expectations from Stakeholders:

The Market Development and Implementation Team i.e. (CPPA-G, DISCOs, K-Electric, NTDC and other key market entities) will work together with full commitment and passion to ensure a smooth transition.

Future Plan:

Now after conducting several consultative workshops the CTBCM Plan will be submitted to NEPRA for approval.

Next Phase of Market Development (Detailed Design Phase):

In May of 2017, the market development will be entering into the detailed design phase during which the initiatives identified under CTBCM Plan will planned and actions will be taken. For instance study of the key market documents (Grid Code, Commercial Code, etc.) will be studied in detail for alignment with the proposed market model by the respective entities.

Stories from Our Team on our Culture

"I was working with a public sector company before joining CPPA-G. I found remarkable difference in the work environment of two public sector organizations. CPPA-G's culture is team oriented, caring and robust. Even the senior most management addressed my queries and concerns. Plenty of opportunities for growth and development have been provided in less than one year. I am intrinsically motivated to give my best to CPPA-G and the country."

Mannan-ul-Haq : Managment Training Officer (Finance)

"Having worked in the private sector throughout my professional career, the decision to switch to a public organization was a bit challenging, but my first interaction with CPPA during interview made me believe that this company will be different. The work culture that I found here was completely different from the perception of public sector organizations. I have found the leadership very helpful and like mentors. I am part of the market development team and is deeply involved in developmental activities. In past one year I have learnt a lot and now geared-up to deliver in next phase of market development"

Nida Mukhtar : Managment Training Officer (Market Development)

Our Market Development Team



From Left to Right: Mannan ul Haq, Atif, Roberto, Kasper, Abid Lodhi, Omer, Nida, Omama & Abrar