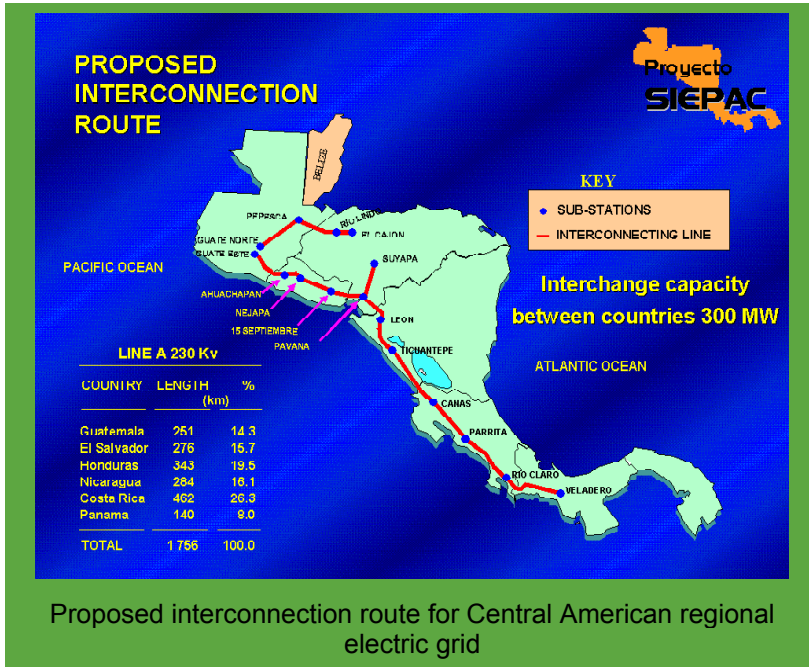




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## Preparing Regulators for Regional Electricity Market



Through this partnership, USAID has sponsored activities that helped strengthen the Central American regulatory commissions. The creation of a Central American regional electricity market with clear and uniform rules is expected to offer incentives for more efficient power plants, sparking investments that would help reduce the cost of electricity in the region and improve the reliability of electricity systems. Increased reliability of electricity will ultimately further economic growth and improve quality of life in the region.

Assisted by USAID and the Inter-American Development Bank, the Electric Interconnection Project of Central America (SIEPAC) interconnects the six Central American nations (Guatemala, Nicaragua, El Salvador, Honduras, Panama, Costa Rica) with a 230 KW transmission line. SIEPAC also establishes the Regional Electric Interconnection Commission (CRIE), a supranational regulatory agency that will assure transparency and adequate functioning of the electricity market, by promoting competition and regulating all aspects of regional transmission and generation. Through the ACERCA partnership, USAID and USEA have worked with members of the CRIE and SIEPAC to facilitate the goals of the project and fortify ties between the countries.

Other results of the ACERCA partnership are:

- Panamanian commission now has incentives for private generation of renewables (biomass and solar) previously only applied to public power
- Salvadoran commission instituted public hearings as part of rate setting procedures
- Salvadoran commission increased penalties to companies for poor service quality

The Central American regional electricity market will enable low cost power producers to sell across national borders. This will result in lower power prices, making Central American exports more competitive and reducing consumer electricity bills.

Since 2000, USAID has supported a partnership between the Coordinating Association of Central American Regulators (ACERCA) and US regulatory commissions and energy market organizations. The US Energy Association facilitates this partnership through the Energy Partnership Program. A primary objective has been to help establish uniform regulations in the six Central American countries to promote the free trade of power across national boundaries in a new regional energy market. The US partners have shown their Central American counterparts how to effectively regulate and monitor regional energy markets without imposing burdensome requirements or taxes. Sharing US best practices is resulting in accelerating the opening of the regional market that is scheduled for 2007.

- Information supplied by the Kansas commission was used to establish the public lighting norms in El Salvador
- Nicaraguan commission adopted definitions for system disturbances and its effects on service quality, utilizing indicators and benchmarks similar to those used by the US commissions.

USAID-sponsored Energy Partnership has helped define the role of the power sector regulators in six Central American nations as they develop a

regional electricity market to lower regional electricity prices and to attract additional trade and investment.

A Commissioner from El Salvador commented, “one of the greatest moments during my term as president of ACERCA was the signing of the MOU and cooperative agreement between USAID, ACERCA and the U.S. partner commissions. This relationship has strengthened regulatory procedures in Central America’s electric sector.”

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