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PRESS RELEASE

CERC unveils new regulatory framework for inter-state transmission

After a year and half long consultation process, CERC has notified its regulations on 'Sharing of Inter State Transmission Charges and Losses'. These regulations would implement point of connection method of sharing the cost of inter-state transmission services in India, replacing the present system of regional postage stamps. The new mechanism will benefit the transmission network development and the users of the transmission system in the following ways:

a) At present the transmission investments are faced with the uncertainty in generation and also the cumbersome process of getting the Bulk Power Transmission Agreements (BPTAs) signed by all the expected beneficiaries of the transmission system. Under the new proposed mechanism all the users will be default signatories to the Transmission Service Agreement (TSA), which also requires these users to pay the point of connection charge, which covers the revenue of transmission licensees. This commercial arrangement would also facilitate financial closure of transmission investments.

b) It would facilitate integration of electricity markets and enhance open access and competition by obviating the need for pan-caking of transmission charges.

c) The National Electricity Policy requires the transmission charges to reflect network utilization. The Point of Connection tariffs are based on load flow analysis and capture utilization of each network element by the users.

d) The distinction between generation and demand customers would provide siting signals to the users, through accurate transmission charges.

e) It will facilitate fair and transparent competition for case-1 bids. Under the current methodology, the case-1 bid processes are severely distorted because of pan-caking, and this results in pit head / hydro plants not being competitive for inter-regional bids. The impact of pan-caking is further amplified in such bid processes because of application of escalation factors to transmission charges over a 25 year period. The proposed methodology will remove such distortion.

f) The regulations would facilitate solar based generation by allowing zero transmission access charge for use of inter-state transmission system (ISTS) and allocating no transmission loss to solar based generation. Solar power generators shall be benefited in event of use of the ISTS. Since such generation would normally be connected at 33 kV, the power generated by such generators would most likely be absorbed locally. This would cause no / minimal use of 400 kV ISTS network and might also lead to reduction of losses in the 400 kV network by obviating the need for power from distant generators. This dispensation is also aligned with the objectives of the Jawaharlal Nehru National Solar Mission which is "to establish India as a global leader in solar energy, by creating the policy conditions for its diffusion across the country as quickly as possible."

2. These regulations not only describe the methodology of computing the point of connection charges but also provide necessary mechanisms for billing, connection and other commercial matters.

3. It may be recalled that the National Electricity Policy notified by the Central Government under the Electricity Act has also stipulated that a national transmission tariff framework needs to be implemented which should be sensitive to distance, direction and related to quantum of flow. The new framework would facilitate cost effective transmission of power across the regions.

4. CERC has also recently given its regulatory approval to the proposal of Central Transmission Utility (POWERGRID) for constructing nine transmission

corridors across the country with an envisaged investment of about Rs.58,000 crores. The Commission's orders dated 31st May, 2010 granting this regulatory approval has heralded a new era for timely augmentation of inter-state transmission grid which is the backbone for developing all India electricity markets and also for enabling optimum exploitation of the energy resources of the country.

5. This approval has been given in the context of the Tariff Policy provisions which stipulated that prior agreement with the users would not be a precondition for network expansion and the transmission utilities should undertake network expansion after identifying the requirements in consonance with the National Electricity Plan and in consultation with the stakeholders, and taking up the execution after due regulatory approvals. This decision of CERC is a clear regulatory message to the investors in generating capacities that the Central Transmission Utility will be able to discharge its statutory obligation of timely providing necessary power evacuation facilities.

6. To simplify and codify the procedure for such regulatory approvals in future, CERC has also recently notified its regulations on 'Grant of regulatory approval for execution of inter-state transmission scheme to Central Transmission Utility'.

7. The full text of these regulations and the orders are available on the CERC's website www.cercind.gov.in.

Sd/-
(Alok Kumar)
Secretary