

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Date: 12.07.2016**

**Coram: Shri Gireesh B. Pradhan, Chairperson**

**Shri A. K. Singhal, Member**

**Shri A. S. Bakshi, Member**

**Dr. M.K. Iyer, Member**

**Statement of Objects and Reasons**

**Central Electricity Regulatory Commission (Open Access in inter-State Transmission) (Fourth Amendment) Regulations, 2016**

- 1) In exercise of power conferred under Section 178 of the Electricity Act, 2003 (hereinafter "the Act"), the Central Electricity Regulatory Commission (hereinafter "the Commission") had notified Central Electricity Regulatory Commission (Open Access in inter-State Transmission) Regulations, 2008 on 7.2.2008 and subsequent amendments on 29.5.2009 and 11.9.2013 and 12.05.2015 (hereinafter collectively referred to as "the Principal Regulations").
- 2) The Commission on 03.05.2016 had issued the draft Central Electricity Regulatory Commission (Open Access in Inter-State Transmission) (Fourth Amendment) Regulations, 2016 (hereinafter "Draft amendment") along with the Explanatory Memorandum for inviting comments/suggestions/objections from the stakeholders on these draft regulations.
- 3) Written submissions were filed by National Load Dispatch Centre (NLDC), Power Exchange India Ltd. (PXIL), RPG Power Trading Company Ltd and Thermal Powertech.
- 4) Subsequently, a public hearing was held on 26.05.2016 to elicit views of the stakeholders and other interested persons in which oral submissions were

made by Indian Energy Exchange(IEX),Power Exchange India Limited (PXIL), National Load Dispatch Centre (NLDC) and State Load Dispatch Centre, Chhattisgarh(SLDCCSPTCL).

- 5) After taking into consideration the comments/objections/suggestions made by the various stakeholders, the Commission has finalized the amendment to the Principal Regulations for notification in the Gazette of India. The proposed amendment, summary of comments/objections/suggestions received and the rationale/decision of the Commission thereon are discussed in the succeeding paragraphs.

### **5.1 Proposed Amendment to the clauses of the Principal Regulations.**

- i. Clause (2)of Regulation 17 of the Principal Regulations is proposed to be substituted as under:-

"(2) In case of collective transaction, NLDC operating charges shall be payable by each of the successful buyers and sellers on the basis of its energy scheduled (MWh) at regional periphery by NLDC for transactions in the respective power exchange.

The NLDC operating charges collected by the power exchanges shall be transferred to NLDC on a daily basis. The rate of NLDC operating charges shall be Re 1/MWh for collective transactions. NLDC operating charges payable by each of the successful buyer and seller in case of collective transaction, for a day, shall be capped to a maximum ceiling of Rs 200 per day per entity."

### **5.2 Stakeholders' comments**

- i. RPG Power Trading Company Limited has submitted that the approach of levying operating charges on per participant basis irrespective of power exchange the participant is trading on seems appropriate as it brings all participants of either of the power exchanges on equal footing. They have

requested the Commission to determine the charges and revise them from time to time to ensure adequate returns to the NLDC.

- ii. PXIL has submitted that the proposed amendment is a welcome step and is acceptable. The proposed amendment would help in addressing the difficulties encountered in operationalising Open Access and increase energy transactions on Power Exchanges.
- iii. Thermal Powertech submitted that the Hon'ble Commission's decision to levy the operating charges on per MWh basis in proportion to the scheduled energy and a maximum cap of Rs 200/entity, thereby ensuring transparency/fair competition among the market participants/consumers is a welcome step and is acceptable.
- iv. Indian Energy Exchange submitted that they are in agreement with the Hon'ble Commission's decision to levy the operating charges on per MWh basis in proportion to the scheduled energy and a maximum cap of Rs 200/entity. IEX has requested for two months time to implement changes to their trading system software as per the amendment.
- v. National Load Dispatch Centre (NLDC) has submitted as below-

" It is suggested that the Operating Charge may be levied @ Rupees /Day rather than based on the scheduled energy @Rs/MWh.

However, if the Hon'ble Commission keeps the Operating charges on the basis of energy scheduled (MWh) at the regional periphery, it is suggested that the maximum ceiling of Rs 200 per day per entity may be removed, in view of the following :

- a. The intent of keeping the per participant charges equitable, on both the Power Exchange, is defeated, as the levy of Operating charges on the basis of energy scheduled (MWh) at the regional periphery is on ad valorem basis whereas the levy of maximum ceiling of Rs 200

per day per entity for Operating charge is on adhoc basis, which are two distinct methodologies.

- b. Methodology of calculation of Operating charges for Collective transactions should be rational, verifiable and transparent, and in accordance with the spirit of non-discriminatory open access provided in CERC Open access in inter-state transmission regulations.

Further, it is to be noted that as per the RLDC Fees and Charges Regulations, 2015, POSOCO maintains a separate account for the income like short term open access charges and REC charges etc."

- vi. State Load Dispatch Centre, Raipur , Chhattisgarh submitted that the operating charges can be levied on per MWh basis and there may be no capping on the charges levied as it sets a precedent which may have to be followed by the SERCs as well.

### **5.3 Commission's decision/rationale:**

- i. Reduction of charges for collective transactions from Rs. 5000/ regional entity to Rs. 2000/regional entity has led to rationalization of operating charges. The per participant charge has reduced substantially in both the exchanges. However, there still remains an inter- se difference of charges between the two exchanges. The Commission therefore considered it necessary to amend the regulation on open access to levy the operating charges on the basis of energy scheduled (MWh).
- ii. Review of the existing practice of levying NLDC Operating Charges based on 'cost to serve' principle has been necessitated by the following reasons-
  - a) The participant mix on the Exchanges has changed since their inception.
  - b) The economies of scale in business have been achieved.

- c) With the IT systems and technology implementation, scheduling and operating costs are likely to decrease with increased transaction volume.
  - d) The NLDC recovers all its operational cost through other revenue streams.
  - e) On an electronic platform, it is not possible to put a marginal value on the scheduling efforts of the NLDC for scheduling of each transaction.
- iii. Majority of the stakeholders who have submitted their responses are in agreement with the proposed amendment of levying operating charges on per unit basis irrespective of power exchange the participant is trading on. As regards the concern raised by NLDC and SLDC Raipur, it is noted that the NLDC operating charges if not capped as proposed by the commission would make entities transacting energy in higher volumes such as DISCOMs and large generators pay more as compared to what they pay under the present method. For example, if a participant transacts 100 MW for 24 hours, then without any cap he will be liable to pay Rs. 2400/- at Rs.1 per MWh. This charge will be much higher than what this participant has been paying currently on the Power Exchanges.
- iv. The table below shows the minimum, maximum and average charge paid by any participant on either of the power exchanges

**NLDC Operating Charges paid by participants on PXs since May 2015 Amendment**

	Minimum (Rs)	Maximum (Rs)	Average (Rs)
PXIL	809	1573	1224
IEX	178	356	227
PXIL & IEX combined	187	370	236

- v. Therefore, the objective of rationalization of NLDC operating charges for small participants like open access consumers without burdening the large consumers can be achieved by imposing maximum operating charges cap.
  - i. The higher operating charges if not capped would lead to higher cost of procurement and will result in additional burden to the end consumer.
  - ii. The Commission has therefore, decided to retain the amendment proposed and to levy the operating charges on the basis of energy scheduled (MWh) for collective transactions on power exchanges.

2. Accordingly, Regulation 17 of the Principal Regulations shall be substituted as under:-

- 1) “Operating charges at the rate of Rs 1000/-, per day or part of the day for each bilateral transaction for each of the Regional Load Despatch Centre involved and at the rate of Rs 1000/- per day or part of the day for each State Load Despatch Centre involved shall be payable by the applicant.
- 2) In case of collective transaction, NLDC operating charges shall be payable by each of the successful buyer and seller on the basis of its energy scheduled (MWh) at regional periphery by NLDC for transactions in the respective power exchange.
- 3) The NLDC operating charges collected by the power exchanges shall be transferred to NLDC on a daily basis. The rate of NLDC operating charges shall be Re 1/MWh for collective transactions. NLDC operating charges payable by each of the successful buyers and sellers in case of collective transaction, for a day, shall be capped to a maximum ceiling of Rs 200 per day.

- 4) The Power Exchanges will provide NLDC with a daily list of successful participants along with their volumes cleared and the NLDC operating charges levied on these successful participants.
- 5) The successful buyers and sellers shall also pay Rs 1000/- per day for the SLDC involved for each point of the collective transaction.
- 6) For the purpose of the levy of operating charges for State Load Despatch Centre and levy of the intra-State transmission charges, each point of the injection or drawal in the State network shall be counted separately."

<b>sd/-</b>	<b>sd/-</b>	<b>sd/-</b>	<b>sd/-</b>
<b>(Dr.M. K. Iyer)</b>	<b>(A. S. Bakshi)</b>	<b>(A.K. Singhal)</b>	<b>(Gireesh B. Pradhan)</b>
<b>Member</b>	<b>Member</b>	<b>Member</b>	<b>Chairperson</b>