

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Draft Central Electricity Regulatory Commission (Open Access in inter-State Transmission) (Fifth Amendment) Regulations, 2008

Draft Explanatory Memorandum

1. Background

- 1.1. A Staff Paper on National Open Access Registry (NOAR) was published in the CERC website on 25th November, 2016 inviting comments/suggestions from the stakeholders. In response, altogether 14 stakeholders including POSOCO, Power Exchanges, Trading Licensees, IPPs, and State Utilities had submitted their comments/suggestions on the Staff Paper. The list of stakeholders is provided in the Annexure-I.
- 1.2. From the comments received, it is observed that the stakeholders have largely endorsed the idea of NOAR delineated in the Staff Paper. Most of the stakeholders have concurred that the implementation of NOAR would bring efficiency and transparency into the administration of short term open access in the country. Besides, the stakeholders have also agreed to the proposal of making NLDC (POSOCO) as the nodal agency for NOAR.
- 1.3. In this backdrop, the Commission has decided to go ahead with the implementation of NOAR. The Commission proposes to bring in necessary amendments in the CERC (Open Access in inter-State Transmission)(Fifth Amendment) Regulations, 2008 as discussed in the section below.

2. Proposed Amendments

- 2.1. The amendments are proposed with an objective to create an enabling regulatory framework for the implementation of NOAR, the broader aspects of which are elaborated below:

2.1.1. Definition and Function of NOAR (Draft Regulation 3A)

The objective and characteristics of NOAR have been comprehensively dealt with in the Staff Paper uploaded in the CERC website. It is envisaged that the NOAR would constitute a centralized electronic platform through which the short term open access to the inter-state transmission system shall be administered. All the applications & approvals related to short term open access in inter-state transmission system shall be made through the NOAR. The NOAR shall contain the relevant information viz.

standing clearances provided by SLDCs/RLDCs, availability of transmission corridor, short term open access granted to the customers, and application status etc. which shall be automatically updated and accessed by the concerned stakeholders online on a real time basis. NOAR shall also be interfaced with Power Exchanges for verification of Standing Clearance and processing of Day Ahead & Term Ahead transactions.

NOAR shall facilitate financial transactions by providing the payment gateway for making all payments related to short term transactions. The NOAR shall also provide the audit trail of applications and dash board facility summarizing the information necessary for market monitoring and market design evaluation purposes.

All of these features are expected to bring in substantial improvements in efficiency and transparency in administering the short term open access to inter-state transmission system. It may be noted here that as the CERC jurisdiction is limited to inter-state transmission system, the NOAR has been conceptualized for streamlining of short term open access applications concerning to inter-state transmission system only.

2.1.2. Role of NLDC (POSOCO) (Draft Regulation 3A)

As discussed in the Staff Paper and agreed upon by the stakeholders, the NOAR shall be built, owned, and operated by NLDC (POSOCO). Further, keeping in view the operational requirements and advancements in technologies, the NLDC shall review the operations of NOAR from time to time and suggest necessary changes.

The NOAR would be a centralized IT system with heavy reliance on computers, internet, and communication etc. The system would also be having critical information related to grid operations updated on real time basis. In such a scenario, cyber security becomes very important to prevent or respond to any kind of cyber-attacks. NLDC shall have to ensure that the cyber security compliances are due diligently adhered to and report such compliances to the Commission on an annual basis.

NLDC shall incur both capital and operating expenditures for operationalizing the NOAR. The additional expenses incurred on account of implementing and operating the NOAR shall be allowed to be recovered under the provisions of CERC (Fees and Charges of RLDC and other related matters) Regulations, 2009.

2.1.3. Detailed procedure for Scheduling of Bilateral and Collective Transactions (Draft Amendment in Regulation 4)

The detailed procedure for short term bilateral and collective transactions prepared by POSOCO under the provisions of CERC (Open Access in inter-State Transmission) Regulations, 2008 would undergo substantial change with the implementation of NOAR.

In view of the above, POSOCO shall have to prepare the 'detailed procedure' afresh incorporating the changes related to NOAR. However, before finalizing the detailed procedure, POSOCO shall conduct stakeholders consultations and take into considerations the comments/suggestions provided by them. Also, while conducting the stakeholder consultations, POSOCO must ensure that wider publicity has been made and sufficient time is given for the stakeholders to respond.

POSOCO shall be required to take prior approval from the Commission for notifying the 'detailed procedure'. Further, the Commission may, based on the representations made by concerned parties or on suo-moto basis, can direct POSOCO to make changes in the detailed procedure as and when it is considered to be appropriate.

2.1.4. Standing Clearance from the SLDCs/RLDCs (Draft Amendment in Regulation 8)

As per the existing practice a short term open access applicant embedded in the state network is required to obtain in advance from SLDC 'prior standing clearance' or 'NOC' for collective transactions and 'concurrence' for bilateral transactions. While the 'prior standing clearance' or 'NOC' is obtained for a pre-specified quantity and duration, the 'concurrence' has to be obtained every time an applicant applies for bilateral transaction. As a result of which the approval process is consuming more time particularly with respect to bilateral transactions. Notwithstanding the delay, in the present system 'concurrence' from SLDC is required as the SLDC has to keep a recording of open access transactions availed by a state entity. The concerned SLDC has to routinely monitor the aggregate open access availed by an applicant through bilateral transactions (over the counter) and power exchange platform and ensure that the aggregate open access availed is within the limit of surplus capacity available in the state network.

However, it is envisaged that with the implementation NOAR, the open access transactions related accounting can be managed through the system itself. NOAR shall provide a common interface to different stakeholders including power exchanges and record both bilateral and collective transactions. In such a scenario, it is proposed that instead of having separate clearances for bilateral and collective transactions, an umbrella 'Standing Clearance' can be obtained from the concerned SLDCs/RLDCs for intra-state and inter-state entities respectively. This standing clearance would give the aggregate quantity (MW) which an applicant can avail for short term open access transactions including both bilateral and collective transactions. This would reduce the overall time required for granting short term open access in the inter-state transmission system. The proposed change in the approach is shown in the figure below:

Figure 1: Existing Approach – Concurrence or Prior Standing Clearance or NOC from SLDC

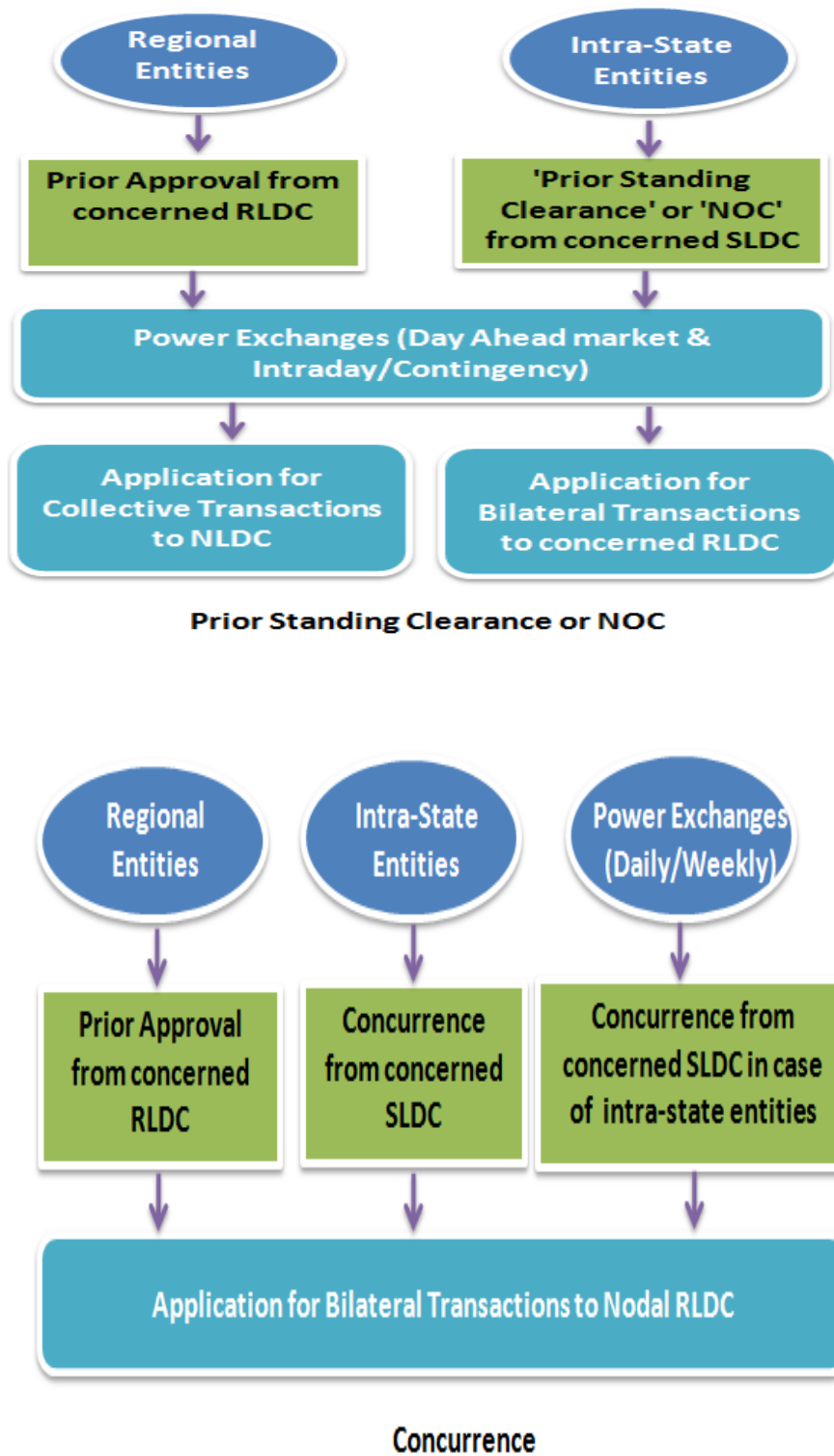
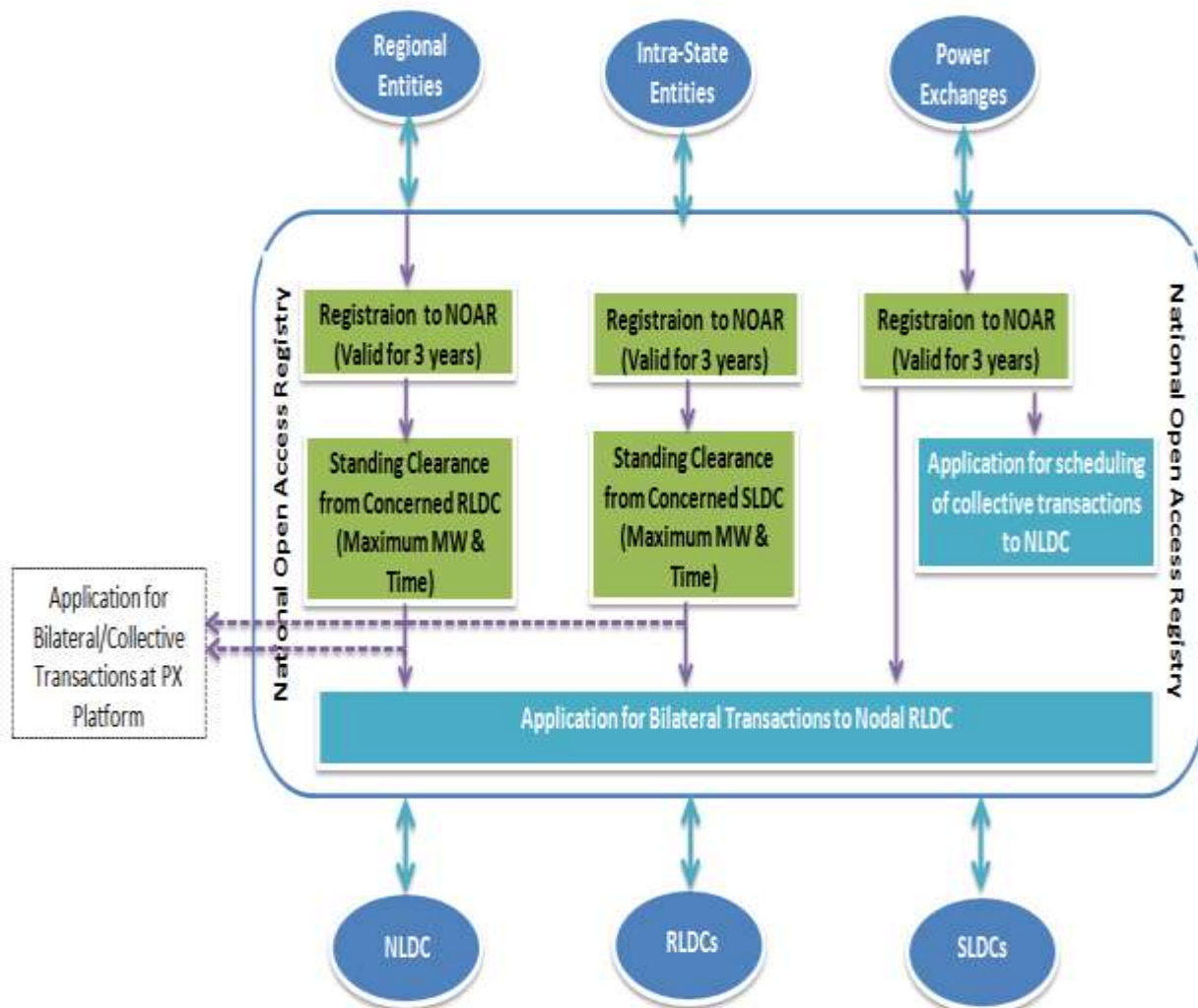


Figure 2: Proposed approach - Standing Clearance from SLDCs/RLDCs through NOAR#



Entities can directly apply or through Traders and Power Exchanges

The proposed approach is further elaborated below:

Registration (Draft Regulation 5B)

The short term open access applicants are required to initially do the registration with NOAR. The applicant shall submit the basic information and documents to be specified in the detailed procedure. This registration shall be valid for a period of 3 years which may be renewed afterwards. The registration fees for the first time is Rs. 2000/- whereas the renewal fee shall be Rs. 1000/- for subsequent years. The registration shall be completed within 7 days after the receipt of the application.

Standing Clearance

State entities shall be applying to SLDCs and regional entities shall be applying to RLDCs for the Standing Clearance. While making the application the applicant shall

submit a declaration that there is no other contract for sale or purchase for the power for which the standing clearance has been applied for. The format of the declaration shall be provided in the detailed procedure to be issued by POSOCO.

Standing Clearance would provide the maximum quantity and duration for which the applicant can avail short term open access in inter-state transmission system. The applicant may schedule transactions under any of the categories of short term transactions be it bilateral or collective provided that the transactions does not exceed the quantum of standing clearance.

The power exchanges shall verify the quantity available with the standing clearance with the quantity bid by the open access participants at the exchange platform

The concerned SLDCs/RLDCs shall issue standing clearance for a maximum period of 3 months after which a fresh application for issue of standing clearance has to be made.

The concerned SLDCs/RLDCs shall issue the standing clearance within 3 days if the application is made on a continuity basis. In case the application is made for the first time then the standing clearance has to be issued within 7 days.

In case the concerned SLDCs/RLDCs does not respond within the stipulated time as mentioned above, the NOAR shall issue a reminder message within the next 2 working days. If the concerned SLDCs/RLDCs still fail to respond then the standing clearance shall be deemed to have been granted.

While issuing standing clearance the concerned SLDCs/RLDCs shall verify the metering infrastructure (as specified in the Grid Code), surplus capacity available in the transmission system, and the declaration submitted by the Applicant.

The concerned SLDCs/RLDCs may revise the quantum or period of the standing clearance issued in respect of any open access customer in case of transmission constraint or in the interest of secure grid operation. The concerned SLDCs/RLDCs may also revise the standing clearance if the allocation transmission corridor is observed to be underutilized.

2.1.5. Proviso to Regulation 25A

The Commission in its Order dated 2.9.2015 pertaining to Petition No. 142/MP/2012 with IA 7/2013 has specified the trigger point for invocation of Regulation 25 A by the NLDC & RLDC for denying short term open access in case of any entity defaulting in payment for more than 90 days. Para 55 of the said Order is reproduced below:

“55. It is to be noted that while RPS Regulations can be invoked for default on the part of a regulated entity to pay the dues of generating companies and transmission licensees, Regulation 25A can be invoked for wilful and consistent default in paying UI/ deviation charges, transmission charges, reactive energy charges, congestion charges, and fees and charges for NLDC/RLDCs. Therefore, only in case of default in payment of transmission charges, both Regulation 25A of Open Access Regulations and RPS Regulations can be invoked. In our view, when regulation of power supply under RPS Regulations is resorted to for default in payment of transmission charges, Regulation 25A should be invariably invoked as otherwise the defaulting entity would defeat the regulation of power supply by scheduling under short term open access. Therefore, the ‘wilful and consistent’ default will be construed differently in both cases. In our view, default in payment for a period of 90 days from the due date of payment of UI/ deviation charges, transmission charges, reactive energy charges, congestion charges and RLDC fees and charges shall be considered as trigger point for invocation of Regulation 25A of Open Access Regulations to deny short term open access to the defaulting entity. However, where a transmission licensee resorts to regulation of power supply, denial of open access under Regulation 25A of Open Access Regulations shall be triggered from the date of commencement of regulation of power supply under RPS Regulations. As regards the second issue as to whether NLDC/RLDCs will be required to approach the Commission for invoking Regulation 25A of Open Access Regulations on case to case basis, it is clarified that NLDC/RLDCs shall be guided by the principle of default trigger date as clarified above and shall not be required to approach the Commission for specific directions in this regard on case to case basis.”

- 2.2. The Fifth Amendment to CERC (Open Access in inter-State Transmission) Regulations, have been proposed keeping the above in view.

List of Stakeholders

S. No	Organization
1	Power System Operation Corporation Ltd. (POSOCO)
2	Indian Exchange Ltd. (IEX)
3	Power Exchange India Ltd. (PXIL)
4	Tata Power Trading Company Ltd. (TPTCL)
5	BSES Rajdhani Power Ltd. (BSES)
6	Torrent Power Ltd. (TPL)
7	Reliance Infrastructure Ltd. (RIL)
8	GMR Energy Trading Ltd. (GMR Energy)
9	Punjab State Transmission Corporation Ltd. (PSTCL)
10	Kerala State Electricity Board Ltd. (KSEB)
11	Madhya Pradesh Power Transmission Company Ltd. (MPPTCL)
12	Indian Energy Regulatory Services (IERS)
13	Statkrafts Markets Pvt. Ltd (Statkrafts)
14	Control Infotech Pvt. Ltd (Control Infotech)