

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Explanatory Memorandum

for the “Draft Central Electricity Regulatory Commission (Power system Development Fund) Regulations, 2019”

1. Background

1.1 In exercise of the powers vested under Sub-section (1) of the Section 178 and Clause (ze) of Sub-section (2) of 178 of the Electricity Act, 2003, the Central Commission notified Central Electricity Regulatory Commission (Power System Development Fund) Regulations, 2010 on 4th June, 2010 to bring the surplus funds available under various Regulatory provisions account under the Power System Development Fund, utilisation for the purpose and other procedure regulations. On 10th June, 2014, this Regulation was repealed by Central Electricity Regulatory Commission (Power System Development Fund) Regulations, 2014 (hereinafter referred to as the “**PSDF Regulations**” or the “**Principal Regulations**”). Subsequently on 3rd July, 2015, the 2014 Regulations was amended by way of Central Electricity Regulatory Commission (Power System Development Fund) (First Amendment) Regulations, 2015. On 18th September 2014, Ministry of Power issued the guidelines /procedure for Disbursement of Fund after obtaining approval of the Cabinet. These guidelines were further amended on 10th October, 2016.

1.2 PSDF Regulations had initially been introduced to deal with the surplus Regulatory funds available to RLDC’s on account of the extant Regulations, vis-à-vis “Congestion Charge Account” in the Central Electricity Regulatory Commission (Measures to relieve congestion in real time operation) Regulations, 2009, “Regional Deviation Pool Account Fund” after final settlement of claims in accordance with Deviation Settlement Mechanism Regulations, 2014) and “Reactive Energy Charges Account” in accordance with the Indian Electricity Grid Code, 2006. Further, excess amounts on account of market splitting mechanism as per Power Market Regulations, 2010 and Additional transmission charges on account of auction due to congestion as per Open Access in interstate transmission Regulations, 2008 also come to the PSDF Account.

2. Need for Review

2.1. The Central Government and the various Committees formed under the PSDF Regulations have been entrusted with the responsibility to evaluate, approve and disburse fund for different State and Central sector schemes in accordance with the provisions of the Regulations. These committees are responsible for the projects at

various levels to ensure that the proposed projects/schemes/activities for funding through PSDF are in accordance with the provisions of the PSDF Regulations. In addition to this, the PSDF Regulations further provide for the Central Commission to review the same aspects again on receiving the projects/schemes/activities from the Nodal agency. Based on experience, it is observed that the project is approved by the Monitoring Committee based on the examination of Appraisal Committee as per MoP guidelines. Therefore, we are of the view that the examination of projects/schemes/activities by the Commission during approval process, after clearance by Appraisal Committee and before approval of Monitoring committee, may be avoided.

2.2 The Appraisal Committee being headed by Chairperson, Central Electricity Authority (CEA) and the Monitoring Committee being constituted by the Ministry of Power were considering the MoP Guidelines and PSDF Regulations to ensure the purpose for utilization of the fund. Since similar provisions have been contained in the MoP Guidelines and the Regulations, it is likely that it may lead to difficulties in interpretation by the Appraisal Committee and Monitoring Committee while approving the projects/schemes/activities. In order to address these difficulties, the existing provisions for the utilization of fund need to be reviewed to bring it in line with MoP guidelines/procedure.

2.3 In light of the discussion above, there is a need for harmonising the existing provision of the Regulations with the MoP Guidelines by reviewing existing provisions in respect of procedure based on experience achieved so far. Accordingly, it is proposed to review all the provisions of the PSDF Regulations afresh and replace with a new PSDF Regulation repealing the existing PSDF Regulations.

3. Proposed Modifications

3.1 The proposed draft notification has been prepared by considering the guidelines/procedure and operational experience and the same is published on the Commission's website: www.cercind.gov.in.

4. Repeal of PSDF Regulations

4.1 It is observed that the proposed changes in the PSDF Regulations, mainly towards operating procedures, constitution of the various committees, implementation and monitoring of the projects being funded through PSDF etc. in view of the Guidelines issued by Ministry of Power and based on experience achieved so far, are substantial changes. In view of this, it is proposed that changes proposed in this regulation shall be effected by repeal of the principal Regulations with the saving of all actions and approval undertaken under the previous regulations.