

**COMMENTS, OBJECTIONS AND
SUGGESTIONS OF TANGEDCO ON THE
DRAFT CERC(SHARING OF INTER STATE
TRANSMISSION CHARGES AND LOSSES)
REGULATIONS,2019**

Venue: CERC, NEW DELHI

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OVERVIEW OF THE PRESENTATION

- PoC mechanism – Is it legal / technically acceptable / commercially equitable?
- Shri.A.S.Bakshi Committee's advocacy for Usage based PoC mechanism.
- CEA's observations and recommendations.
- Major takeaways in the draft Regulations.
- Disputes in the draft Regulations.
- Conclusion

PoC mechanism – Is it legal / technically acceptable / commercially equitable?

✓ *PoC mechanism*

- ❖ Load flow based hybrid method which combines average participation and marginal participation method
- ❖ Sensitive to distance, direction and quantum of flow(NTP)
- ❖ Capture utilization of transmission assets
- ❖ Elimination of cross subsidization and allocated the charges based on usage
- ❖ facilitate integration of electricity markets and enhance open access and competition
- ❖ facilitate fair and transparent competition for case-1 bids
- ❖ Highly efficient and accurate method (as per literature and recommendations of academia and experts)
- ❖ Sends appropriate signals of the costs of locating generators at different points on the system

PoC methodology- Equitable and legitimate

✓ *Transmission line costs shared based on participation factor*

- *Utilities drawing power from other regions/ states do not pay for those transmission lines under PoC regime*
 - Is it correct or a hypothesis?
- It is incorrect and a misconception
- Utilities pay for the lines based on power tracing principles where the cost of all the lines participating in the transaction are shared by the Utilities as per the participation factor.
- TANGEDCO pays for 182 ISTS lines (>1% participation)

OBSERVATIONS AND FINDINGS OF SHRI.BAKSHI COMMITTEE

- *PoC methodology has served its purpose as enshrined in the tariff policy*
 - *Sensitive to distance, direction and quantum of flow*
- *Enabled growth of power market*
- *Helped in reducing congestion by enabling investment in power sector*
- *Contribution of PoC mechanism*
 - (i) *Promotion of competition*
 - (ii) *Promote Renewable Energy resources*
 - (iii) *Elimination of pancaking of charges and losses*
 - (iv) *Accommodates multiple transmission licensee region*
 - (v) *facilitates development of High Capacity Corridor*
 - (vi) *facilitates international interconnection*
 - (vii) *Contribution to the society by creating a platform to the academic institutions, research scholars and other stakeholders for carrying out studies.*

CEA's OBSERVATION AND RECOMMENDATIONS

- All India single POC rate (Postage stamp), results in higher and uneconomical investment in transmission system.
- Distorts the economic signal for optimum procurement of power by the States and blurs the distance-direction philosophy of the tariff policy.
- **For the sake of making the pricing methodology simple, the efficiency and fairness should not be sacrificed.**
- The suggestion by one of the task force member to recover 35% charges through PoC and the rest through uniform postage stamp method **is very much against the principle of Tariff policy and will affect distance direction and usage sensitivity.**
- **This will transfer the burden of unutilized lines to those DICs who have no role either in planning and construction of these lines nor they are responsible for under utilization of line.**
- For computation of usage based component, N-1 criteria should be considered to bring the inherent capacity margin under usage based component.

CAN WE HAVE UNIFORM TARIFF FOR TRANSMISSION ?

- ✓ *Can there be a single energy charge across the country?*
- ✓ *Can there be a uniform charge for fuel, transport or any other service for that matter pan India?*
- ✓ *Is it healthy for a country to adopt uniform pricing ignoring the consequences?*
- ✓ *Is the proposed methodology of sharing of transmission charges scientifically tested and proven?*
- ✓ *Will the uniform tariff pricing address the problem of huge redundancy in the system?*
- ✓ *Is it conducive to encourage economic transmission planning?*
- ✓ *Will the uniform pricing resolve the issue of relinquishment of LTA & the tariff burden imposed on the existing DICs?*
- ✓ *Will it caution the planners to abstain from creating superfluous transmission network?*
- ✓ *Will it ensure competition in the market and growth of power sector?*
- ✓ *Is the uniform pricing methodology adopted in developed countries?*
- ✓ *Is it equitable and legitimate?*
- ✓ *Will the uniform pricing facilitate large scale integration of RE and achieve the National target?*
- ✓ *Is there any genuine need for total revamp of the existing methodology?*

MAJOR TAKE AWAYS OF THE DRAFT REGULATIONS

- *Ex post computation of transmission charges- actual drawl based*
- *National peak demand based LGB – (minor changes required)*
- *Separate component for RE- (minor changes required)*
- *Socializing HVDC asset costs (Nationalising)*

DISPUTES IN THE DRAFT REGULATIONS

- *Against the mandate of Statutes (EA 2003, NEP, NTP)*
- *Introduction of uniform charges method for major portion of the transmission cost (LTOA/MTOA based)*
- *Sharing of losses on National basis under uniform charges (LTOA/MTOA based)*
- *Scrapping separate STOA charges –encourages relinquishment of LTA by generators*
- *Diluting the scientifically proven usage based methodology*
- *Removal of recovery of transmission charges of Intra state assets used for Inter state transfer*

Conclusion

- ✓ *Migrate to ex-post methodology – welcome move – However, instead of considering single All India Peak demand, the aggregate of the peak demands of all States scaled down to match with the All India peak demand needs to be considered*
- ✓ *Segregation of the assets into Usage Based and Balance components is not agreeable as it is inequitable, unjust, erroneous, inefficient and against the mandate of Statutes*
- ✓ *The system has inherent capacity margin which is built as an essential component to cater the requirements of the entities only and in compliance of the Planning criteria. Any marginal utilisation of the assets shall also be billed to the entities based on their usage by scaling up their transmission charges*
- ✓ *An usage based component particularly for RE transmission system which can capture the utilisation of the transmission assets by scaling up the transmission charges of the drawee entities, based on the MTC of the assets for RE would be just and appropriate.*
- ✓ *The present procedure of sharing the transmission losses on regional basis which is just and proper, shall be continued*
- ✓ *STOA charges to be continued and should be high enough to avoid gaming by generators*

Thank
you

