

**Comments on“PROCEDURE FOR GRANT OF CONNECTIVITY TO PROJECTS BASED ON RENEWABLE SOURCES TO INTER-STATE TRANSMISSION SYSTEM”**

Sn	Clause	Clause Description	Comments/Remarks
1	2.1	Procedure shall be applicable to the following: Applicants covered under sub-clauses (aa), (cc), (f), (g) and (h) of Clause (1)(b)(i) of Regulation 2 of the Connectivity Regulations.	<p>Sub-clause (h) of Clause (1)(b)(i) of Regulation 2 of the Connectivity Regulations covers Projects based on standalone storage source(s) of installed capacity 50 MW or above. <b>It is humbly requested to include the sub Clause (1)(b)(i)(c) for Storage projects.</b></p> <p><b>Rationale:</b> Large storage projects are still evolving and there are only couple of technologies competing for efficiencies in large projects. However, in small scale projects below 50MW there are variety of storage technologies which can be used for ancillary services. With increasing competition in Ancillary services and provided the cost of storage technologies, it is imperative that standalone storage project individually having less than 50 MW installed capacity, but collectively having an aggregate installed capacity of 50 MW and above can be considered by Hon'ble Commission for providing connectivity to Grid.</p>
2	4.1	Applicants covered under sub-clauses (aa), (cc), (f), (g) and (h) of Clause (1)(b)(i) of Regulation 2 of the Connectivity Regulations shall be eligible to apply for grant of Connectivity under this Procedure.	<p>Sub-clause (h) of Clause (1)(b)(i) of Regulation 2 of the Connectivity Regulations covers Projects based on standalone storage source(s) of installed capacity 50 MW or above. It is humbly requested to include the sub Clause (1)(b)(i)(c) for Storage projects.</p> <p><b>Rationale:</b> Large storage projects are still evolving and there are only couple of technologies competing for efficiencies in large projects. However, in small scale projects below 50MW there are variety of storage technologies which can be used for ancillary services. With increasing competition in Ancillary services and provided the cost of storage technologies, it is imperative that standalone storage project individually having less than 50 MW installed capacity, but collectively having an aggregate installed capacity of 50 MW and above can be considered by Hon'ble Commission for providing connectivity to Grid.</p>
3	5.2.1	The utilisation and transfer of Connectivity shall be governed in accordance with Clause 8A of the Connectivity Regulations.	<p>1. Provisions of Regulation 8A of Central Electricity Regulatory Commission (Grant of Connectivity, Long-term Access and Medium-term Open Access in inter-State Transmission and related matters) (Seventh Amendment) Regulations, 2019 dated 09.02.2019 (Annexure – B) states stipulate that transfer of Connectivity &amp; LTA from the parent company to 100% subsidiary company and vice versa shall be permitted only after one year after the COD of the Renewable Energy generating station(s).</p> <p>2. However, as per the provisions of MoP's Bidding Guidelines and RfS documents for the competitive bids being conducted by the Bid Implementing Agencies of the Central or State Governments, a successful bidder is allowed to transfer upto 49% of its shareholding in the SPV/project company (the entity which executes Power Purchase Agreement with procurer), to any third party, at any time prior to expiry of 1 (one) year from the COD, without any prior approval of the procurer. However, successful bidder can transfer more than 49% of its shareholding with the prior approval of the Procurer at any time prior to expiry of 1 (one) year from the COD. Further, the Bidding Guidelines and RfS do not place any restrictions on the changes in shareholding after the expiry of 1 (one) year from the COD.</p> <p>3. It is also pertinent to note that the flexibility under Regulation 8A is accorded to only 100% Subsidiaries/SPV of a Connectivity and LTA Grantee, which is not in line with the Bidding Guidelines and RfS, wherein it is permitted that upto 49% of the shareholding of such Subsidiary/SPVs may be transferred after execution of PPAs provided that the successful bidder shall ensure that its shareholding in the SPV/project company executing the PPA shall not fall below 51% at any time prior to one year from the COD, except with the prior approval of the Procurer. Until the above explained condition is met, CERC should also allow the transfer, over and above just utilisation, of the Connectivity and LTA from a Connectivity and LTA Grantee to its Subsidiary/SPV in which it retains Control (51% shareholding).</p> <p>4. Raising equity finance from external investors may become a necessity in current times and while it is being allowed in RfS and PPA, but the same shall violate the requirements of connectivity and LTA as per the current provision as explained herein above. Also, in the absence of Connectivity and LTA in the name of SPV / Project Company, lenders are not inclined to fund such projects.</p> <p>5. Therefore, competitively bid out and concluded, statutory performable contracts are being rendered unworkable due to the restrictions being applied by the Regulation 8A of the Connectivity Regulations. While contractually a RE generator is entitled to transfer its shareholding to the extent of 49 per cent even prior to the expiry of the lock-in-period, however by virtue of the Regulation 8A of the Connectivity Regulations, the RE Generator is restricted in transferring the same.</p> <p>6. We would also like to bring to your notice, the CERC order dated 29.09.2017 in Petition no. Petition No. 145/MP/2017</p>

which was the genesis of Regulation 8A. The Hon'ble Commission aptly highlighted the necessity to have Regulation 8A in first place which was dealt in Issue No. 7 of the Order. The commission noted as follows:

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120. The Commission has considered this issue. Though there is no provision for transfer of connectivity to any other entity, RfS issued by SECI allows creation of SPVs for project implementation. The Respondents have submitted that such SPVs face difficulties in implementation of their projects since they cannot utilize the connectivity granted to their parent companies.

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122. Keeping in view the fact that creation of SPV is an option under RfS issued by SECI and that a number of companies are executing the projects through creation of 100% subsidiaries after winning the bids, we are of the view that the 100% subsidiary companies should be allowed to utilize the connectivity granted to the parent company. However, in order to obviate the possibility of trading in connectivity, we are of the view that any sale of shares in the subsidiary company(ies) shall be allowed only after one year of the commencement of supply of power from the SPV. In case of more than one SPV, the lock-in period shall apply from commencement of supply of power from the last SPV. Further, in such cases, the parent company will act as principal generator and undertake all operational and commercial responsibilities for the renewable energy generating station(s) in following the provisions of the Indian Electricity Grid Code and all other regulations of the Commission, such as grid security, scheduling and dispatch, collection and payment/adjustment of Transmission charges, deviation charges, congestion and other charges etc. In case parent company wishes to exit and handover the Connectivity/LTA granted to it to its SPVs, one of the SPV shall have to take over as lead generator and be responsible for all activities stated above.

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7. The above restriction was put in place to (i) eliminate the practice of trading of connectivity by connectivity grantees for earning a premium, (ii) ensure there is no 'renting' of net worth for the purpose of qualifying for the bid, and (ii) ensure that the entity on the basis of whose technical/financial net worth the bid has been won remains committed to the Project.

8. In the present cases of Competitively Bid out projects, change in ownership of SPVs is in consonance with the objectives of the restriction. The allottees of Projects are not indulging in any trading of connectivity. Also, where the ownership has been assumed by the ultimate parent companies, whose net worth was relied upon for the purpose of qualifying for the bid, which will ensure that such Project SPVs remains committed to the project until it stabilizes.

4 5.2.2 In the cases covered under 4th(fourth) proviso of Regulation 8A of the Connectivity Regulations, where the subsidiary companies have been allowed to utilize the Connectivity granted to the parent company and vice versa, the Connectivity grantee shall be responsible for all operational and commercial obligations of the concerned renewable energy generating station(s) including compliance with the provisions of the Grid Code and other regulations of the Commission, related to grid security, scheduling and dispatch, collection and payment/adjustment of Transmission charges, deviation charges, congestion and other charges etc.

1. Regulation 8A of Connectivity Regulations is also silent on the aspect of connectivity and LTA granted to any company being utilized/transferred between its sister concern / affiliate (is under common control with the parent company), and the same requires to be clarified.

Transfer of connectivity and LTA between the sister concerns will continue to protect the interest of PGCIL/ Transmission Licensee, where the original allottee (or the Common parent) shall continue to be obligated to maintain its contractual obligations and protect the interest of PGCIL / Transmission Licensee.

2. The Detailed Procedure do not capture any provisions for the usage of Stage 2 connectivity for the alternate projects by the Connectivity Grantee. There have been several cases where non-signing of PSA or force majeure conditions have led to termination of the PPA. In such situation, if the Connectivity Grantee wants to use the existing Connectivity for an alternate project(s), CTU is seeking additional cost. In order to take care of such situation, Hon'ble Commission may allow the following:

i. Allow the Developer to use/transfer the existing connectivity and LTA, for other projects in a given timeline of 12 months or so, being developed by itself or its subsidiary / affiliate companies and timelines under the existing TSA & LTAA should be suitably extended without any costs and penalties. In this context, the definition of subsidiary / affiliate companies should also be aligned to the fact having either 50% or more shareholding or having a common parent with controlling stake.

ii. In any case, in the case of termination of PPA, CERC shall allow the Developer to exit from TSA and return back the BGs.

5	5.3.1	<p>Proviso 2 of Sub clause 5.3.1 states that:</p> <p>Provided that the applicant may itself construct the associated bay(s), subject to approval of the CTU and agreement with the transmission licensee owning the ISTS sub-station.</p>	<p>It is requested of Hon'ble Commisison that earlier clasue of 5.3.2 be retained for all RE developers so that wherever possible, RE developers may be provided option to implement Bays without provision of Bank Gurantees for Bay implementation. The issue has been discussed at highest levels and therefore, it was provided that wherever Bays are to be implemented, the Developers are willing to bear such costs and align it to match the Dedicated line and the Project. An additional advantage was the cost where Developers have achieved lower Bay implementation costs than PGCIL's estimate which is essential to reach the viable tariffs in the competitive Bids.</p>
6	7.9	<p>CTU shall display the updated status of allocation of bay(s) at the existing or the proposed pooling sub-stations (Primary as well as alternate location)on its website on weekly basis.</p>	<p>CTU should display the Bay allocation to each RE Developers in the Sub-Stations were LTA has been granted.</p>
7	9.2.1	<p>An entity which has been issued the Letter of Award by, or has entered into a Power Purchase Agreement (PPA) with, a Renewable Energy Implementing Agency or a distribution licensee consequent to tariff based competitive bidding, on submission of such Letter of Award or PPA, as the case may be:Provided that,(a) Such entity is a grantee of Stage-I connectivity or has applied for Stage-I Connectivity or has applied for Stage-I Connectivity and Stage-II Connectivity simultaneously.(b) An entity implementing the Renewable Hybrid Generating Station(s)including Round the Clock Hybrid Project, shall be eligible to apply for separate Stage-II Connectivity for each location based on the same LOA or PPA, for the capacity of the project not exceeding the quantum of power for which LOA has been awarded or PPA has been signed. For this purpose, the locations and capacity at each such location, duly certified by the Renewable Energy Implementing Agency or the distribution licensee, as the case may be, shall be submitted along with the Connectivity applications.Illustration:-a) Suppose a bidder is awarded LOA for 500 MW to supply round the clock and it has Renewable hybrid generation project with installed capacity of 500 MW Wind, 500 MW Solar and 200 MW storage at single location (for injection at same interconnection point). Such project shall be eligible for Stage-II Connectivity under Clause 9.2.1, for the capacity of the project not exceeding the quantum of LOA (500 MW in the instant case). If the said project intends to sell surplus power over and above LOA, it shall be required to apply for additional Connectivity under Clause 9.2.2.b) Suppose a bidder is awarded LOA for 500 MW under Round the Clock Hybrid Scheme with projects at multiple locations - 500 MW(Solar) in State „A“ and 700 MW(Wind) in State „B“. Such project shall be eligible for Stage-II Connectivity under Clause 9.2.1, for the capacity of the project not exceeding the quantum of LOA (500 MW in the instant case) at each location on the basis of same LOA. If the said project intends to sell surplus power over and above the quantum for which Stage-II Connectivity has been granted under Clause 9.2.1, it shall be required to apply for additional Connectivity under Clause 9.2.2.</p>	<p>Most of the RE is contracted under long term PPA and are bound to follow the Guidelines for Procurement by Competitive Bidding Process as issued by MoP. Such Guidelines and PPAs envisage treatment of surplus power and designated tariffs. It is pertinent to note that RE hybrid Projects have intermittency attached to it which is why there are different regulations governing the RE sector. Few points need clarifications:1. Is the provision of sale of Surplus power also applicable to non-hybrid RE projects?2. If there is momentary increase of power beyond the LoA capacity due to intermittency, will such project has to mandatorily re-register and apply for Connectivity under clause 9.2.2 which is basically for merchant plants?3. Is the provision of grant of connectivity at different locations applicable for non-hybrid RE projects?If the answers to aforesaid are true, it will be a big setback for RE projects in operation and regressive in the sense that intermittency control has a limitation and there will be instance where the export capacity of the Project may be higher than LoA capacity. Further, there are model PPAs in works by the Ministry itself to make provisions for sale of power on exchange or merchant sale within the long term framework. In such case, there may be instances of surplus power. Will it be feasible to re-apply for connectivities for the projects while in operation and that too for compliance in merchant power mode? It is requested of Hon'ble Commission to examine the matter of additional connectivity for surplus power.</p>
8	9.3.1	<p>After grant of Stage II connectivity, the grantee covered under Clause 9.2.1 shall have to achieve the following milestones in accordance with the Letter of Award or the Power Purchase Agreement and submit the proof to CTU within a week of achieving the milestone(s):</p> <p>(i) Ownership or lease rights or land use rights of the land.  (ii) Financial closure with sanction letter from financial institution.  (iii) Proof of release of funds duly supported by Auditor"s certificate</p>	<p>Regarding clause 9.3.1(i)&amp;9.3.1(ii), the competitively bid projects are bound to achieve Financial Closure and Land Acquisition as part of Conditions Subsequent in PPA and as per Bidding Guidelines. Hon'ble CERC is requested to incorporate that Conditions Subsequent fulfilment letters from Renewable Implementing Agency would suffice the milestone achievement requirements for Stage-II Grantees under 9.2.1 prior to SCOD.</p> <p>Further, commensurate extension in timelines for submission of documents to CTU against Financial Closure and Land documents in case of any extension in such timelines by RE implementing Agencies.</p>

9	13	Grantee of Stage-II Connectivity may apply for additional quantum of Connectivity in its dedicated transmission line and associated bay, as per FORMAT-RCON-E. Such grantee of Stage-II Connectivity shall also simultaneously apply for grant of corresponding Stage-I Connectivity, as required. CTU shall consider the capacity of dedicated transmission line and associated bay while granting the enhancement of Stage-II Connectivity.	For instantaneous or momentary power export or momentary surplus power should be kept out of purview of provision of additional connectivity. If the Dedicated line can handle such surplus capacity, there should be no need to apply for additional connectivity. Moreover, the surplus power upto 50 MW or 10% of LoA capacity should be allowed to handle the intermittency in RE power.
10	14.4	<p>14.4A An applicant who is a Stage-I Connectivity grantee or is applying for Stage-I Connectivity and Stage-II Connectivity simultaneously, may apply for Stage-II Connectivity at the bay already allocated to another Stage-II Connectivity grantee along with an agreement duly signed between the applicant and the Stage-II Connectivity grantee for sharing the dedicated transmission line. The Stage-II Connectivity shall be granted to such applicant subject to availability of capacity in the dedicated transmission line.</p> <p>14.4B Two or more applicants may apply for Stage-II Connectivity at a common bay along with an agreement duly signed between such applicants for sharing the dedicated transmission line. The Stage-II Connectivity shall be granted to such applicants subject to availability of capacity in the dedicated transmission line</p>	<p>The concept of mutual agreement for sharing dedicated transmission infrastructure and of roles and responsibilities should withstand scrutiny by Hon'ble Commission as was raised through GNA comments and subsequent public hearing. Otherwise, there is a risk of owners of dedicated line becoming a separate business activity.</p> <p>It is envisaged that Businesses having both Wind and Solar Portfolio already possess large number of Connectivities and are deemed Stage-1 Connectivity holders. They are sure to charge for sharing the connectivity with new developers as per Cause 14.7 of this Procedure. Further, it also provides distinct advantage to existing connectivity holders in terms of priority in obtaining Stage-II connectivity which will dilute the level playing field and transparency in auctions.</p>
11	14.7	The Stage-II Connectivity grantee may charge the entity(ies) sharing the dedicated transmission infrastructure, one-time transmission charges not exceeding Rupees Seven Crores Fifty Lakhs for each 25 MW with annual escalation of 3.5%.	<p>There is no clarity on the basis for such charges.</p> <p>It is envisaged that Businesses having both Wind and Solar Portfolio already possess large number of Connectivities and are deemed Stage-1 Connectivity holders. They are sure to charge for sharing the connectivity with new developers as per Cause 14.7 of this Procedure irrespective of the costs. Further, it also provides distinct advantage to existing connectivity holders in terms of priority in obtaining Stage-II connectivity which will dilute the level playing field and transparency in auctions.</p> <p>The clause should leave the cost sharing between the Applicants as per mutual Agreement.</p>
12	Misc		Hon'ble Commission may consider of Force Majeure duly acknowledged by RE implementing Agencies after grant of Grid Connectivity and commensurate extension of timelines as provided in Detailed Procedures may be granted.