

NH/Comml./Tariff/29/2022/ 117

Dated: 15.02.2022

Secretary
Central Electricity Regulatory Commission,
3rd & 4th Floor, Chanderlok Building,
36 - Janpath, New Delhi- 110 001
Fax: 011-23753923

Sub:- Comments on draft Central Electricity Regulatory Commission (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2021 - Reg.

Ref:- CERC Public notice No. L-1/261/2021/CERC dated 14.01.2022

Sir,

In reference to above public notice dated 14.01.2022, the comments / suggestions / objections of NHPC on the draft CERC (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2021 are enclosed for further necessary action. The comments / suggestions / objections have been uploaded through SAUDAMINI portal under 'e-Regulation'. The soft copy of the same has also been emailed to secy@cercind.gov.in.

Thanking You,

Encl: As above

Yours Sincerely,



(S P Rathour)

General Manager (Comml.)

Comments on Draft Central Electricity Regulatory Commission (Connectivity and General Network Access to the Interstate Transmission System) Regulations 2021

Regulation	Proposed Regulation	Suggestion/ Comments
Regulation 3.5	<p>After scrutiny, the Nodal Agency shall intimate the deficiencies, if any, in the application for grant of Connectivity or grant of GNA, to the Applicant within one week of the receipt of application, in order of date and time of receipt of application. The Applicant shall rectify the deficiency <i>within one week thereafter</i>, failing which the application shall be closed and 20% of the application fee shall be forfeited. Balance 80% of the application fee shall be refunded by the Nodal Agency to the Applicant within 15 days of closure of the application</p>	<p>After scrutiny, the Nodal Agency shall intimate the deficiencies, if any, in the application for grant of Connectivity or grant of GNA, to the Applicant within one week of the receipt of application, in order of date and time of receipt of application. The Applicant shall rectify the deficiency <i>within three weeks thereafter</i>, failing which the application shall be closed and 20% of the application fee shall be forfeited. Balance 80% of the application fee shall be refunded by the Nodal Agency to the Applicant within 15 days of closure of the application.</p> <p>It is proposed to provide the applicant a time of three weeks instead of one week to remove the deficiencies as it may require internal approvals which may take some time.</p>
Regulation 8.3(b)	<p>For cases covered under Regulation 7.2 of these regulations, the following procedure shall be followed:</p> <p>.....</p> <p>(b) The Nodal Agency, within 6 (six) months of furnishing of Conn-BG1 as per clause (a) of this Regulation, shall intimate to such entity, (i) amount of Conn-BG2 to be furnished towards ATS and terminal bay(s), which shall not exceed the estimated cost intimated under Regulation 7.2 of these regulations, (ii) the timeline for completion of ATS and terminal bay(s), and (iii) firm date of start of Connectivity:</p>	<p>The estimated cost of the ATS and terminal bay(s) when ATS network is to be developed can be very high and therefore providing BG for the complete estimated cost shall be excessive and shall be detrimental to power developer.</p> <p>The concept of providing conn-BG2 equal to the estimated cost is to protect the risk of the transmission licensee and the same shall be encashed, if the connectivity is relinquished. This reduces the risk of transmission licensee. However, the same needs to be seen in-line with CERC Tariff Regulations, 2019 where a return of 15.50% is being provided to the transmission licensee</p>

considering the risk which is undertaken by the developer in the construction of the transmission lines. If the same risk is protected under GNA Regulations, then providing such a high return on equity does not seem logical.

Further, providing a BG of value equal to the estimated cost of construction of ATS has a financial cost to the power developer as the amount for which BG is provided gets blocked which has some interest and time value of money cost to it. The gestation period of hydro power plant is generally 6-7 years and the connectivity agreement is generally signed at the start of the construction works plus as per the draft regulation it has been proposed to return the BG over a period of 5 years in 5 equal installments. Thus, providing a BG of estimated cost equal to the construction cost of transmission lines for a period of 11 years or more will result in a huge financial burden to the developer. The estimated cost of providing a BG of Rs 500 cr for a period of 6 years and submission of reduced bank guarantee for 5 years after COD is around **Rs 20 crores** which will not be recoverable for the developer under cost plus tariff regime as the same does not form the part of Capital Cost as per existing CERC Tariff Regulations, 2019 and shall impact the profit of the developer.

Therefore, in view of the high return on equity to the transmission licensee and huge financial burden on the generator for providing BG, it is proposed that amount of Conn-BG2 should be 10% of estimated cost like Performance BG(s) in any other contracts

Regulation 16.2	Conn-BG2 and Conn-BG3 shall be returned in five equal parts over five years corresponding to the generation capacity which has been declared under commercial operation by the Connectivity grantee.	Conn-BG2 and Conn-BG3 shall be returned in five equal parts over a period of one year corresponding to the generation capacity which has been declared under commercial operation by the Connectivity grantee. It is proposed to return Conn-BG2 and Conn-BG3 in a period of 1 year once the capacity is declared under commercial operation and LTA is operationalized for that capacity. The rationale behind the same is that there is no risk to the transmission licensee after declaration of COD and operationalization of LTA for which the Conn-BG2 and Conn-BG3 needs to be in place.
Regulation 24.2 and 24.3	For entities covered under Regulation 7.1 and where Conn-BG2 and Conn-BG3, as applicable, has been furnished as per Regulation 8.2 of these regulations, the following shall apply: (a) In case of relinquishment of full quantum of Connectivity, (i) subsisting Conn-BG1 shall be encashed, (ii) subsisting Conn-BG2 shall be encashed if the terminal bay(s) are already developed or construction of which has already been awarded for implementation and (iii) subsisting Conn-BG3 shall be encashed. (b) In case of relinquishment of part quantum of Connectivity, (i) subsisting Conn-BG2 shall be encashed in proportion to the relinquished quantum of Connectivity if the terminal bay(s) are already developed or the construction of which has already been awarded for implementation and (ii) subsisting Conn-BG3 corresponding to the relinquished quantum of Connectivity shall be encashed. Conn-BG1 shall be returned in terms of Regulation 16.1 considering full	In the draft regulations, it has been proposed that subsisting Conn-BG2 shall be encashed if the terminal bays or ATS has been already developed or if the construction work has been awarded for implementation. The logic behind the encashment of Conn-BG2 is to recover the cost expensed by the Transmission licensee for construction or award for implementation of terminal bay(s) or ATS. In the draft regulation, if the ATS is to be developed by the transmission licensee, then Conn-BG2 has to be provided with cost equal to the construction of the ATS (The Comments on the value of Conn-BGs have been submitted separately above) the value of which will be substantially higher whereas the cost incurred by the transmission licensee, if the award for implementation of terminal bay(s) or ATS has been awarded, but the transmission lines have actually not been constructed, shall be lower. Therefore, it is proposed that the amount of

	<p>capacity after excluding such relinquished quantum.</p> <p>24.3. For entities covered under Regulation 7.2 and where Conn-BG2 has been furnished as per Regulation 8.3 of these regulations, the following shall apply:</p> <p>(a) In case of relinquishment of full quantum of Connectivity, subsisting Conn-BG1 shall be encashed and subsisting Conn-BG2 shall be encashed corresponding to the ATS and terminal bay(s), construction of which has already been awarded for implementation.</p> <p>(b) In case of relinquishment of part quantum of Connectivity, subsisting Conn-BG2 shall be encashed in proportion to the relinquished quantum of Connectivity corresponding to the ATS and terminal bay(s), construction of which has already been awarded for implementation. Conn-BG1 shall be returned in terms of Regulation 16.1 considering full capacity after excluding such relinquished quantum.</p>	<p>encashment of Conn-BG2 may be restricted to the cost incurred by the Transmission licensee if the award for implementation of terminal bay(s) or ATS has been awarded.</p>
Regulation 37	In this regulation, the time period to convert the Connectivity granted under the Connectivity Regulations as Connectivity made under these Regulations is one month of coming into effect of these Regulations	It is proposed to period a period of three months to convert the Connectivity granted under the Connectivity Regulations as Connectivity made under these Regulations as various approvals may be required from the Management before applying for conversion to Connectivity granted under the new Connectivity Regulations.