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Press Release

CERC orders levy of congestion charge to maintain grid stability

The Central Electricity Regulatory Commission (CERC) has issued instructions for levy of a congestion charge on overdrawing States of the Northern Region in the event of a grid crisis with effect from 19.11.2007. The orders shall remain in force for a period of three months, but the Commission may decide to prematurely terminate, modify or extend congestion charge scheme based on the experience gained after its implementation.

2. While the concept of congestion charge is not new, it is being applied in India for the first time. For the present, it shall apply only for deviations from schedules in the Northern Region (NR), where over-drawals are the highest, are likely to continue in coming months, and are the primary cause of dangerous overloading of inter-regional links. The congestion charge shall be @ 300 paise/kWh for over-drawal, under-drawal as well as over/under injection for all grid constituents of Northern Region, and shall be added to the notified frequency-linked unscheduled interchange (UI) rate prevailing from time to time. The congestion charge shall kick in from a time block to be notified by Northern Regional Load Dispatch Centre (NRLDC) at least 30 minutes in advance. When all the present inter-regional links are in service, the congestion charge shall be triggered only when the total import to NR exceeds 3000 MW. The levy of congestion charge shall be terminated when the conditions have normalized as indicated by NR import coming down to 2500 MW, which again shall be notified by NRLDC ascertaining that there would be no flip-flop.

3. The account for congestion charge shall be prepared and issued in the same manner as for UI accounts. NRLDC shall open and operate a separate bank account for NR congestion charge. The Commission shall in due course separately decide about the utilization of the balance amount in the congestion charge account.

4. When NR was not synchronized with other regions, over-drawal by the State utilities was causing the regional grid frequency to go down leading to increase in UI rates, which induced the State utilities to check their over-drawal. The circumstances have radically changed with the synchronization of NR-WR-ER-NER. With the synchronized installed capacity of nearly 100,000 MW, the frequency does not fall as it used to earlier and large over-drawal by the NR States cause the inter-regional links to NR to get overloaded before the frequency has come down. In other words, the frequency does not fall to a level where increased UI rate would discourage over-drawal, but the loadings on transmission corridors reach dangerous levels. It is for this reason that the UI mechanism, which has worked well so far for controlling the situation, is not always effective, particularly in NR, and needs being supported by a supplementary commercial mechanism.

5. The Commission has issued the orders on application of congestion charges in Northern Region while disposing of a petition filed by NRLDC seeking directions for curbing over-drawals by NR grid constituents.

6. Uttar Pradesh Power Corporation Ltd (UPPCL), Rajasthan Rajya Vidyut Prasaran Nigam Ltd. (RRVPNL), Punjab State Electricity Board (PSEB), Haryana Vidyut Prasaran Nigam Ltd (HVPNL) and distributing utilities of Delhi participated in the hearings and also submitted their written responses. The various utilities tried to justify their over-drawals and expressed helplessness at times to follow the instructions of NRLDC.

7. The Commission came to the view that situations, which presently compel the States to over-draw, can very well be expected and planned for. In any case, they do not justify undisciplined over-drawals particularly when the entire grid is facing imminent collapse. The Commission, therefore, came to the conclusion that it has become imperative to introduce a commercial signal to reduce over-drawals and increase generation on the downstream of congested transmission corridor.

8. The final order (Petition No.117/2007 dated 7.11.2007) is available on the website <http://cercind.gov.in>.

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