

**PRESS RELEASE**

**February 13, 2007**

**CERC Discussion Paper on Transmission Tariff**

## **Maintaining Continuity with Change is the New Approach**

1. Central Electricity Regulatory Commission (CERC) has released a Discussion Paper entitled, “**Proposed Approach for Sharing of Charges for and Losses in Inter-State Transmission System (ISTS)**”, which outlines measures for rationalization of transmission tariff and apportioning of transmission losses. The Paper proposes new methodology for sharing of charges for Inter-State transmission system to be built in the future and provides a road map for gradual transition from the existing concept of pooling of regional transmission charges to a National Transmission Tariff framework, in line with the mandate of the National Electricity Policy.

2 It has been proposed that the charges for Associated Transmission Systems (ATS) for the new inter-State generating stations would be shared by the concerned beneficiaries taking into account the quantum of power (MW) as well as the distance involved (kilometers) for each beneficiary. The concept of sharing of transmission charges on ‘MW-kilometers’ basis rather than ‘MW’ alone would significantly help in resolving issues which have been delaying the finalization of transmission systems associated with inter-State generating stations in the pipeline. This would be particularly helpful in finalizing transmission schemes associated with the Ultra Mega Power Projects and Hydro Power Projects located in the North-East, whose beneficiaries are located across different regions of the country at vastly different distances from the source of generation. This would also help to rationalize transmission charges for load centre generating stations.

3 However, the existing concept of pooling the transmission charges at the regional level and their sharing in the ratio of quantum of power (MW) allocation would not be abandoned for the existing transmission schemes built over the last 30 years. It would not be desirable to complicate the matter by introducing major changes in a system which has been working satisfactorily for many years. However, the charges for the inter-connecting transformer (ICT) and down stream transmission systems would be segregated and taken out of the regional transmission pool. The charges for such segregated down stream assets, which are meant to feed power into the network of individual beneficiary, would be solely borne by the concerned beneficiary.

4 The Paper has carried out detailed analysis based on usage pattern of the existing inter regional links and proposed significant changes and rationalization

in the sharing of their charges based on the principle that the charges an inter regional link should be allocated to its actual beneficiary in the present context rather than the historical concept of apportioning them between the two adjoining regions on 50:50 basis.

5 In the light of experience of the past two years, the Commission proposes to simplify the procedure for availing Open Access on Inter-State Transmission System in the near future. One of the proposals is not to levy any transmission charges for short term Open Access, but to apply incremental losses instead of average losses to short term transactions. The incremental losses could be double of the average losses or nil depending on the direction of flow of power for the proposed transaction.

6 On the issue of apportioning of transmission losses, the Paper proposes to move away from the present practice of apportioning the regional transmission losses to all beneficiaries in proportion to their scheduled drawal irrespective of their relative location and distance from the generating station. In line with tariff policy, the Paper proposes that RLDCs should gear up urgently for implementation of transmission loss allocation in equitable manner with distance and direction sensitivity.

7 The Paper proposes to introduce a system of differential UI rates to take care of the impact of transmission losses on account of overdrawal and underdrawal by a beneficiary depending upon its location in the grid.

8 The highlights of the measures proposed in the Discussion Paper are listed below:

- To segregate step down transformers and downstream system from the regional pool and charge only the local beneficiary for the same.
- To introduce the concept of 'fixed' transmission charges in North Eastern Region at par with other Regions.
- To stop automatic pooling the charges of new transmission schemes in the existing regional pools with effect.
- To rationalize transmission charge sharing of inter-regional links.
- To introduce capacity allocation to beneficiaries for inter-regional links.
- To implement distance and direction sensitive loss allocation for supplies from central generating stations.
- To introduce differentials in UI rates of different regions, and for beneficiaries in each region, to compensate for transmission losses.
- To simplify 'open access' procedure and apply incremental losses.
- To undertake further rationalization in 2008-09 to cater to long term transmission development.

9. Stakeholders have been asked to furnish comments by March 5, 2007.

S.K. Chatterjee  
Asstt. Secretary