

Explanatory Memorandum  
For  
Central Electricity Regulatory Commission  
(Power System Development Fund)  
Regulation, 2010.

January 2010

CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI

## 1. Background

As per the provisions of various regulations issued by the Commission, Regulatory Funds have been created and are being maintained and operated by the Regional Load Despatch Centres (RLDC). There is a provision of “Congestion Charge Account” in the Central Electricity Regulatory Commission (Measures to relieve congestion in real time operation) Regulations, 2009, “Unscheduled Interchange Pool Account Fund” in the Central Electricity Regulatory Commission (Unscheduled Interchange Charges and related matters) Regulations, 2009 and “Reactive Energy Charges Account” in the Indian Electricity Grid Code, 2006, specified by the Commission. The relevant Regulations provide that accounts of these regulatory funds may be maintained by any other entity as the Commission may direct by notification from time to time. The relevant Regulations also provide that any surplus available in these regulatory accounts after meeting the expenses against the specified purposes may be utilised for specified purposes with the prior approval of the Commission.

## 2. Legal Framework

The Commission is empowered u/s 178(1) and 178(2) (ze) of the Act to make regulations on any other matter which is to be, or may be specified by regulations in consistent with this Act and the Rules.

Sub-section (1) and clause (ze) of Sub-section (2) under section 178 of the Act provides as under:

*“178. (1) The Central Commission may, by notification **make regulations consistent with this Act and the rules** generally to carry out the provisions of this Act.*

*(2) In particular and without prejudice to the generality of the power contained in sub-section (1), such regulations may provide for all or any of following matters, namely:-*

*(a) ...*

*...*

*(ze) **any other matter which is to be, or may be, specified by regulations.**”*

The surplus amounts available in various regulatory funds are meant for utilisation for the purpose as stipulated in the relevant regulations. Presently, accounts are maintained by the RLDCs and shown in their books of accounts. Strictly speaking, these are regulatory funds and as such do not

belong the RLDCs. In order to deal with such funds independently, maintain proper books of accounts, process the application for approval of various schemes by the Commission for sanction of grant out of these funds and keeping the track of the progress of the on-going projects financed, it is felt necessary to have a separate regulations titled as 'CERC (power system development fund) Regulation, 2010'. The fund shall be maintained separately and managed by a Committee called the 'Managing Committee'.

### 3. Power System Development Fund

The Congestion Charges standing to the credit of the "Congestion Charge Account" after release of amounts payable to Regional Entities entitled to receive congestion charge along with interest, if any, in accordance with the Central Electricity Regulatory Commission (Measures to relieve congestion in real time operation) Regulations, 2009 as amended from time to time, Unscheduled Interchange charges standing to the credit of the "Unscheduled Interchange Pool Account Fund" after final settlement of claims of Unscheduled Interchange Charges in accordance with the Central Electricity Regulatory Commission (Unscheduled Interchange Charges and related matters) Regulations, 2009 as amended from time to time, RLDC Reactive Energy Charges standing to the credit of Reactive Energy Charges Account and such other charges as may be notified by the Commission from time to time, shall be deposited in to the fund known as Power System Development Fund (PSDF). The amounts available with the accounts mentioned above and lying in the custody of RLDCs together with interest earned up to the date of transfer shall be credited to the PSDF. The agencies who are authorized to collect Congestion charges, Unscheduled Interchange charges, RLDC reactive energy charges and such other charges as may be notified by the Commission from time to time, shall transfer the surplus amount available in relevant account to the credit of the PSDF on monthly basis or such other basis as deemed fit by the Managing Committee.

The prime objective of utilisation of the fund will be servicing the investment for transmission schemes of strategic importance; providing ancillary services;

relieving congestion; strengthening the protection system; training of personnel and capacity building; undertaking experimental and pilot study in the field of system operations, transmission, power market development, power exchange operation and congestion management; conducting scientific, technical and economical research directly or indirectly useful to the electrical industry. This fund also would be utilised towards pursuing the goals and objectives decided by the Commission from time to time through Regulations/Orders after consultations with the stakeholders. However, the utilisation of the fund for these objectives stated above shall be subject to the purpose being permissible under the relevant Regulations of the Commission. Expenses on account of salary and wages of contractual employees, auditors fees, sitting fees, TA/DA, and other administrative expenses attributable to this fund shall be met out of this fund.

The managing Committee shall be responsible for scrutinizing the various schemes proposed for this fund and may prioritise the schemes for investment in case the fund is not sufficient to take care of all the proposed schemes. The Managing Committee is responsible for maintenance of the records of the business and submitting the information as required by the Commission from time to time.

The surplus available in the fund shall be invested in accordance with the provisions of the Indian Trust Act 1882.

#### 4. Managing Committee

These Regulations envisages the creation of a committee called 'Managing Committee'. This committee shall be appointed by the Commission for administration of the fund.

The Managing Committee shall maintain separate accounts for separate funds as envisaged in relevant regulations although all such other funds credited to the PSDF.

The committee shall constitute any one member of the Commission as the Chairperson, and the Secretary, the Chief (Finance), the Chief (Engineering) as the members. In addition, two independent external members shall be nominated by the Commission and would hold the office for a period of two years. The members, other than the independent external members, shall hold office for such period not exceeding three (3) years and shall be eligible for re-appointment so long as such a member holds office in the Commission.

An officer of the Commission of the level of Dy. Chief and Assistant Chief and above shall be nominated as Secretary and Treasurer of the Fund, respectively.

The Managing Committee may constitute a sub-Committee or Committees out of its own members to look after day-to-day operations or for any other specific purpose.

The Commission can dissolve the fund by notification in the official gazette if it is required in public interest. In such cases the fund and the properties vested with the fund shall be transferred to such entities as nominated by the Commission.