



C/PTC/CD/CERC/

20<sup>th</sup> October, 2014

**Ms. Shubha Sarma**  
**Secretary, Central Electricity Regulatory Commission**  
**2<sup>nd</sup> & 3<sup>rd</sup> Floor, Chanderlok Building**  
**36, Janpath, New Delhi – 110 001**

**Sub: PTC Comments on CERC Staff Paper on Transmission Planning, Connectivity, Long Term Access, Medium Term Open Access and other related issues**


Madam,

Hon'ble Commission has prepared a staff paper on "Transmission Planning, Connectivity, Long Term Access, Medium Term Open Access and other related issues and has invited comments/suggestions from all stakeholders vide Public Notice dated 19<sup>th</sup> September 2014.

Our comments on the staff paper are enclosed as Annexure – A for the kind consideration of the Hon'ble Commission. Additional comments on the same shall be submitted to you by tomorrow.

Thanking you,

Yours faithfully,

  
**(Sneh Daheriya)**  
**AVP**

**Encl: As above**

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## Annexure-A

### PTC COMMENTS ON QUESTIONNAIRE BY CERC ON STAFF PAPER ON TRANSMISSION PLANNING

#### General Comments:

All the stakeholders have broadly raised the following concerns regarding the prevailing system of connectivity and Long term open access.

1. Inability of the generators to identify specific long term customers at initial stage of project development which is 4-5 years in advance of project commissioning due to which generators were not able to take LTA for full quantum of installed capacity or were taking LTA based on target region.
2. Mismatch in commissioning schedule of generation projects and related transmission projects or abandonment of planned generation projects.

It is pertinent to mention that both generation as well as transmission projects do face certain unforeseeable circumstances which are beyond their control such as delay/ difficulties in land acquisition & ROW, delay/non-availability of statutory clearances, non-availability of coal etc. Such unforeseeable circumstances do lead to delay in commissioning of the projects and sometimes generation project owners are constrained to shelve the project for which they have incurred losses and moreover they cannot be fully held responsible for such events as these issues/circumstances are beyond their control.

In the proposed draft formulation, it is observed that all the risks and associated costs for such unforeseeable circumstances have allocated fully to the generators in the form of bank guarantee/compensation etc. However, when there is delay in operationalization of the LTA, similar provision for compensation of full generation tariff has not been provided, wherein generator is not only incurring interest cost on loans but also losing business.

Keeping above in view, it is proposed that creation of a Transmission Development Fund may be mooted, wherein resources may be routed from the amount collected from e-bidding of transmission capacity, congestion revenue, surplus accumulated under Deviation Settlement mechanism (UI) and/or fund allocation may be sought from the Government. Amount from the said fund may be utilized for funding of the stranded capacity of generation/transmission assets on case to case basis after ascertaining through prudence check that the said capacity has become stranded due to unforeseeable circumstances beyond the control of generator/transmission licensee. In case of transmission/generation capacity becoming stranded due to reasons

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attributable to the generator generator/transmission licensee, the compensation for the same should be suitably recovered from them.

### **Point wise specific comments:**

#### **Q 1) Whether connectivity should be retained as a separate product:**

Ans. Yes. If generator is ready to absorb the risk of non-scheduling of power due to corridor congestion as they are not having any rights on the transmission network.

#### **Q 2(a) If Yes, what are in your opinion is the advantages of connectivity as a separate product?**

Ans. Following benefits could be inferred if connectivity remains as a separate product:

- 1) Transmission infrastructure could be constructed taking into consideration the installed capacity of a plant which would certainly be helpful in plum meting the incidence of congestion.
- 2) The shallow method of connectivity could be used in tandem with this method where generator shall pay for connectivity infrastructure only. This will also encourage the generators as they don't have to declare firm beneficiaries 4 to 5 years in advance in case LTA application would have been made mandatory with connectivity request.

#### **Q 2(b) if connectivity is retained as a separate product, then whether it should free or transmission charges should be borne by generators or drawee entity which is applying for connectivity?**

Ans. Connectivity should not be free. For ex- If a generator or drawee entity is paying for connectivity then they would definitely try to use the services rendered by the grid in a most optimal way. This will encourage both generator and drawee entity to tie up their power in LTA in order to get rid of congestion in real time operation.

#### **Q 2(c) Whether for connectivity, only transmission charges corresponding to connectivity transmission system should be charged or some part of grid transmission charges (25%) as proposed should also be charged?**

Ans. For generators or drawee entities seeking connectivity only, the transmission charges corresponding to connectivity and grid transmission should be charged. As proposed for 25% grid transmission charges, there should be a basis of calculating the proportion of the grid

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transmission charges. Thus there should be enough security for transmission operator to plan and execute the transmission project for that particular generator.

#### **Q 4) Bank Guarantee**

**What should be the amount of sufficient construction bank guarantee to safeguard against the risk of stranded asset in case generating project fails to get commissioned?**

**(a) Is existing construction bank guarantee amount (Rs. 5 lakh per MW) sufficient when transmission cost is about Rs. 1 crore per MW?**

Ans. certainly the existing bank guarantee is not sufficient when compared with transmission cost as it exposes CTU to a higher risk in case generation project fail to commission. Hence both PGCIL and generator should have a risk in proportion of 50:50. Therefore bank guarantee should be 50 lakhs per MW for transmission cost of 1 crore per MW.

**(b) Is a proposed bank guarantee equivalent to cost of transmission line is sufficient?**

Ans. The proposed bank guarantee equivalent to cost of transmission line at the initial stage would be a financial shock to generator hence it should be charged @ 50% of the transmission cost. As it will be very significant to force generators to apply for LTA to fully utilize the corridor as they had paid for it. The proposal to refund the whole bank guarantee in case of firm beneficiary before commissioning of plant is a welcome step in this direction.

**(c) Is proposed bank guarantee is very high?**

Ans. Yes.

#### **Q 5) Bank Guarantee**

**What should be amount of sufficient construction bank guarantee to safe guard against the risk of stranded asset or transfer of liability to other consumer in case generating project wants to exit/downscale LTA after commissioning (Please give justification for your views)**

Ans. It should be Five year Average Injection and withdrawal charges. As the injection and withdrawal charges would include the transmission charges of the transmission corridor not being used by generator. Taking withdrawal charges into consideration will decrease the burden of cross charging on other ISTS customers. As stated by CTU that calculating stranded capacity is very cumbersome in a meshed network like in India, this method seems easy for calculation. Also the shock of 12 years NPV charge on generator will get reduced which will lead to encouragement among generators to apply in LTA well in advance.

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### Q 6) Delay in commissioning

**In case of delay in generating unit(s)/project:**

- (a) Date of LTA should be firm and no relaxation should be provided.**
- (b) If information of delay is provided sufficiently in advance some staggered relief can be granted**
- (c) Issue should be decided mutually between generating company and transmission licensee subject to condition that no burden is transferred to other users**

Ans. Option (b) and (c) is very much acceptable provided information is furnished much in advance.

### Q 7) Shallow or deep connection:

- (a) What is your view on shallow and deep connection**

Ans. As can be inferred from the international practices that most of the countries are in favor of shallow connection practice to be adopted. Shallow connection practice would definitely motivate the generators whether renewable or non-renewable to enter into de-licensed generation sector as in India. More generation would lead to reliable source of power for all users. However non-renewable generators could use it as a tool to not apply in LTA as they don't have to pay for grid transmission charges. To avoid such a situation a hybrid system of both shallow and deep connection methods should be used in Indian power sector. Conventional generators should come under the ambit of deep connection method for securing the investment made in strengthening the transmission network and Non-Conventional generators should come under the ambit of shallow connection method.

- (b) Shallow connection should be permitted to only Renewable generation or to both renewable and conventional generators**

Ans. Shallow connection should be permitted for Renewable and deep connection with 50% grid transmission charges should be permitted for conventional generators.

- (c) Under shallow connection system how transmission planning will be done and who shall bear the grid level transmission charges?**

Ans. As far as grid level transmission charges is concerned it should be borne by the customers of the grid as per their actual usage. The transmission planning should be done on the basis of installed capacity in case of conventional source project and on the basis of peak

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power generated in case of non- conventional power projects. The charges of stranded assets would be distributed among all ISTS customers on monthly/yearly basis as suitable.

**Q 8) whether you are an injecting entity or Drawee entity or both?**

Ans. Power Trader.

**Q 9) GNA**

**(a) What is your opinion on General Network Access (GNA) proposed by CEA?**

Ans. Following opinion could be derived from the staff paper about GNA

- 1) General Network Access (GNA) as proposed by CEA is basically a system in which generator or drawee entity would be first asked about their maximum quantum of power to be injected or to be drawn from ISTS and that too 4 years in advance. The quantum injected or drawn above GNA declared quantum would attract penalty. GNA is putting an undue pressure on state utilities to commit their drawal requirement in 4 to 5 years in advance. The provision of 10% variation may be kept to cater the unavoidable situations.
- 2) The very important point is already raised in staff paper that under GNA regime the very basic tenet of non-discriminatory open access to all as enshrined in Electricity Act, 2003 would be violated. Because the GNA customers would be given priority over non GNA customers to use transmission system.
- 3) Under GNA, to build transmission infrastructure the GNA quantum would be taken as the basis but if installed capacity is taken into account for transmission planning as suggested by honorable CERC, would be very helpful in averting the period of congestion in future.

**(b) Whether it should be adopted for transmission access and transmission charges?**

Ans. It should be adopted with some modifications in the very basic tenet of GNA. For calculating transmission charges actual usage should be taken into consideration instead of the GNA quantum declared by generators and drawee entity.

**(c) What should be the bank guarantees and exit charges under GNA mechanism?**

Ans. 6 Years charges for reduced quantum or exit option in case there is no alternate user.

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**(d) Whether it would be possible to plan transmission system to give assured access in all direction?**

Ans. The possibility of planning a transmission system to give assured access in all direction should be discussed in a comprehensive manner. GNA regime should be kept apart for this very important topic. This is not impossible to plan such a system but it would certainly leads to stranded assets, if not analyzed in comprehensive manner. The transmission planning should include load forecasting, generation-load matching and load flow studies of all regions of India. The transmission infrastructure should be built such that power should flow from a power surplus region to a deficit region of country. As explained in staff paper a 5000 MW hydro plant would need investment worth thousands of crore, so a 360 degree transmission network would be the wastage of money if it is joining 2 power surplus regions.

**Question No. 10 Transmission Planning**

**(a) How transmission planning in the country needs to be reviewed under present condition to take care of future need of robust transmission system?**

Ans. Under present regime the transmission planning is very much in a passive mode. The competent body can initiate the planning process only when approached by generator or buyer for LTA. It should be made a pro-active process in which participation from both CTU and ISTS connection seeking entities should be made mandatory. All STU's, CTU, RPC's and POSOCO should make a concerted effort to anticipate the power deficit region in country and that should be done well in advance(at least 4 to 5 years in advance). The transmission infrastructure should be developed according to the load anticipation. Generator should be advised to seek beneficiaries in deficit regions of the country. Whether LTA is sought by generator or not transmission planning should be done taking into consideration the installed capacity of the IPP's.

**(b) Whether there is a need for a separate regulation for transmission planning to make it more participative?**

Ans. Yes.

**(c) Whether transmission system planned by CEA/CTU need to be adequately explained from cost benefit point of view?**

Ans. Yes.

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**(d) Is there requirement of making submission of information related to transmission planning legally binding?**

Ans. Yes.

**Question No. 11**

**(a) Whether proposal of using congestion charge to reduce the long term ISTS transmission charges acceptable?**

Ans. No. It should be used in relieving congestion by augmenting transmission asset.

**(b) Whether congestion charges are to be utilized for creation of specific transmission assets for relieving the congestion? How should this be treated – as equity, loan or grant?**

Ans. Yes as explained above. Congestion charges is being realized due to transmission constraint hence the charges collected on account of this should be used in relieving the congestion in the congested corridor by augmentation of the same. It should be perceived as a grant.

**Question No. 12**

**Transmission corridor allocation for power market:**

**(a) Whether participants of Power Exchange should be allowed to participate in e-bidding for transmission corridor?**

And. The above question is not conspicuous however as per our understanding the following observations are inferred:

- 1) As we are very much aware of the fact that there are hundreds of participants bid in IEX and PXIL platform on daily basis. The e-bidding for such a vast group would be very cumbersome and bulky.
- 2) And whether the participants not participating in e-bidding should be allowed to bid in exchange or not. If they continue to bid and their power would get clear then this will sent a strong negative impression on the participants who booked corridor through e-bidding.

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- 3) The multiple corridor booking has to be done to transfer the power from one region to another if there are more than two corridors applicable in the transaction.
- 4) As envisaged in the staff paper all information related to corridors capacity availability should be available in public domain and once the corridor has been used by the exchanges then the leftover should be available to market for optimum utilization of the corridors.

**(b) For power market development, certain quantum of corridor may be reserved for power market with all participants of Power Exchange sharing the transmission charges of reserved corridor?**

Ans. Following points may be considered in this regard

- I. Any reservations of quantum of corridor combined with e-bidding of spare capacity on transmission corridor may prove to be Anti-competitive for market development. The reason is that the quantum of transmission capacity would be allotted to particular participants. This data would be available to all other participants who would be bidding on power exchanges and the prices discovered on power exchange may be distorted.
- II. Any kind of reservations in transmission assess for any market entity would be against the genesis of non-discriminatory open access transmission system.
- III. As pointed out in Section 8.1 and 8.2 of the Staff Paper, it would not be correct to say that market is stagnant due to transmission constraint. The transactions over exchanges have increased manifold over the past 4 years. Day Ahead transactions over exchanges are already getting priority over bilateral transactions, due to which day ahead bilateral power market is distorted at the gain of exchange transactions. In order to bring 'equity' between bilateral and power exchange market for transmission access, bilateral market should not be further distorted by giving reservations to market participants on exchanges.
- IV. Such reservations of quantum would be against the Market design.

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