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SHREE CEMENT LTD.

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SCL/JPR/CERC/FY17/151101
November 15, 2016

The Secretary
Central Electricity Regulatory Commission
3rd and 4th Floor, Chanderlok Building,
36, Janpath, New Delhi – 110001
Ph: (011) – 23353503; Fax: (011)-23753923

Sub: Comments on Draft CERC (Sharing of Inter State Transmission Charges and Losses) (5th Amendment) Regulations, 2016

Dear Sir or Madam,

This has reference to your public notice no L-1/(3)/2009-CERC & L-1/44/2010-CERC dated 28th October 2016, where in you have sought stakeholders comment on the above referred draft regulation.

We hereby submit our comments on the said draft regulations for your kind consideration. The comments are placed as **Annexure – 1**. Further we request your kindself to accord us an opportunity to make additional/alternate submissions at the time of hearing.

Thanking You,

Your Sincerely

For Shree Cement Ltd.

Amarjit Singh
Sr. General Manager

Encl: As above

ANNEXURE -1

Comments on
Draft CERC (Sharing of Inter State Transmission Charges and Losses) (Fifth Amendment) Regulations, 2016

1. **Point 2 (1) – Amendment to Regulation 7 of the Principal Regulations:**
   It is submitted here that there are many merchant power plants that are supplying power under short term owning to limited opportunities available for long term supply. Such short term supply is taking place at very low rates, sometimes below variable cost of generation just to run the plants. The proposal of levying Reliability Support Charge on the quantum of connectivity granted by CTU will put tremendous burden on finances of merchant power plants, rendering them unviable, which may lead to closure.
   Thus on one hand Hon'ble commission is providing for free access to the Renewable generators, on the other hand it is proposing levy of reliability charge based on connectivity quantum, thus would put additional burden on merchant plants. This negates the philosophy of efficient & economical use of transmission system and providing equal opportunities to get transmission connectivity for all players as envisaged under Electricity Act.

2. **Point 2 (2) – Amendment to Regulation 7 of the Principal Regulations:**
   The exemption from transmission charges and losses proposed in the draft amendment on wind based generators shall also be extended to Captive Power plants based on wind generation to promote private investment in the sector.

3. **Point 4- Amendment to Regulation 9 of the Principal Regulations:**

   The draft amendment proposes higher charges for MTOA (1.25x of LTA POC) and STOA (1.35x of normal STOA POC) customers which is clearly undesirable and would jeopardies the survival of merchant plants.

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a. **Compulsion to Use STOA**

The use STOA by generators is not by choice or for any economic gains but out of compulsion as no long term power sale opportunities are available for such players. Infact in the prevailing market scenario just to run their plant generators are forced to sell power in short term market at prices that are lower than the variable cost of generation.

b. **First curtailment of STOA – infirm reservation for STOA:**

Under curtailment priority set for STOA, MTOA and LTA, the priority is not being modified and still STOA is first to be curtailed. As the STOA is least firm in nature and the charges should be commensurate with the firmness. Higher charges are only justified if additional value in terms of firmness in reservation of capacity can be provided to MTOA & STOA transactions.

c. **STOA not responsible for under-building of transmission capacity:**

One of the arguments mentioned in the Explanatory Memorandum for raising STOA/MTOA charges are that presently generators do not apply for LTA and they evacuate power mostly through MTOA & STOA. This has led to shortage in building capacity under long term and therefore leading to inefficient transmission planning. This argument is completely misplaced. Current market prices are below the total cost of generating station in most of the cases and close to variable cost for few other generating stations. Generators selling power in short term market using STOA are selling out of compulsion and not by choice. For LTA, long term contracts are required. Merely increasing STOA charges wont help. Moreover, there is no plans to build transmission assets using these additional revenue.

d. **Increase Open Access Charges for OA Consumers:**

Open Access consumers are embedded in STU & Discom network. Apart from POC charges, they have to bear surcharges, transmission charges & losses of STU & Discom network also. Due to high incidence of Cross Subsidy, Additional Surcharge, Transmission and wheeling charges, Open Access has become unviable in most of the states. In order to keep competition operating in the sector, it is desirable that these charges are lowered. It is highly retroactive that the viability of open access is being threatened by increasing MTOA/STOA charges further. OA will become unviable in some more states and competitive markets will be threatened more.

Cascading effect is going to be phenomenal as Rs 0.20/kWh increase will result in over Rs 1/kWh increase if states also adopt similar methodology. In

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the past states have increased STU & wheeling charges in similar fashion as done by CERC.

For instance:

- Haryana: CTU – Rs 0.27 per Kwh, STU: Rs 0.33 per KWh, Wheeling Rs 0.71 per KWh. Total charges: Rs 1.31 per KWh. If similar (35%) increase is adopted by SERC, then total impact on charges would be Rs 0.46 per KWh only on drawal.

e. **STOA is granted only on margins available in the existing transmission capacity:**

MTOA & STOA utilizes the residual capacity left from use by LTA without requiring augmentation in the network. The surplus capacity available is by virtue of (a) Inherent design margins, (b) margin available due to variation in power flows and (c) margins available due to in-built spare transmission capacity created to cater to future load growth or generation addition. This clearly shows that no investment is made for providing capacity to STOA & MTOA and is incidental on account of above mentioned factors. Price for residual capacity should not exceed the cost of principal. Residual capacities rather should be charged at discount rather than premium.

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