



No. IEX/BD/1574/16-17

Date: 15th Nov, 2016

To,

The Secretary
Central Electricity Regulatory Commission
3rd& 4th Floor, Chanderlok Building
36, Janpath
New Delhi - 100 001,
Fax: 011-23753923

Sub: Draft Central Electricity Regulatory Commission (Grant of Connectivity, Long-term Access and Medium-term Open Access in inter-State Transmission and related matters) (Sixth Amendment) Regulations, 2016.

Ref: Public Notice No. L-1/(3)/2009-CERC & L-1/44/2010-CERC dated 28th ^{Oct} Nov, 2016

Dear Madam,

This has reference to Public Notice dated 28.10.2016 inviting suggestions and comments from stakeholders on the subject matter. Accordingly, our comments are attached at **Annexure I** for the kind consideration of the Honorable Commission.

Yours Faithfully


Shruti Bhatia

Vice President (Regulatory Affairs & Communications)

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Comments on Draft Central Electricity Regulatory Commission (Grant of Connectivity, Long-term Access and Medium-term Open Access in inter-State Transmission and related matters) (Sixth Amendment) Regulations, 2016

1. Regulation 2 (2) (o)- Medium Term Open Access

- MTOA application process for medium term should be structured and standardized on the same lines as the short-term open access (STOA) which is very clear and upfront. It would be prudent to align with ARR filing of discoms (Apr-March) and process all applications once in a year and pass on balance applications for STOA which are for part of the year.

For instance, window for filing of applications for MTOA could be from 1 April upto 31 October. All applications submitted during this period are considered and processed together. MTOA should be operationalized from 1 April next year (i.e. applications made minimum five months prior to start of MTOA). No new MTOA applications should be entertained after closure of window, i.e. 31 October and thereafter capacity should be allocated under short-term.

- It is important to note the purpose for which STOA has been allowed on calendar month basis and there are fixed timelines for considering all applications together. It helps to make better assessment of all transmission capacities available after meeting LTA and also new capacities expected. Processing all applications together make process transparent and well documented. There is less scope for disputes. Same principles should be adopted for MTOA. As STOA applications are for calendar months and applied by certain dates depending on whether they are near or far months. We should also allow MTOA applications for Financial or Calendar years and processing timelines created depending on the applications whether they are for near-year or far-years. We can also have provision for bidding among all MTOA applications in case corridor applied is more than available.
- In our view, streamlining MTOA process will assist the distribution companies as well as the generators to align their procurement and transmission capacities under MTOA. Distribution companies will be able to strategise their procurement efficiently and to also include the details of such procurement in their annual revenue requirement. Similarly, Gas based generators who are required to provide grid balancing in order to support the increasing penetration of renewable energy will procure their gas.

IEX Comment: The MTOA application process for medium term should be structured and standardized on the same lines as the short-term open access (STOA). MTOA should be operationalized from 1 April next year (i.e. applications made minimum five months prior to start of MTOA). No new MTOA applications should be entertained after closure of window, i.e. 31 October and thereafter capacity should be allocated under short-term.

Ref. No.: IEX/BD/1573/16-17

15 November 2016

To,

The Secretary

Central Electricity Regulatory Commission
3rd & 4th Floor, Chanderlok Building,
36, Janpath
New Delhi - 110001

Sub: IEX comments on Draft Central Electricity Regulatory Commission (Sharing of inter-State Transmission Charges & Losses) (Fifth Amendment) Regulations, 2016

Dear Madam,

This has reference to the Public Notice dated 28 October 2016 on the subject-matter inviting comments / suggestions / objections from the stakeholders on the draft regulations by 15.11.2016.

At the outset, it is submitted that all the issues raised in the draft regulations are expected to be addressed with implementation of GNA. The Honorable Commission had earlier issued the Staff Paper in and thereafter a "Report of Committee to Review Transmission Planning, Connectivity, Long Term Access, Medium Term Open Access and other related issues" chaired by Shri Mata Prasad was issued. The Honorable Commission is now expected to issue draft regulations as mentioned in the letter dated 30.09.2016.

In the process of consultations, it has already been recognised that there are basic flaws in the current transmission planning and access and thus the need for paradigm shift by adopting GNA. IEX strongly supports implementation of GNA and therefore the proposed amendments are not required at this stage.

Kindly find attached our detailed comments as Annexure for kind consideration of the Honorable Commission.

Yours Sincerely,


Shruti Bhatia

Vice President (Regulatory Affairs & Communications)

IES comments on Draft Central Electricity Regulatory Commission (Sharing of inter-State Transmission Charges & Losses) (Fifth Amendment) Regulations, 2016

At the outset, it is submitted that any increase STOA charges devoid of economic rationale will impact the short term market adversely and will also have a cascading impact on the short-term market development.

Further, such an initiative is also contrary to the principles of competition, open access, market development as enshrined under the Electricity Act 2003, National Electricity Policy and several rules and regulations thereunder.

Below, we share out detailed comments for kind consideration of the Honorable Commission:

1. Need to Promote and grow short-term market:

The exemplary capacity addition in the country over the last few years, better fuel and transmission availability have had a positive impact on the short-term market development. Over the last eight years, Power Exchanges as marketplace have built liquidity and facilitated lower/ competitive prices discovery which benefitted the distribution companies immensely who could then pass on/share these gains with the end consumers. Thus competitive prices on the exchange have acted as catalyst for the distribution companies to serve the consumer demand in the most cost-effective manner.

Over the last few years the distribution companies have not been coming with long-term power purchase agreements (case1/case2 bids) and without such agreements it will not be viable for the generators to sign / service the long-term transmission agreements. Thus, the need of the hour is to have distribution companies come out with bids for long-term power purchase agreements. Any increase in STOA transmission charges goes against what is required at this hour.

Today only 10% of generation is traded in the short-term market. With almost 40 GW of merchant capacity in the country, our endeavor should be to expand the competitive short-term market to at least 20% of total energy consumption (against current 3%) so that distribution companies and end consumers can derive benefit of the competitively priced power.

Further, to achieve integration of the ambitious renewable energy capacity addition target of 175 GW by year 2022 as set by the Government of India, promotion, growth and development of short term market is a key imperative to enable the DISCOMs to manage the infirm and intermitted renewable energy generation.

Therefore strengthening the short-term market is necessary for overall growth of the sector.

2. Expedite introduction of General Network Access (GNA) :

The Honorable Commission is already in the process of framing of regulations pertaining to implementation of GNA which inter-alia would address the issue of building transmission capacity based on demand and supply scenario without any discernment to type of access.

The changes proposed in the present draft regulations are not desirable and would have an adverse impact on the present and future development of power market. Introduction of GNA should be expedited and competition and short-term market should be promoted as provided in the Electricity Act 2003.

3. No long-term PPA by Discoms is key reason for underbuilding of transmission capacity

It is important to note that there has not been any major increase in power demand seen in the past and several States are already in surplus power situation. As per 18th EPS projection by CEA, almost 200 GW of peak demand was forecasted while the actual peak demand recorded as of September'16 has only been 158 GW, almost 42 GW lower than anticipated. With more capacity available within States, States have not been forthcoming with the new case 1 case 2 bidding. This issue was also deliberated and recognized in the recently held meeting of the Central Advisory Committee (CAC) and nowhere the Committee mentioned about STOA as the reason for lack of LTAs.

The Discoms and open access consumers largely avail STOA to meet their immediate requirements. In fiscal 2015-16, IEX average MCP was Rs 2.39/kWh which is much below the total cost of several generating stations and in a few cases close to the variable cost. The generators have been selling power in short term market using STOA out of compulsion and not by choice. They are not making undue profits by selling under STOA at these prices.

4. No economic principle for increasing STOA Charges:

There is no transmission capacity reserved for STOA and this segment is being given the residual capacity in the system having last priority for allocation and the highest priority for curtailment. Therefore short term market operates in a scenario of Low Priority and High Risk. Therefore the STOA transmission charges should actually be lower than LTA charges and in no case should exceed the LTA charges.

Taking case of Railway Ticket Booking, a certain percentage of seats are reserved for the Tatkal Category and a premium is charged for the same and in case of cancellation there is no discrimination between normal booking and tatkal booking. Contrary to such principle, in the present structure STOA has lowest priority among LTA, MTOA and STOA and highest priority for curtailment. Therefore, there is as such no rational or economic principle of raising STOA Charges.

5. Cascading Impact of increase in STOA charges on State level Charges

The Honorable Commission raised STOA charges in steps, started with very nominal STOA charges in 2004 @ 25% of the regional transmission charges and then increased @ 50% of the regional transmission charges in 2015, @100% in 2010 of LTA charges. The STOA charges which were as low as 3 Paise has now increased to almost 50 Paise by combining injection and drawal.

In the past, CERC regulations have been used as guiding principles by SERCs. Whenever STOA charges were increased by the Honorable Commission, most of the SERCs adopted similar trend in determining STU and wheeling charges. Now with the proposed increase in STOA charges by 35%, similar increase is likely to be done by SERCs. In such a scenario, Open Access will virtually become unviable.

Below, we cite how increase in STOA charges will have cascading impact in cases of some States:

(In Rs/KWh)	Punjab		Gujarat		West Bengal		Karnataka		Assam	
	Existing	1.35 Times	Existing	1.35 Times	Existing	1.35 Times	Existing	1.35 Times	Existing	1.35 Times
CTU Charges	0.12	0.16	0.21	0.29	0.21	0.29	0.26	0.35	0.26	0.35
STU Charges	0.23	0.31	0.12	0.16	0.08	0.11	0.08	0.11	0.42	0.57
Wheeling Charges	1.32	1.78	0.14	0.19	0.83	1.12	0.14	0.19	0.22	0.30
Total	1.67	2.25	0.47	0.64	1.12	1.52	0.48	0.65	0.90	1.22
Net Increase	0.58		0.17		0.39		0.17		0.32	

Though the increase on account of revision in regional STOA charges would be Rs 0.10 per unit but the total impact due to cascading at State level would be exponential.

- As may be seen from above, total impact on short-term transaction considering only Withdrawal PoC Charges would be in the range of 0.17 Rs./Kwh to Rs. 0.58 Rs./Kwh, Impact on total transaction charges considering injection and Withdrawal would be in excess of Rs 1.00 per Kwh. This is almost 40% of the current prevailing price of the power i.e 2.5 Rs./Kwh.
- Such measures would adversely impact short-term market rendering it unviable across all the states. The Honorable Commission is already aware that, the short term market is already facing several tariff and non-tariff barriers which are threatening the very existence of power market in the country.

6. Basis for PoC Charges for STOA need change

While calculating per kWh PoC charges for STOA, the charge calculations are currently being done on LTA and not total forecast load of the State as validated by validation committee. This results in higher per unit PoC charge. We take case of a State whose peak demand in a quarter is say 7000MW whereas, its LTA is 5000MW. Total charges payable by the State is currently calculated by using 5000MW of LTA whereas it should have been calculated using 7000MW which will give lower per unit PoC Charge.

	Present Method			Proposed Method	
	PoC Charge Rate (Rs/MW/month)= 140.75/5000			PoC Rate (Rs/MW/month)= 140.75 /7000	
	MW Approved	Per charge unit	Charges payable	Per unit Charge	Charges Payable
LTA	5000	281492 Rs/MW/month	Rs 140.75 Crs	201071 Rs/MW/month	Rs 100.54 Crs
MTOA	1000	281492 Rs/MW/month	Rs 28.15 Crs	201071 Rs/MW/month	Rs 20.11 Crs
STOA	1000	21.34 p/kWh	Rs 15.88 Crs	15.24 p/kWh*	Rs 11.34 Crs
Adjustments in later bill			(-) Rs 44.03 Crs		Rs 8.76 Crs
	7000		RS 140.75 Crs		Rs 140.75 Crs

Assumption: Peak Demand assessed by validation committee = 7000MW and LTA = 5000MW

*proportionately reduced

It can be concluded from calculations in above table; effective PoC rate charged from the State is much higher, 40% for above State. This percentage of higher markup will depend on ratio of LTA/STOA entered by the State and State with higher STOA will pay much higher effective PoC rate.

We request Honorable Commission to change the methodology for PoC calculations as proposed above. This method is revenue neutral for the transmission licensee whereas payments are duly recovered from respective segments namely MTOA/STOA and LTA.

7. Adjustment of STOA Quantum against LTA - Amendment to Clause (9) to Regulation 11 of the Principal Regulations:

- a. Regulation proposes to adjust quantum of STOA in the following month against the quantum of LTA to target region. It is submitted that adjustment of quantum should be done in all the cases (including identified beneficiary) and should not be limited to only "quantum of LTA to target region". **Adjustment of both injection and withdrawal quantum should be done from the total LTA & MTOA quantum.**
- b. Similarly for Power Exchange transactions, adjustment of withdrawal quantum to be done where net withdrawal is less than the approved withdrawal. States have taken LTA for drawing power from ISGS and UMPPs average drawl is less the contracted quantum due to partial operation on account of outages, maintenance etc. **It is proposed that withdrawal quantum availed by states under STOA should offset against the total LTA quantum thereby avoiding duplication of charges.**
