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INDEPENDENT POWER PRODUCERS
ASSOCIATION OF INDIA (IPPAI)

**COMMENTS/SUGGESTIONS ON
DRAFT CERC (SHARING OF
INTER-STATE TRANSMISSION
CHARGES AND LOSSES)
(FIFTH AMENDMENT),
REGULATIONS, 2016**

2016

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Comments/Suggestions by IPPAI on Draft CEREC (Sharing of Inter-State Transmission Charges and Losses) (Fifth Amendment), Regulations, 2016

Sr. No.	Proposed Amendment	IPPAI's comments/suggestions	Rationale
1.	<p>Introduction of Reliability Support Charge for Connectivity:</p> <p>(a) Following sentence shall be added at the end of Sub-clause (q) of Clause (1) of Regulation 7 of the Principal Regulations:</p> <p>"Additionally, Reliability Support Charge shall also be payable by a DIC for the quantum of Connectivity granted by CTU from the date of physical Connection to ISTS including the case where DIC is not availing any LTA / MTOA provided that the total quantum for the purpose of Reliability Charge shall not exceed the quantum of Connectivity granted to a DIC.</p> <p>Provided further that if Connectivity has been sought in a phased manner, Reliability charges shall be billed accordingly.</p> <p>Provided also that Reliability Support Charge paid by a DIC under STOA shall be offset against the quantum covered under Connectivity."</p>	<ul style="list-style-type: none"> • <u>The Hon'ble Commission is encouraged to implement the proposed amendment but at the same time it is requested that the Designated ISTS Customers (DICs) should be allowed the flexibility for the first right of refusal for the usage of LTA, in case the DIC is availing the facility of MTOA/STOA.</u> • Transmission assets being a natural monopoly need to be available subject to market demand and supply – i.e., transmission assets should be made available on a tradeable basis to optimize their usage. • General Network Access (GNA) should be introduced on a pilot basis and modified based on feedback. Thereafter, it should be implemented on an all India basis. GNA is likely to help in the transition from Long Term to Short & Medium Term driven power markets with corresponding transmission planning. • <u>The need of the hour is flexibility in the use of the transmission system to optimize its usage based on new market realities – i.e., the existing LTOA holder can, for a specified period of his choice inform the grid and allow short term transactions on his LTOA system which is not being used.</u> 	<ul style="list-style-type: none"> • The short-term market prices have reached an all-time low in the last few years with supply far exceeding the demand (as explained under SOR of the Draft Amendments). • Recent trends indicate that short term (including day ahead) prices have remained lower in comparison to the prices under LTPPA. With the onset of ambitious renewable energy (RE) programme in the country, utilities will now have to tie-up significant portion of the RE capacity in order to fulfill their RPO obligations. • This leaves very little scope for developers to sign LTPPAs (based on thermal power) with utilities. • The coupling of above two factors has resulted into power utilities increasing their power purchase from short term exchange market/ merchant market rather than the LTPPA route. This conclusion is corroborated by the fact that there have hardly been any Long-Term bids floated by DISCOMs all over the country. • All these circumstances have led to a situation where a generator/PP

<p>is either forced to sell the power at sub-optimal prices in short term market or run the risk of station/unit being declared as stranded capacity.</p>	<ul style="list-style-type: none"> As per Central Electricity Authority's (CEA) data, India's thermal power plant (Private sector projects) load factor (PLF), slipped to 57.61% in October, its lowest in over a decade and has been consistently hovering below 60% since April 2016. For all the above reasons, no power utility including heavily debt laden DISCOMs are prepared to float tenders for LTPPA. Any requirement of additional power is being met through short term market national power exchange. Recent trends indicate that short term prices have remained lower in comparison to the prices under LTPPAs. The Central Transmission Utility (CTU) must undertake transmission planning under STOA/power exchange and Hon'ble Commission is advised to direct CTU to undertake such planning. 	<ul style="list-style-type: none"> Renewable energy projects have been given 'must-run' status. However, due to their infirm nature there will be intermittent breaks in their scheduled power.
<p>Principal Regulations shall be substituted as under:</p> <p>"(1) The transmission charges for MTOA customers who are not availing LTA to target region for the capacity under MTOA shall be charged 1.25 times of the LTA POC rates as notified by the Commission from time to time.</p> <p>(2) The transmission charges for STOA customers who are not availing LTA to target region for the capacity under STOA shall be charged 1.35 times of the normal STOA POC rates as notified by the Commission from time to time:</p> <p>If the surplus charges collected under above clauses shall be reimbursed back to DCS paying charges under first bill in the next month."</p>	<ul style="list-style-type: none"> For the purposes of efficiency and better utilization of transmission systems, the STOA Customer has to pay a GNA charge for being a constituent of the General Network and having the option of accessing it to sell power as required. Once GNA charges are introduced, STOA Customer's POC rate and payable charges should be reduced for the above case. Ultimately, this will reduce the cost of power for consumers. 	<ul style="list-style-type: none"> For the purposes of efficiency and better utilization of transmission systems, the STOA Customer has to pay a GNA charge for being a constituent of the General Network and having the option of accessing it to sell power as required. Once GNA charges are introduced, STOA Customer's POC rate and payable charges should be reduced for the above case. Ultimately, this will reduce the cost of power for consumers.
<p>Sub-clause (i) of Regulation 9 of the Principal Regulations shall be substituted as under:</p> <p>"(1) The transmission charges for MTOA customers who are not availing LTA to target region for the capacity under MTOA shall be charged 1.25 times of the LTA POC rates as notified by the Commission from time to time.</p> <p>(2) The transmission charges for STOA customers who are not availing LTA to target region for the capacity under STOA shall be charged 1.35 times of the normal STOA POC rates as notified by the Commission from time to time:</p> <p>If the surplus charges collected under above clauses shall be reimbursed back to DCS paying charges under first bill in the next month."</p>	<ul style="list-style-type: none"> While the proposed amendment is welcome, it needs to be pointed out that there are issues that need to be considered before an effective implementation. 	<ul style="list-style-type: none"> While the proposed amendment is welcome, it needs to be pointed out that there are issues that need to be considered before an effective implementation.
<p>3.</p>	<p>ISTS charges and losses for wind and solar projects</p> <p>(4) Based on above discussions following amendment is proposed for wind based generation:</p>	<p>ISTS charges and losses for wind and solar projects</p> <p>(4) Based on above discussions following amendment is proposed for wind based generation:</p>

<p>4. Implementation of General Network Access (GNA)</p> <p>The transmission system planners in the country have to move from:</p> <ul style="list-style-type: none"> • Planning transmission systems in response to demand to Carry out proactive transmission planning, where the transmission system will lead to growth in generation capacities and demand. • Although developing countries have moved to enabling transmission to lead generation and load, our current approach in transmission planning, follows generation and load. This has been possible as the entire sector was in the central and state government hands earlier. However, the result has been unsatisfactory and till date there is a huge loss to the power sector and the national economy due to transmission congestion and stranded power capacity. • This along with the fact that generation has been delicensed under the Electricity Act 2003, has led to new challenges for the traditional transmission planner as both load and generation have spread across the country. Often information about capacity addition in generation and transmission does not reach the central planner. This has led to stranded capacities from time to time including captive power. A 	<p>Additional Comments</p>	<p>(a) A New Sub Clause (y) to Clause (1) to Regulation 7 of Principal Regulations shall be added as under:</p> <p>"No transmission charges and losses for the use of ISTS network shall be attributed to wind based generation for the projects awarded through competitive bidding commissioned till 31.3.2019. This shall be applicable for a period of 25 years from the date of commissioning of such projects. Provided that such waiver will be available for the projects entering into Power Purchase Agreements (PPAs) for sale of electricity to the Distribution Companies for compliance of their renewable purchase obligation."</p> <ul style="list-style-type: none"> • The issues that need to be resolved are (i) how do we effectively schedule large quantum of renewable power (ii) correspondingly, how do we use thermal power for grid stabilization (iii) what happens to existing commitments under thermal power PPAs • CERC regulations must define as to who at the end is going to bear the charges if RE projects are going to be exempted from it. POC charges may need to be increased to facilitate the same. • Further, the proposed relaxation in time-period for the wind projects should be also extended to solar power projects. • For solar power projects, Hon'ble Commission is of the view that "We observe that Regulations already provide for no ISTS transmission charges and losses for solar based projects commissioned up to 30.06.2017 for useful life of the project. The useful life of solar project under CERC Regulations in vogue is 25 years. Hence, there is no need of any further amendment with regards to Solar based generation."
<ul style="list-style-type: none"> • To accommodate these breaks and maintain the level of grid power, backing down and ramping up of thermal power will have to be done. This could be a big challenge for grid operators/managers to deal with when there are high levels of Renewable Power being injected in the grid. • The central government is pursuing one of the most ambitious renewable-energy programmes anywhere in the world, to ramp up renewable energy and fight climate change simultaneously, with proposed 100 GW of capacity addition from solar energy by 2022. • By amending the regulation further, it will provide necessary fillip to the solar sector and will allow states to meet their renewable purchase obligations (RPOs) as per the New Tariff Policy (2016). In addition, this will encourage inter-state sale of solar power projects. 	<p>Additional Comments</p>	<p>Additional Comments</p>

<p>case in point is a captive power plant which has a mismatch of the host project getting delayed resulting in availability of surplus power which he wishes to schedule or in case where the captive power plant itself is having an outage resulting in a demand for import of power by the host project.</p> <ul style="list-style-type: none"> • The present scheme gives connectivity to the generator and the host but does not guarantee scheduling or import of power as there is no provision for contingency for transmission capacities for such projects. This has resulted in huge stranded capacities in terms of power availability on the one hand and black outs and brown outs on the other, across the country. The cost of this to the power consumer and the national economy is incalculable. • This has led to a situation where power is being exchanged either bilaterally or through power exchanges based on the reserve capacity of the existing long term transmission capacity built so far. As the country focuses on driving investments in renewable energy, a large quantum of existing renewable capacities are stranded due to lack of transmission corridors. • There is no provision in the current regulations which encourage transmission to lead the development of load. • There is a need for transmission planning to address these issues and ensure that transmission moves to becoming a market enabler. <p>The concept of GNA is presently under consideration but the time has come that it progresses from a conceptual stage to a reality. This is expected to resolve past problems w.r.t to transmission planning process and would go a long way in resolving the issue of transmission congestion in the grid.</p>	
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