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Office of CE/PP&R, PSPCL, Patiala (Pb.)

✓ To

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

Memo. no. 13 /PS-72

Dated:- 15/01/2018

Sub: - General comments on draft regulations

The general comments on draft regulations and para-wise comments are as under:-

1. **Lack of Clarity about amendments in Sharing Regulations and thus transmission Charges:** It is not clear how the transmission charges for the DISCOMs which procure major component under long term/medium term PPAs and part requirement through short term market will be affected under GNA regime. Under the prevailing regulations for sharing of transmission charges, there are different methodologies and charges for long/medium and short transactions. After enactment of GNA the methodology for sharing of transmission charges will undergo change. It is suggested that proposed modifications in Sharing Regulations may also be indicated by CERC to understand clearly the impact of proposed GNA Regulations on the sharing of transmission charges. It is important that the draft amendments required in Sharing Regulations in alignment to the proposed GNA concept are shared upfront and the changed PoC rates for the various States using the last year data are worked out and demonstrated clearly so that the commercial aspect of the new regulations is available for understanding and comprehension. Also, for thorough understanding of GNA, Workshops should be conducted in the country and also a study should be conducted to assess financial impact on Discoms by implementation of GNA.
2. **Principle of Economic dispatch defied:** the draft GNA regulations propose priority to long term and medium term over short term. This is in contrast to the principle of economic dispatch.

3. **Draft Regulations may impede renewable capacity addition:** If a state, after having declared its GNA quantum for 5 years ahead in time, wishes to revise its Renewable Capacity addition targets would face penalty in terms of underutilization of GNA. This would discourage the states to further amend their renewable capacity targets after having declared it once 5 years ahead in time.
4. **GNA period not specified:** The period of GNA needs to be specified upfront in the draft regulations. The Definition of GNA provides that GNA will be granted for estimated maximum injection/drawl for a specified period. Therefore, as per the definition, GNA will be granted for a specified period. However, as per Regulation 24 of the draft Regulation, there are only three options for exit from GNA and these three options does not contain exit on completion of specified period without any cost. Further also, FORMAT-GNA-1 does not require applicant to indicate any time limit upto which GNA is sought and there is no provision in the Draft Regulations dealing with expiry of GNA. Therefore, Hon'ble Commission may clarify whether GNA is a one-time activity or there would be periods for which GNA can be sought.
5. **Draft GNA Regulation does not seem to address variation in Discom demand:** DISCOMs will have to seek GNA for the power they intend to transact through Inter-State transmission system. As GNA is based on maximum demand, it is important to identify the facts that demand for state has drastic variations. Such variations are observed across the year based on seasonality and also in a day during peaking hours. Many states viz. Punjab, Delhi, U.P. to name a few, have drastic variations in demand. Such variations are observed across the year based on seasonality and also in a day during peaking hours. However, GNA does not cater to the any such variations.
6. **Heavy Penalty due to excess drawal / injection to have adverse impact on Discoms financials:** The STUs has to provide GNA figure for the entire State. Since additional transmission surcharge @ 25% of POC charges have to be paid for excess drawl/injection over 120% of the approved GNA, it is important to assess the GNA accurately. In a State having more than one DISCOM, there may be some DISCOMs who do not project their GNA accurately or do not furnish the same to the STU which may result in excess drawl of the State over the specified margin.

Para-wise Comments:-

1. **Regulation 2(z):** The clause reads as "Nodal agency" means the Central Transmission Utility referred to in Regulation 4 hereof;

Comment: As per above, CTU is defined as Nodal agency, however further clauses refers to Short term PPA and short-term scheduling where RLDC functions as Nodal agency. Clause 11.17 refers to submission of copy of PPA (Long term, Medium term and short term) to nodal agency

Hence regulation 2(z) and regulation 4, may be suitably changed to incorporate the role of RLDC as nodal agency for short term contract/PPA/LOI and short-term scheduling.

2. **Regulation 5.3:** STUs on behalf of distribution licensees and other intra-State entities seeking GNA to ISTS, shall apply for GNA every year for the next 5 year period. The Application fee shall not be levied on STUs. STUs shall indicate quantum of GNA sought at each interconnection point of STU with ISTS.

Comment: It has been proposed that STU shall provide GNA data for 5 years period starting 4 years hence the year when GNA application is made. Such data is to be provided for each quarter on Annual rolling basis by concerned STU after taking into account the anticipated demand figures from each DISCOM in the State, other intra state entities and likely generation from the generating companies having generating stations in the State. Utility like PSPCL has wide variation in demand in each quarter as for Apr-Jun quarter the demand is highest only after 15th Jun i.e. on set of paddy season and for Oct-Dec quarter the demand is unusually high from 1st Oct to 15th Oct i.e. last fortnight of the paddy season. This will result in the state discom availing unusually high GNA for these two quarters which will remain largely unutilized for most time of these quarters.

It is required to be discussed as to how the STU will be able to indicate break up of GNA at each interconnection point. It is submitted that, it is impractical to indicate break up of GNA at each interconnection point as the actual flows in real time operation at the interconnection points will vary depending on time of the day and season. Further, STU is not allowed to revise its GNA quantum for 4 years which may either lead to stranded transmission capacity or congestion in transmission capacity as in a developing country like India where the demand has not saturated, the demand of a discom is not possible to be forecast accurately since it cannot be extrapolated. The future demand depends on economic growth, government planning and government investment for power and other infrastructure.

The Regulation may provide that the STU may provide entity-wise GNA, the summation of which will be the GNA for the State to help in identifying the entity which is drawing in excess of 120% of its GNA for the purpose of bearing the excess transmission charges.

3. **Regulation 7.32:** The applicant shall be able to interchange firm power with the grid only after its GNA is operationalized. The applicant may be allowed to draw start-up power or inject infirm power by respective RLDC prior to operationalization of GNA subject to Regulation 7.34 and Regulation 7.35.

Comment: A state utility also enters into banking transactions in which power is drawn / injected on seasonal basis and is planned for one year only and present GNA regulations will discourage such short term transactions. An intra-State entity may also be permitted to transact power in day ahead short-term market without seeking GNA as otherwise GNA regulations will adversely affect the participation of intra-State entities who transact power in short term market not on round the year basis.

4. **Regulation 11.17:** The clause reads as "A generating company after firming up the beneficiaries through signing of long or medium or short-term Power Purchase Agreement(s) or Sale Purchase Agreement(s) shall be required to notify the same to the nodal agency along with the copy of the PPA."

Comment: The rationale of notifying the nodal agency about the PPA, is to show that there happens to be a legal contractual relation between parties. The Long term and medium-term contracts are finalized through PPAs, however in case of short term contracts the legal relation between parties is also established through LOIs and exchange of emails/letters. It may be noted that in case of short term contract, power may be scheduled for as small period as 15 minutes through Contingency Applications under STOA. In such cases signing of PPAs are not practical.

Further, as per scheduling process under STOA, the parties endorse and give concurrences on format-II of Open Access Application. This itself fulfills the objective of establishing the contractual relation between transacting parties.

Further, number of transaction under Short term are very high compared to number of transactions under Long term contract and medium-term contract. These short-term contracts become irrelevant to Nodal agency once the period of supply is over. Keeping the record all such short-term contract would exert pressure on the precious resources of Nodal agency. The Nodal agency should

continue to dedicate its precious resources to its primary function of scheduling of power.

Hence, provision of notifying the short-term contract/PPA to Nodal agency be removed from Draft regulations. However, if Hon'ble Commission does not agree with above suggestion, it should allow notification of Short term contract by way of submission of PPA, LOI, Letters, email copies or any other communication which establish contractual relation between parties.

5. **Regulations: 11.2** Any intra-State entity desirous of availing GNA to ISTS may apply GNA application directly to CTU along with required No objection certificate from STU or it may apply for the same to STU. STU shall consider such GNA application by all intra-state entities while making application on behalf of intra-State entities for grant of GNA to CTU.

Regulations: 12.3: If an intra-State entity is applying for GNA, concurrence of the STU shall be obtained in advance and submitted along with the application to the nodal agency. The concurrence of the STU shall be as per the FORMAT-GNA-3.

Regulations: 12.6: In case STU has not communicated concurrence or „no objection“, as the case may be, within the specified period of thirty (30) working days, from the date of receipt of the application, concurrence or „no objection“ as the case may be, shall be deemed to have been granted.

Comments:

A large number of consumers and generators, including captive generating plants embedded in intra-State transmission system transact power through inter-State transmission system in short term market not on continuous basis and pay transmission charges as and when they transact power. Such embedded consumers and generators will have to seek GNA and take liability of transmission charges for inter-State transmission system round the year. This may have impact on short term power trade and banking. Hence, we request Hon'ble Commission to suitable address this concern.

6. Regulations 18.2 Scheduling by SLDC

If it is not possible to accommodate the quantum requested by a state on day ahead basis because of transmission constraint in the ISTS, the SLDC shall provide its revised schedule with equal priority to all type of transactions as per the relative economics of the transactions to the SLDC on day ahead basis.

Comment: It is requested to provide clarity in the above regulations in respect of extending equal priority to all type of transaction, which is in contradiction to Regulation No. 29: Curtailment, where in it is mentioned as "*When for the reason*

of transmission constraints, it becomes necessary to curtail power flow on a transmission corridor after finalization of day ahead schedule and in real time, the transactions already scheduled may be curtailed by the Regional Load Despatch Centre. The transactions shall be curtailed on the basis of duration of transaction with short term transactions shall be curtailed first, followed by curtailment of medium term transactions and thereafter curtailment of long term customers".

As mentioned, revision in the schedule in case of transmission constraint shall be as per relative economics of the transaction; here the relative economics may be clarified as the merit order. In this regard, we would like to submit that there could be transactions like Group Captive, Short term power banking etc. which do not have any pricing and therefore how these transactions to be covered in relative economics need a clarity. Further, tariff in short term transaction is single part unlike two-part tariff in long term contracts; in such situation how would we assess the single part tariff in short term with respect of two-part tariff in long term contracts.

7. Regulations 26: Sharing of Transmission charges in transition phase:

Comment: Currently, POC rates for LTA/MTOA transactions are different from STOA transaction, as per determination of POC rates on quarterly basis by Implementing Agency in accordance with third amendments to Sharing Regulations. For LTA/MTOA transaction, there are no separate POC rates for injection and drawl points, e.g. Rajasthan as a state has a single POC rate for LTA/MTOA while in STOA, Rajasthan state has different injection POC rate and different withdrawal POC rate.

In view of above, it is our humble submission that suitable changes are required in sharing regulations to address the issue mentioned above, before finalizing GNA regulations because in the proposed GNA regime, POC charges shall not be dependent upon LTA/MTOA and STOA as all transactions would be executed based on contracts and transmission charges liability should as per GNA granted to the applicants.

8. Regulations 34: Transmission Corridor Allocation for Power Markets:

5% of each corridor for which separate ATC is declared shall be reserved for day ahead collective transactions at the power exchanges. In case of non-utilization of the corridor by exchanges, National Load Despatch Centre (NLDC) shall release the capacity for contingency market. The percentage of reservation shall be reviewed after five years of operation.

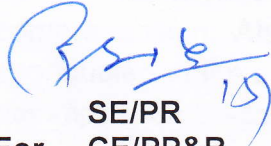
Comment: In reference to this clause it is proposed that by reserving 5% ATC of each corridor for power exchanges, opportunity of Discoms/ entities, planning their bulk requirements for banking/ sale/ purchase under advance arrangements will be weakened.

So present arrangement of offering balance corridor to power exchanges after all advance options but before day ahead transactions shall continue.

We would like to submit that there must not be any exclusive rights of reserving 5% of each corridor for which separate ATC is declared shall be reserved for day ahead collective transactions on Exchanges. Such provision is clearly in favour to the business of Power Exchanges and discriminate the prevailing Short term bilateral transactions. Since, short term bilateral transaction is having market share of more than 40% in total short-term power market and since day ahead bilateral is already NOT given priority to day ahead collective, it is our humble request that there shall not be any such favour of reserving 5% of corridor for Exchanges when transmission planning does not consider any short-term transaction (current or future) into consideration.

As one of the benefits of GNA once implemented is to relieve the transmission congestion and to provide adequate redundancy and margin in the system. In such scenario, all short-term participants must have equal opportunity in term of transmission availability for all kind of ST transactions.

Conclusion:- It is submitted that in the post GNA regime every utility / discom will give GNA based on maximum demand during the quarter and in turn ask for more transmission capacity based on maximum demand basis. In this way at least 2 to 3 times spare transmission capacity will be created and cost of this extra capacity will be borne by the beneficiaries and ultimately will be passed on to consumers. It is suggested that discoms / utilities be asked GNA for planning purpose only and billing of transmission charges should be done in the same way as done presently.


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