

**CENTRAL ELECTRICITY REGULATORY COMMISSION**

**NEW DELHI**

**Coram:**

**Shri P.K. Pujari, Chairperson**

**Dr. M.K. Iyer, Member**

**Shri I.S. Jha, Member**

**No. L-1/247/2019/CERC**

**Date: 4.9.2019**

**Statement of Reasons**

**Subject:** In the matter of Central Electricity Regulatory Commission (Power System Development Fund) Regulations, 2019

**1. Introduction**

- 1.1. The Commission, vide notification dated 24<sup>th</sup> May 2019, issued the Draft Central Electricity Regulatory Commission (Power System Development Fund) Regulations, 2019 (herein referred to as the "Draft Regulations") along with Explanatory Memorandum and issued public notice in this regard inviting comments/ suggestions/ observations from the stakeholders.
- 1.2. Comments were received from Power System Operation Corporation Ltd (POSOCO), BSES Yamuna Power Ltd. (BYPL), The Federation of Indian Chambers of Commerce and Industry (FICCI), Prayas Energy Group and Sterlite Power Transmission Ltd. The comments are available on the website of the Commission ([www.cercind.gov.in](http://www.cercind.gov.in)). After due considerations of the comments/ suggestions/ objections received, the Commission has finalized the Regulations.
- 1.3. The comments/suggestions offered by the stakeholders on the proposed amendments and the reasons for decisions of the Commission are given in the succeeding paragraphs.

**2. Draft Regulation 2: Definitions and Interpretations**

**2.1. Definition of Appraisal Committee**

- 2.1.1. The Draft Regulations defined Appraisal Committee as follows: "Appraisal Committee: means the Committee constituted by the Central Government as per the Guidelines for the purpose of scrutiny (techno-economic appraisal) and prioritization of project proposals for funding from PSDF"
- 2.1.2. The Commission has received comments from stakeholders regarding change in the constitution of the Appraisal Committee. Since the proposed definition already stated that the Appraisal Committee would be constituted as per the Guidelines issued by Central Government, therefore, there is no need to specify constitution separately.

## **2.2. Definition of Congestion Relief Regulations, Deviation Settlement Mechanism Regulations, Grid Code and Power Market Regulations**

2.2.1. In each of the above definitions, there has been a common suggestion to add the following phrase: “as amended from time to time and any subsequent enactment thereof” in the end. It is to clarify that clause (3) of Regulations (2) of the draft Regulations provides for inclusion of amendments or consolidation or re-enactment thereof. This provision is applied to all Act, Rules, Regulations and Guidelines specified in the Regulations.

## **2.3. Definition of Guidelines**

2.3.1. The Draft Regulations define Guidelines as follows: “Guidelines” means the procedures approved by the Central Government for disbursement of funds from PSDF issued vide Office Memorandum dated 18<sup>th</sup> September, 2014”

2.3.2. Suggestion has been received to replace Central Government by Monitoring Committee in the definition. With regard to the first suggestion, approval of guidelines lies with the Central Government. Monitoring Committee provides the recommendations to the Central Government. Accordingly, it is appropriate that such guidelines be specified by the Central Government.

## **3. Draft Regulation 3: Constitution of the fund**

### **3.1. Clause (2) and (3) of the draft Regulation 3**

3.1.1 Clause (2) of draft Regulation 3 stipulates as follows: “The agencies authorized to collect the amounts under sub-clauses (a) to (f) of clause (1) above shall transfer these funds to the credit of the PSDF on monthly basis or as per the periodicity decided by the Central Government”. POSOCO has suggested that the word and expression “the periodicity by the Central Government” may be replaced by “the periodicity as may be provided in the guidelines”. Since the guidelines are also issued by the Central Government, the word “in accordance with the guidelines” are added and rest of provision has been retained.

3.1.1. Clause (3) of draft Regulation 3 stipulates as follows: “The PSDF shall be maintained and operated through the Public Account of India.” The stakeholders have suggested that it can also be operated through any account operated by Ministry of Power, GoI. We have noticed that the fund would be managed by Public Account of India as per the Guidelines issued by Government of India and is not envisaged to be operated through any other account. Therefore, proposed provision has been retained.

## **4. Draft Regulation 4: Utilization of Fund**

4.1.1. The Draft Regulation 4 stipulates the aspects regarding utilization of PSDF fund. Suggestion is received that any financial impact pursuant to delay of disbursal of funds should not be passed onto the utilities or consumers. As the extent of fund release would be monitored by Monitoring Committee of Central Government, this issue will be taken care at the Committee level.

4.1.2. Clause (3) of draft Regulations 4 details the schemes eligible for PSDF funding. In this regard, the stakeholders have suggested the addition of following projects:

- a) Inclusion of schemes for communication, monitoring and measurement including Phasor Measurement Unit installation;
- b) Inclusion of schemes for reactive energy absorption, dynamic reactive support for improving voltage profile;
- c) Installation of OPGW for reliable communication at 33kV levels and above;
- d) Inclusion of Battery Energy Storage Systems, energy storage systems and storage pumps;
- e) Pilot Projects, studies related to promotion of RE;
- f) Installation of FGD for generating companies;
- g) ULDC schemes for central sector;
- h) Inclusions of projects proposed by distribution utilities including private distribution utilities.

The Commission has considered the suggestions of the stakeholders. The suggestions are mainly to include the specific schemes. The Commission has proposed the eligibility of projects based on guidelines by Ministry of Power. Accordingly, proposed draft has been retained.

4.1.3. Clause (6) of the draft Regulations 4 stipulates that the Central Government may prioritize sanctioning and release of funds based upon importance of project/scheme. Suggestions have been received to modify the regulation by replacing Central Government with Appraisal Committee. The intent of the Commission is prioritization by the Central Government based on importance and availability fund as per the recommendation of the appropriate Committees constituted under guidelines. Accordingly, proposed draft has been retained.

4.1.4. Clause (7) of the draft Regulations 4 provides that the private sector projects are not eligible for PSDF funding. Suggestions have been received to make the private sector projects eligible. The Guidelines issued by Ministry of Power do not allow funding of private sector projects. As such, allowing private sectors projects for PSDF funding is not allowed.

## **5. Draft Regulations 5: Nodal Agency and its Functions**

5.1. It has been suggested to include providing secretariat service to Monitoring and Appraisal Committee amongst functions of the Nodal Agency. Since, as per sub clause (d) of clause (2) of Regulation 5, NLDC has been empowered to perform any function as desired by the Central Government, specific provision for providing secretariat is not required.

## **6. Draft Regulations 6: Sanction of Funds from PSDF**

6.1. It has been suggested to make monitoring committee responsible for framing procedures or guidelines for application, processing, sanction, disbursement, appraisal and monitoring of funds from PSDF. The procedure or guidelines for application lies with the Central Government. The Committee provides the recommendations to the Central Government.

Accordingly, it is appropriate that such procedures or guidelines and other associated activities be specified by the Central Government.

## **7. Draft Regulations 7: Annual Report**

- 7.1. Suggestion is received that the Commission may specify the analysis and Observations which need to be reported. Further, it has also been suggested that the PSDF report be submitted quarterly and utilization of un-utilized funds be reviewed. As per the Guidelines issued by Ministry of Power, since the annual Report would be submitted to both houses of the Parliament, the additional monitoring at the Commission level is not envisaged. If required, the Commission can seek information from the POSOCO.
8. One stakeholder has suggested to utilize the fund for integrated scheduling software between RLDC and SLDC, forecasting tool, Automatic Meter Data (AMR) data to mitigate deviations. The Commission has prescribed the conditions for eligibility of projects and projects as suggested above fall within the ambit of eligibility. The same can be considered by the Appraisal Committee.
9. The Regulations have been finalized accordingly.

**Sd/-**  
**(I.S.Jha)**  
**Member**

**Sd/-**  
**(Dr. M.K.Iyer)**  
**Member**

**Sd/-**  
**(P.K.Pujari)**  
**Chairperson**