



No. IEX/RA/014/19-20

Date: 30 December 2019

To,

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

**Sub: Comments on Draft Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2019.**

Dear Sir,

This has reference to Public Notice dated 31.10.2019 inviting suggestions and comments from stakeholders on the Draft Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2019.

In pursuance of the aforesaid public notice the comments on behalf of Indian Energy Exchange are attached hereto for kind consideration of the Hon'ble Commission.

Thanking You!

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'Jogendra Behera', is written over a blue horizontal line.

Jogendra Behera  
VP (Market Design & Economics)

## IEX comments on Draft Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2019

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### **1. No Transmission charges for Short-Term Open Access transactions:**

Regulation 13(3) of the proposed Draft Regulations provides that *“No transmission Charges shall be levied for Inter-State transmission system in respect of Short-Term Open Access transactions”*. This is a good initiative from the market perspective.

It will give flexibility to the utilities for procuring power through different medium i.e. long medium or short term (within the limit of LTA and MTOA) without getting influenced by the associated transmission charges. The utilities will be able to optimize its power procurement cost by procuring power purely based on the cost of electricity rather than considering the impact of transmission charges. The planning for the transmission system will also improve as going forward the utilities will become more meticulous in utilizing their transmission infrastructure and seeking LTA. As per the existing Regulations the short-term transmission charges goes towards offsetting the long-term transmission charges of DICs which would no more be required. This will simplify the accounting and settlement procedure and any uncertainties associated with offsetting of short term PoC charges in subsequent months. This is also expected to reduce the electricity prices for Discoms eventually benefiting the end-consumers.

**In view of the above, we welcome the proposal to do away with the transmission charges for short term open access transactions and humbly request to retain it in the final Regulations.**

### **2. Short Term Open Access Transmission Charges for State Embedded Entities:**

Regulation 13(2)(c)(vii) has provided for transmission deviation charges to be determined by State Commission for embedded entities as extracted below:

*“vii. The charges for transmission deviations shall be calculated for a State as a whole. The charges for transmission deviation for an embedded intra-State entity shall be as determined in accordance with the regulations or orders of the respective State Commission.”*

In this regard, the Explanatory Memorandum has proposed that in case a state has embedded consumer which does not have LTA or MTOA and it schedules power under collective transactions the charges to be levied for such embedded customer to be determined by the State keeping in view of the following:

<b>S.No</b>	<b>Scenario of (LTA+MTOA) of the State Vs. Drawl</b>	<b>Deviation Charges in the State</b>	<b>Suggestion for STOA Charges Collection from Embedded entities</b>
1	$(LTA+MTOA) \geq$ Actual Drawl	State does not pay deviation transmission charges	
2	$(LTA+MTOA) <$ Actual Drawl	State pays for transmission deviation charges @TDR for drawl in excess of its LTA+MTOA	The transmission deviation charges paid by the State may be divided among embedded entities and State based on actual charges by the State or STOA charges @rate of TDR may be collected by the State upfront

The Draft Regulations/Explanatory Memorandum have not specified how the inter-state transmission charges incurred by DICs shall be allocated to the intra-state embedded entities. The Draft Regulations/Explanatory Memorandum have proposed that the charges to be levied for intra-state embedded entities shall be determined as per the Regulations or Orders of the respective State Commission. Further, it has also been proposed that the sharing of charges on account of transmission deviation shall also be determined by the State Commission.

The above approach of 'leaving the determination of charges for embedded entities open ended' shall add to the uncertainties of the open access consumers who are embedded in the state network. This will further create difficulties for the embedded entities to avail open access which is already under a lot of strain. Unless specified in these Regulations, the State Commissions may follow different approaches to determine the charges to be levied from their respective embedded entities. This may lead to non-uniform development of the market across different states leading to further fragmentation of the market. The worse is that the Discoms may stop giving open access on the pretext that State Commission has not provided method for allocating and determination of ISTS charges.

As per the Electricity Act 2003 the determination of transmission charges for use of ISTS vests with the Hon'ble Commission. The Electricity Act has mandated the Hon'ble Commission to take suitable measures for development of national level power market. Besides, the Hon'ble Commission is also equipped with all the necessary information for effectively determining the ISTS charges.

In view of the above the Hon'ble Commission may kindly consider specifying the broad principles in these Regulations based on which the charges related to usage of ISTS shall be levied to the embedded consumers. Our suggestions in this regard are provided below:

- An embedded open access consumer avails open access without ceasing to be a consumer of the Discom. Accordingly, the concerned Discom or the DIC has to plan for the physical infrastructure

including quantum of LTA and MTOA for catering to the demand of the embedded entities. Hence, the inter-state transmission charges proposed to be borne by the DIC in terms of Rs/MW/Month should be proportionately recovered from the embedded open access consumers in Rs/MWh i.e. depending on the duration for which these consumers are going to avail the open access. Under no circumstances these charges should be levied in terms of Rs/MW/Month as this will increase overall transmission charges payable for the embedded consumers and will make open access unviable. As short-term open access is given least priority so there is no case of charging transmission charges in Rs/MW/Month.

- As the embedded entities shall be fully paying the transmission charges for the corridor booked by the DIC, no additional charges should be levied in case the DIC were to exceed the quantum of LTA and MTOA and pay the transmission deviation charges (1.2\*transmission charges) as proposed in the Draft Regulations.

It is also pertinent here to draw attention to the way the transmission charges are recovered for the transactions taking place in the power exchanges. OA consumers buying through DAM, are required to deposit the transmission charges payable ex-ante the bidding and NoC issued by SLDC contains all information. We propose the same should continue and CERC may specify in regulations that SLDC will indicate normal ISTS charges (in Rs/MWh) in NoC. There should be a provision of returning (socializing) additional transmission charges collected by states to embedded consumers in case of over recovery of charges from consumers through fixed demand charges and or additional surcharge.

### **3. Transmission charges for the DIC or State:**

Regulation 13(2)(c)(ii) provides that the transmission deviation charges shall be applicable for each DIC, if such DIC exceeds its drawl from the sum of Long-Term Access and Medium-Term Open Access. As per definition of DIC in Regulation 2(1)(f), an intra-state entity who has obtained Medium Term Open Access or Long-Term Access to ISTS is a DIC. However, aforementioned Regulation 13(2)(c)(vii) provides that *"The charges for transmission deviations shall be calculated for a State as a whole"*. Therefore, Regulation 13(2)(c)(ii) and Regulation 13(2)(c)(vii) is contradicting with each other as one provides for DIC wise transmission deviation charges and other provides State wise transmission deviation charges. Similarly, there are few other places in the Draft Regulations where the terminology 'State' has been used instead of 'DIC'. The Hon'ble Commission is humbly requested to kindly remove such anomalies and bring clarity in these Regulations.

### **4. Transmission Charges for Regional Entities having no LTA/MTOA:**

The proposed Draft Regulations envisaged inter-state transmission charges for the DICs having long term and medium-term Open Access in ISTS. The proposal of waiver of STOA transmission charges has

rationale that these DICs are already paying LTA/MTOA charges which fully recovers the Yearly transmission charges of Transmission Licensees. However, in case of a Merchant Generator or Bulk consumer which is a Regional Entity (e.g. ESSAR Steel) and does not have LTA/MTOA; it is not clear how the transmission charges shall be considered for the STOA transactions to be undertaken by them. Whether such regional entities shall be required to pay the transmission deviation charges or it will be zero as proposed or will be applicable in some other form is not coming out clearly from the Draft Regulations. The Hon'ble Commission is requested to clarify these issues and accordingly incorporate suitable clauses in the Regulations.

#### **5. Indicative Transmission Charges:**

The Draft Regulations have proposed a paradigm shift in the way the YTC shall be allocated to the DIC. It has been proposed that the YTC shall be broken into four components i.e. National, Regional, State and AC System component and shall be allocated to the drawee DICs on the basis of LTA and MTOA of respective DICs on an ex post basis. There shall be no ISTS charges for undertaking short term transactions provided it is within the quantum of LTA and MTOA and in case the actual injection exceeds the quantum the DICs shall be required to pay Transmission Deviation Charges at 1.2 times the transmission charges.

As a result of the above, allocation of YTC charges and the transmission charges to be borne by the DICs would undergo significant change. It is humbly submitted that the Hon'ble Commission as an illustration may kindly provide indicative transmission charges based on past 3-6 months data available with CTU or the implementing agency. This will enable the stakeholders in setting their expectations right and raising pertinent questions.

#### **6. Higher transmission charges for Short Term transactions**

As discussed above in Point No. 4 it is not clear whether the merchant generators having no LTA or MTOA shall be required to pay the transmission deviation rates. However, if we were to assume that merchant generators have to pay transmission deviation rates then the transmission charges for the merchant generators will become costlier by 20%.

Further, if such merchant generators were to undertake short term transactions with a DIC already exceeding the quantum of LTA and MTOA then the DIC also has to bear the transmission deviation rates. Consequently, both the merchant generator and the beneficiary have to pay the transmission charges at the TDR (double charging) which would render the short-term transactions costlier in comparison to transactions to be carried out in LTA or MTOA. The Hon'ble Commission while finalizing the Regulations may kindly consider appropriate measures for rectifying the situation.