TAMIL NADU ELECTRICITY REGULATORY COMMISSION

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To

The Secretary,

Central electricity Regulatory Commission,

New Delhi.

Lr No. TNERC/D(T)/DD(T1)/F.CERC Regu.2019 comments/D. /2020 dt .27.1.2020 28

Sir,

Sub:- Draft CERC (Sharing of Interstate Transmission Charges and Losses) Regulations 2019-Comments and views of TNERC- Reg.

Ref: CERC's Notice no.L-1/250/2019/CERC dt.31-10-2019.

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This has reference to the notification of the Hon'ble CERC dt: 31.10.2019 of the draft CERC (Sharing of Interstate Transmission Charges and Losses) Regulations 2019.

The comments and views of this Tamil Nadu Electricity Regulatory Commission are furnished below:-

The transmission pricing method shall have to be in compliance with the provisions of Electricity Act, 2003 and the National Electricity Policy and National Tariff Policy guided by the Act.

1) **The Sec.61 of the Act mandates the Central Commission to encompass the factors which would encourage competition, efficiency, economical use of the resources, good performance and optimum investments while determining the tariff. Also, it should consider the principles of rewarding efficiency in performance and the tariff should progressively**

reflect the cost of supply of electricity and the **cross-subsidies should be eliminated**.

2) The amended National Electricity Policy and National Tariff policy mandate that the tariff frame work for transmission charges should be sensitive to distance, direction and related quantum of power flow and the ultimate objective of the pricing mechanism should be to share the total transmission cost in proportion to their respective utilisation of the transmission system and should not inhibit the planned development / augmentation of the transmission system and should discourage non optimal transmission investment.

3) The present Point of Connection (PoC) charges methodology under the ambit of Sharing Regulations is a well developed scientifically proven methodology, wherein it has been established by the Hon'ble Commission that the pricing methodology in sensitive to distance, direction and quantum of power flow as mandated under the National Tariff policy.

4) The Task Force under the Chairmanship of Shri.A.S.Bakshi, then Member/CERC has demonstrated through various Case studies that the present PoC mechanism accomplishes all the mandates under the Act and policies and also facilitated development of power markets, expansion and integration of regional grids to form a strong national grid and also facilitate introduction of competition in transmission and generation sector.

5) Since the transmission systems are designed with inherent capacity margin to cater the reliability requirements, it is **judicious and equitable** to apportion that cost of such marginal capacity to the utilities based on the **usage of the elements** by the transmission users as is being done in PoC mechanism. The Task Force report has ascertained that the present PoC mechanism addresses such issues related to

underutilized/ marginally utilised elements. On the contrary, the uniform pricing methodology, which is **a primitive method**, does not follow any scientific principles and highly cross subsidises across all the utilities, which is against the mandates of the Statutes.

6) Further, averaging the transmission charges based on LTOA /MTOA of the utilities will encourage inefficiencies and will send wrong signal to electricity markets. It is also learnt from the Task force report that a huge redundant transmission capacity has been created in the ISTS attributed to the huge drop in demand growth, abandonment of generation project, relinquishment of LTA by the generators and also inherent transmission capacity margin on account of reliability. This redundant capacity created at the behest of generators /demand customers if recovered through uniform charges methods will be an unfair encumbrance on the utilities / consumers who are no way connected with the planning and implementation of such schemes.

7) It is ascertained from the proposed methodology that almost 78% of the transmission cost is proposed to be recovered through uniform charges methods whereas only 22 % is to be recovered based on usage. This move will definitely inhibit planned development of the transmission system. The States with higher LTA /MTOA and having the advantage of generating stations close to their load centres, utilising less ISTS assets will be forced to share the **unjust financial burden, which will be a pass through in the retail electricity tariff to the end consumer.**

8) In order to improve the efficiency in power sector and encourage competition, send positive signals to investors in the power sector and achieve planned developments in all the three verticals of the sector, it is essential to implement a scientific based transmission pricing methodology. The present PoC mechanism has already matured to some extent migrating to hybrid of PoC, it is essential to advance the

methodology which would promote efficiency, economy and market participation and also facilitate introduction of new market instrument like Financial Transmission Rights(FTR), market based ancillary services etc., like in USA market.

9) In view of the above, it is suggested that the existing PoC method may be advanced scientifically, instead of socializing the tariff across the nation through cross subsidisation.

S. [signature] 28/1/2020

(S.CHINNARAJALU)
Secretary