

December 31, 2019

To,
The Secretary,
Central Electricity Regulatory Commission,
3rd & 4th Floor, Chandralok Building,
36, Janpath,
New Delhi -110 001

Sub: Comments on draft CERC (Sharing of inter-state transmission charges and losses) Regulations, 2019.

Dear Sir,

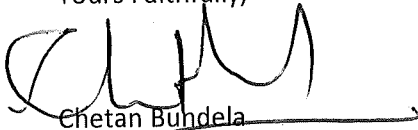
This has reference to the aforesaid subject matter regarding submission of comments on draft CERC (Sharing of inter-state transmission charges and losses) Regulations, 2019.

In this regard we would like to take this opportunity to submit our comments/suggestions on draft CERC (Sharing of inter-state transmission charges and losses) Regulations, 2019. Copy of our comments/ suggestions is attached herewith at Annexure.

We request the Honorable Commission to kindly take note of the same.

Thanking you,

Yours Faithfully,



Chetan Bundela
Vice President (Corporate Affairs)

Encl: As above

Comments on Draft CERC (Sharing of Inter- State Transmission Charges and Losses) Regulation, 2019

It is a welcome step from the Hon'ble Commission to analyse the issues pertaining to mechanism for sharing of Transmission Charges and come out with a comprehensive draft for Regulation. Earlier, the Commission had issued CERC (Sharing of Inter-State Transmission Charges and losses) Regulations, 2010 including amendments therein considering basic principle enumerated under Tariff Policy i.e. (i) National tariff framework to be sensitive to distance, direction and related to quantum of power flow, (ii) Users to share transmission cost in proportion to their respective utilization of the transmission system; and (iii) Tariff framework should be such as not to inhibit planned development/ augmentation of the transmission system, but should discourage non-optimal transmission investment.

Hence, we suggest to continue with the principle of Transmission Charges being sensitive to distance, direction and related to quantum of power flow. Alternatively, following suggestions may be taken into consideration while issuing the new Regulation.

Cl No.	Clause	Suggestion/ Comments
4.	<p>Components of transmission charges</p> <p>Transmission charges for each DIC shall have the following components:</p> <p>a. National Component (NC); b. Regional Component (RC); c. Transformers Component (TC); and d. AC System Component (ACC).</p>	<p>Suggestion: There should be three components of Transmission Charges</p> <ul style="list-style-type: none"> - Except Usage Based Component under ACC and TC, the Commission has proposed all other components to be recovered in proportion to the ratio of quantum of Open Access (LTA/MTOA). Further, even the TC is essentially usage based component only.
5.	<p>Components and sharing of National Component (NC)</p> <p>(1) National Component shall be the sum of following components:</p> <p>(a) National Component-Renewable Energy (NC-RE); and (b) National Component-HVDC (NC-HVDC); </p> <p>(4) Transmission charges for the National Component shall be shared by the drawee DICs in the ratio of their quantum of Long term Access plus Medium Term Open Access.</p>	<ul style="list-style-type: none"> - Further, HVDC Systems are essentially designed for the specific region. Hence, instead of 30% HVDC under National Component, entire HVDC cost is to be recovered from the identified drawee region using such HVDC system. - In view of above, it is proposed to keep three components as follows: <ul style="list-style-type: none"> a. Usage based component wherein TC may be merged. b. National Component (all other components) c. Regional Component (RC) (100% cost of balance HVDC systems) - Further, Open access quantum of LTA/ MTOA corresponding to RE Power may also be taken into consideration under computation of National Component to reflect appropriate usage of ISTS network by DICs using RE Power considering rationale as stated against Cl 11(1) herein below.
10.	<p>(1) All India Average Transmission losses for ISTS shall be calculated by Implementing Agency for each week, from Monday to Sunday, as follows:</p> <p>$\frac{\{(\text{Sum of injection into the ISTS at regional nodes for the week}) - (\text{Sum of drawal from the ISTS at regional nodes for the week})\}}{\text{Sum of injection into the ISTS at regional nodes for the week}} \times 100\%$</p>	<p>Suggestion: To continue with existing methodology of applying losses which is scientific and based principle indicated in Tariff Policy</p> <ul style="list-style-type: none"> - Existing methodology is fair and balanced since it is based on scientific principle and load flow study, takes into account distance and direction, It also gives clear locational signal for taking up huge investment of generation and transmission asset. - Proposed methodology socialises Transmission losses encouraging inefficient and sub optimum network expansion and promotes concentrated generation planning as there is no consideration of injection side situation. Also, there is no

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		<p>difference between (a) generation located near demand center and generation located far from demand center (b) generation located near to the fuel source or generation located far from the fuel source</p> <ul style="list-style-type: none"> - In view of above, it is proposed to continue with existing methodology of applying transmission losses which is more scientific and based on principle indicated in Tariff Policy.
11.	<p>(1) Transmission charges in specific cases</p> <p>(b) No transmission charges and losses for the use of ISTS shall be payable for the capacity of the generation projects based on solar or wind resources for a period of 25 years from the date of commercial operation of the such generation projects if they fulfil the following conditions:</p> <p>.....</p> <p>(iii) Power Purchase Agreement(s) have been executed for sale of power from such generation capacity to the Distribution Companies for compliance of their renewable purchase obligation.</p> <p>(c) No transmission charges and losses shall be payable for the generation projects based on solar or wind resources for the use of ISTS, for a period of 25 years from the date of commercial operation of such generation projects if they fulfil the following conditions:</p> <p>.....</p> <p>(ii) Such generation capacity has been declared under commercial operation between 13.2.2018 and 31.3.2022; and</p> <p>(iii) Power Purchase Agreement(s) have been executed for sale of such generation capacity to all entities including Distribution Companies for compliance of their renewable purchase obligations.</p>	<p>Suggestion: Transmission charges from RE Beneficiary for Open access tied up in ISTS</p> <ul style="list-style-type: none"> - Traditionally renewable generation was supposed to be consumed locally. Also, considering Renewable being at nascent stage and very high tariffs, it required support in terms of exemption of Tr. Charges. However, present situation is completely different where RE Tariffs are very competitive and number of steps are being taken for uniform spread of such capacity. - Going ahead, Transmission charges under the head of NC-RE is going to form substantial part of transmission charges. Proposed arrangement of no transmission charges for RE Power amounts to socialization of such substantial burden making entire philosophy of transmission charges being sensitive to distance and direction, completely redundant. - DICs purchasing RE power through plants located within the States will be indirectly subjected to cross subsidization owing to huge burden of transmission charges of DICs purchasing RE Power through Interstate transactions. - Further, the proposal clearly deviates the principle enunciated in the Tariff Policy that transmission charges and losses shall be sensitive to distance, direction and quantum of power flow. - Further, entity other than distribution licensee purchases RE power to comply its RPO or for its commercial considerations. Exemption of transmission charges to such entities places substantial burden on other consumers. There is no denial that the Renewable Energy generation is required to be promoted. However, it should not result into any additional burden on the end consumers for the benefit of the individuals other than Distribution licensee. - In order to avoid such cross subsidization, it is proposed that transmission charges for RE power may be levied only from the DICs having Interstate RE power contract, in the ratio of its contracted RE Power & total contracted RE Power through Interstate transaction. - In other words, Open access quantum of LTA/ MTOA corresponding to RE Power may also be taken into consideration under National Component to reflect appropriate usage of ISTS network by any DICs. - Central Government may decide giving direct subsidy to such Distribution Licensee considering circumstances prevailing at the time of such dispensation.

Cl No.	Clause	Suggestion/ Comments
		<ul style="list-style-type: none"> - Further, in case of RE network development without any Open Access, unrecovered capital cost may be funded through by Government Assistance) <p>Suggestion: No discrimination between projects under Section 62 or 63 of the Act</p> <ul style="list-style-type: none"> - There is no rationale for any discrimination between projects under Section 62 or 63 of the Act. Both options are available to the Distribution Companies based on approval of Appropriate Commission who decides mode of purchase of RE Power based on multiple considerations in the best interest of the end consumers.
11.	<p>(4) Where COD of a generating station or unit(s) thereof is delayed and the Associated Transmission System has achieved COD, which is not earlier than its SCOD, the generating station shall pay Yearly Transmission Charges for the Associated Transmission System corresponding to capacity of generating station or unit(s) thereof which have not achieved COD.</p> <p>Provided that such transmission charges shall not be considered under Regulations 5 to 8 of these Regulations.</p>	<p>Suggestion: No Transmission Charges for RE Generator in case of delay</p> <ul style="list-style-type: none"> - With regard to transmission charges in case of delay in the Generating Station, the Commission has noted the following in Order dated 10.10.2019 in respect of Petition No. 197/MP/2019. <p><i>“60.....In case of mismatch between the date of commercial operation of generating station and transmission system, the liability of transmission charges shall be governed by Regulation 6 of CERC (Terms and Conditions of Tariff) Regulations, 2019. The CTU, as far as possible, shall endeavor to match or phase out the construction of transmission systems according to the progress of the RE generating stations, in consultation with MOP and MNRE so as to minimise any financial impact on distribution companies in case the transmission assets remain unutilized due to delay or non-materialization of envisaged generation projects. In case the generating stations as envisaged do not materialize and transmission system is commissioned, CTU may seek appropriate remedies such as grants and/or subsidies from GOI/ State Governments till the associated generating stations achieve COD. CTU may also approach the Commission for appropriate relief and directions.”</i></p> <ul style="list-style-type: none"> - Similar observation was made by the Commission at Para 31 of the Order dated 09.08.2019 in Petition No. 23/MP/2019. - Accordingly, an exception shall be added that the Clause shall not be applicable to the renewable energy generators and CTU may seek appropriate remedies such as grants and/or subsidies from GOI/ State Governments till the associated renewable energy generating stations achieve COD.
11.	<p>(10) Where a generating station is connected to both ISTS and intra-State Transmission System, the ISTS charges and losses shall be applicable only on quantum of Long Term Access and Medium Term Open Access connected through ISTS and STU charges and losses shall not be applicable on such capacity connected through ISTS.</p>	<p>Suggestion: No Transmission Deviation Charges for Generator connected to ISTS & InSTS within its LTA+MTOA</p> <ul style="list-style-type: none"> - Transmission Network is developed/ augmented considering different requirements such as; to cater additional demand, creating network adequacy and reliability based on long term demand supply scenarios. However, Power flow at any particular time depends upon demand supply situation and loading of individual transmission element.

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	<p><u>Provided that this provision shall be subject to availability of adequate capacity in the intra-State Transmission System to draw allocated quantum of Long Term Access or Medium Term Access as certified by the Central Transmission Utility.</u></p>	<ul style="list-style-type: none"> - A generator connected to both ISTS and InSTS does not have any control over power flow through such network. We understand that in case of inadequate State network, power flow may take place through ISTS and Generator will not require to bear Transmission Deviation Charges for deviation as per the proviso to Cl 11(10) as such situation is beyond the control of the Generator. - Accordingly, we understand that Generating Station connected to both ISTS and InSTS is not required to pay Transmission Deviation Charges for capacity within its LTA+MTOA in case the State network is not adequate. - In view of above, ISTS Charges should be simply linked to LTA+MTOA of such Generator independent of State Network adequacy. In other words, Transmission Deviation Charges shall be applicable only in case the total injection is higher than the scheduled injection. Accordingly, we propose to delete the proviso to the Regulations 11 (10) and request you to give necessary clarity as above.
13	<p>(2) The billing for transmission charges for DICs shall be raised by the Central Transmission Utility under the following three categories of bills:</p> <p>.....</p> <p>(c) The Third Bill shall be raised for each month as follows:</p> <p>i. This shall comprise of bill for transmission deviation</p> <p>ii. In case aggregate metered ex-bus MW injection or the aggregate metered MW drawal of a DIC, in any time block exceeds the sum of Long Term Access and Medium Term Open Access, the concerned DIC shall be charged for such deviations @ Transmission Deviation Rate as determined below.</p> <p>iii. Transmission Deviation Rate shall be calculated as follows:</p> <p>a. Transmission Deviation Rate for a State shall be charged at 1.20 X (transmission charges of the State for the Billing month)/ (quantum of Long Term Access plus Medium Term Open Access of the State for the Billing month)</p>	<p>Suggestion: No Transmission Deviation Charges upto 120% of approved Open Access. (Continue present methodology)</p> <ul style="list-style-type: none"> - Existing Regulations provides for 20% over injection/ drawal without any deviation charges. However, draft Regulations proposes Transmission Deviation Charges for Additional drawal @ 1.2 times of applicable transmission charges immediately upon crossing approved LTA+MTOA. Further, there is no rationale for removing the buffer zone of 20%. - There are number of factors affecting demand during a particular time slot of 15 mins. and incidents of crossing approved access quantum may occur frequently for almost all the DICs. Considering large number of DICs, it is anticipated that there will be substantial accumulation of deviation charges under the proposed arrangement. - Since all the DICs are required to bear transmission charges in the ratio of their LTA+MTOA, entire transmission charges shall be recovered through First Bill only and any accumulation under Third Bill (for deviation) shall be over and above aggregate approved Annual Fixed Charges of the transmission system. Further, draft regulations does not specify any mechanism for distribution of the fund accumulated on account of TDR amongst the DICs. - Therefore, it is suggested that the earlier methodology of 20% buffer in the actual quantum over approved LTA+MTOA may be continued and TDR may be applicable only for the quantum above 120% of aggregate Open Access (LTA+MTOA+STOA) in any time block @ 1.2 times of applicable transmission charges.
13	<p>(2)(c) The Third Bill shall be raised for each month as follows:</p> <p>....</p> <p>(vii) The charges for transmission deviations shall be calculated for a State as a whole. The charges for transmission deviation for an embedded intra-</p>	<p>Suggestion: Deviation charges may be distributed on actual basis for embedded entities.</p> <ul style="list-style-type: none"> - In order to avoid cross subsidization of charges payable by the entity responsible for deviation, it is suggested that the transmission deviation charges paid by the State may be

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	State entity shall be as determined in accordance with the regulations or orders of the respective State Commission.	<p>divided among the embedded entities and State based on actual charges paid by the State. Therefore, there should not be any upfront recovery of this charges.</p> <ul style="list-style-type: none"> - Further, there are number of entities who sale/ purchase power under short term only. Therefore, it is proposed that the STOA charges should be continued and deviation should be considered only for quantum over and above LTA+MTOA+STOA of any DICs.
13	(3) No transmission charges shall be levied for Inter-State transmission system in respect of Short Term Open Access transactions.	<p>Suggestion: STOA charges to be continued</p> <ul style="list-style-type: none"> - Draft Regulations proposes no transmission charges for STOA transactions. - STOA is essentially allowed within the margin available in the transmission system essentially developed for LTA. Hence, recovery of transmission charge for STOA on one side benefits such customers in terms of evacuation access without any long term liability and also helps in reducing transmission charges for LTA DICs. Further, STOA provides flexibility to transact power anywhere in the country. - In case there is no transmission charges for STOA, it will result in undue advantages to some generators. Therefore, it is suggested that such transactions may also be charged at the same rate as that for LTA/ MTOA - As per the National Electricity Policy, Power Projects are required to keep 15% of the capacity untied for market development. Accordingly, long term PPAs were not signed for 15% capacity at relevant point of time and kept for short term market. However, the proposal of recovering no transmission charges for STOA, essentially requires LTA+MTOA for full capacity though there is no certainty for sale of such untied capacity. Such change is not only deterrent for development of Short term markets but also against the various policies of GoI. It will also increase avoidable burden on the end consumers. - Further, it is proposed to continue STOA charges under collective transaction for both injection and drawal as per the existing methodology.
16.	<p>Letter of Credit</p> <p>(2) The Letter of Credit shall have a term of 12 (twelve) months and shall be for an amount equal to 1.05 (one point zero five) times the average amount of the First Bill for a year, where tripartite agreement for securitization on account of arrears against the transmission charges with the Government of India exist.</p> <p>(7) If a DIC fails to pay any bill or part thereof on or before the Due Date, the Central Transmission Utility may encash the Letter of Credit, and, for amount of the bill or part thereof that is overdue plus Late Payment Surcharge, if applicable, by</p>	<p>Suggestion: (i) LC should be equal for all the Distribution Companies. (ii) review anomaly in Cl. 16(2) related to encashment of LC on due date</p> <ul style="list-style-type: none"> - The amount of LC for shall also be equal to 1.05 times average amount of the First Bill for a year for all the DISCOMs irrespective of any tripartite agreement. - Late Payment Surcharge starts from due date. If LC is to be encashed compulsorily on due date, then there is no question of LPS. Therefore, proposed provision may be reviewed.

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	<p>presenting to the scheduled bank issuing the Letter of Credit, the following documents:</p> <p>.....</p> <p>Provided that the <u>failure on the part of the Central Transmission Utility to present the documents for encashment of the Letter of Credit shall not attract any Late Payment Surcharge</u>, for the duration of such failure on part of the Central Transmission Utility, on the DIC.</p>	