



From: Sprng Energy Private Limited
Office 001, Level G,
Pentagon P-5, Magarpatta City,
Hadapsar,
Pune – 411013,
Maharashtra, India
Date: August 17, 2020

To,
Hon'ble Secretary,
Central Electricity Regulatory Commission,
3rd and 4th Floor, Chanderlok Building,
36, Janpath,
New Delhi - 110 001,
India.

Subject: Comments in respect of Central Electricity Regulatory Commission (CERCs) Draft Amendment to Detailed Procedure for “Grant of Connectivity to Projects Based on Renewable Sources to Inter-State Transmission System”.

Respected Sir,

Sprng Energy Private Limited (SEPL) is a renewable energy platform set up in India by Actis - a private equity fund manager that invests exclusively in the world's growth markets, with a total commitment of US\$450mn of equity from Actis Energy Fund 4 to set up c.2GW (1.1% of 175 GW of target set up by Ministry of New and Renewable Energy, Government of India) of renewable energy capacity (solar and wind) by 2020. Till date, we have 750 MW (AC) solar projects and 797.5 MW of wind power projects under execution & 194 MW (AC) solar projects under operation cumulating to a total of 1741.5 MW projects in the country.

We are pleased to note that the Hon'ble Commission has come up with proposed amendments to certain provisions under Detailed Procedure for “grant of connectivity to projects based on renewable sources to inter-state transmission system which would enable removal of the barriers in smooth conduct of power sector business especially in the Renewable Energy sector.

Sprng Energy Pvt. Ltd.

(Formerly known as “Arinsun Energy Pvt.Ltd”)

CIN: U74999DL2016PTC309305 | Office # 201, Level 2, Pentagon P - 2, Magarpatta City, Hadapsar, Pune 411013, Maharashtra

✉ reachus@sprngenergy.com 📞 (+91) 020-6749 0001 📠 (+91) 020-6749 0010 🌐 www.sprngenergy.com



We have given herein under our comments/suggestions on the proposed amendments and have suggested some additions to the proposed amendment which we feel would provide more impetus to attract investments in the sector.

Submitted for your kind consideration please.

Thanking you,

For and on behalf of **Sprng Energy Private Limited**



(Avinash Mirajkar)

Head – Bidding & Regulatory

avinashmirajkar@sprngenergy.com

+91 9623457407

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Annexure

Comments on Proposed Amendments

1. Clause 5.2.1 The utilization and transfer of Connectivity shall be governed in accordance with Clause 8A of the Connectivity Regulations.

The Hon'ble Commission vide the notification No.–L-1/(3)/2009-CERC dated 9th January, 2019 issued Seventh Amendment to the Grant of Connectivity, Long-term Access and Medium-term Open Access in inter-State Transmission and related matters Regulation wherein a new Clause shall be added after regulation 8 of the Principal Regulations as under:

“8A. Transfer of Connectivity and LTA: A person shall not transfer, assign or pledge its connectivity or LTA either in full or parts and the associated rights and obligations to any other person:

Provided that the above provision shall not be applicable to applicants defined under Regulation 2(1)(b)(i)(g):

Provided further that 100% subsidiary companies shall be allowed to transfer their connectivity and LTA to the parent company and vice versa one year after achieving commercial operation of Renewable Energy generating station(s):

Provided further that transfer of Connectivity and LTA from the parent company to more than one 100% subsidiary shall be permitted one year after the commercial operation of the generating station of the last subsidiary and subject to minimum capacity as per Regulation 2(1)(b):

Provided also that till such Connectivity and LTA are transferred, the concerned subsidiary company(ies) shall be allowed to utilize the Connectivity and LTA granted to the parent company and vice versa.”

In above respect, we would like to submit that the “Guidelines for Tariff Based Competitive Bidding Process for Procurement of Power from Grid Connected Wind Power Projects” issued by Ministry of Power vide notification no. 23/54/2017-R&R. dated 8th December, 2017 have following provisions on minimum paid up share capital to be held by the promoter and accordingly the bidding documents issued by the bidding agencies such as SECI/NTPC have incorporated same provisions.

15. MINIMUM PAID UP SHARE CAPITAL TO BE HELD BY THE PROMOTER

15.1. The successful bidder, if being a single company, shall ensure that its shareholding in the SPV/project company executing the PPA shall not fall below 51% at any time prior to 1 (one) year from the COD (as defined in Clause 17), except with the prior approval of the Procurer. In the event the successful bidder is a consortium, then the combined shareholding of the consortium members in the SPV/project company executing the PPA, shall not fall below 51% at any time prior to 1 (one) year from the COD, except with the

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prior approval of the Procurer. However, in case the successful bidder shall be itself executing the PPA, then it shall ensure that its promoters shall not cede control till 1 (one) year from the COD, except with the prior approval of the Procurer. In this case it shall also be essential that the successful bidder shall provide the information about its promoters and their shareholding to the Procurer before signing of the PPA with Procurer.

15.2. Any change in the shareholding after the expiry of 1 (one) year from the COD can be undertaken under intimation to Procurer.

15.3. In the event the WPG is in default to the lender(s), lenders shall be entitled to undertake 'Substitution of Promoter' in concurrence with the Procurers.

Suggestion

Based on the above, we request that there is a need to align the provisions under the connectivity regulations in line with the bidding guidelines provisions on two issues

- a. Align the minimum shareholding provisions in line with the Bidding Guidelines i.e. connectivity could be transferred from parent to 100% subsidiary or vice-versa at any time and post transfer the shareholding could be diluted in the Project company upto 49% immediately and remaining after 1 year of COD
- b. Provide necessary amendments in both the "Detailed Procedure" as well as the Regulations.

2. Clause 7.3 of Draft Regulations is suggested to be modified as under:

"CTU shall grant Stage-I Connectivity by indicating ~~two locations~~ ~~one Primary and other alternate~~ the location (ISTS substation where Connectivity has been granted) within 60 days of the last date of the month in which the application was received. Provided that grant of Stage-I Connectivity shall not create any rights in favour of the grantee on inter-State transmission system. Provided further that if capacity at the location where Stage-I Connectivity is granted becomes unavailable at a later stage, an alternate location shall be allocated at the time of grant of Stage-II Connectivity."

Suggestion

As the Project Developer has to provide the location of the Project while participating in the bidding organized by SECI/NTPC, it becomes necessary for the Project Developers to identify the land for the Project location and hence the corresponding nearby substation location for the connectivity to know upfront likely availability and the involved dedicated evacuation infrastructure costs. The availability of second option facilitates the Developer to certain extent to decide upon the Project location. We suggest earlier provision of providing alternate option may please be retained.

3. Clause 7.7 of earlier Regulations has following provisions:

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“Unless otherwise specified at the time of grant of Stage-I Connectivity, the power carrying capacity of the Dedicated Transmission Line shall be as below: Table1: Capacity of the Dedicated Transmission line:

Capacity of Dedicated Transmission Line

Sr. No.	Voltage Level	Minimum Capacity of the Dedicated Transmission Line (per circuit)
1	132kV	80MW
2	220kV/230kV	300MW
3	400kV	900MW

Suggestion

As it is suggested by CTU that in certain cases, with higher conductor capacity, it is possible to evacuate 400MW through single circuit line of 220/230kV and 1200MW through single circuit line of 400kV. If so, the above provisions may please be suitably amended.

4. Clause 11.2 (A) of the Draft Regulations provides as under:

“The Stage-II Connectivity grantees shall be required to complete the dedicated transmission line(s) and pooling sub-station(s) within 24 months from the date of intimation of bay allocation at existing or new/ under construction ISTS sub-station. If the grantee fails to complete the dedicated transmission line within the stipulated period, the Conn-BG of the grantee shall be encashed and Stage-II connectivity shall be revoked. The payment received in terms of these provisions shall be adjusted in the POC pool on or before:

(a) the scheduled date of commercial operation of the generation project, for cases covered under Clause 9.2.1, as intimated at the time of making application for grant of Stage-II Connectivity or as extended by the Renewable Energy Implementing Agency or the distribution licensee, as the case may be.”

Suggestion

We welcome the above provision introduced in the Draft Regulations in the form of amendment.

We would like to mention herein under that the Guidelines for Tariff Based Competitive Bidding Process for Procurement of Power from Grid Connected Solar PV Power Projects issued by Ministry of Power dated 3rd August, 2017 have following provision.

“16.4. In cases where the Procurer specifies a solar park where the Project is to be located, penalties, fines and charges imposed by the CTU/ STU under any statute or regulation in relation to delay in commissioning



of Project shall be payable by the Solar Power Generator to the extent the delay is attributable to the Solar Power Generator and the balance by the Procurer.”

Also, PPAs documented based on the Bidding Guidelines provided by Ministry of Power have following provision.

4.2.2 Penalties, fines and charges imposed by the CTU/ STU under any statute or regulation in relation to delay in commissioning of Project shall be payable by the WPD to the extent the delay is attributable to the WPD.

While this is an explicit provision under the PPA and the Guidelines, the Regulatory provisions as well as the Transmission related Agreements (TSA/LTA) differ with the above provision. This in turn is affecting the Project Developers in the form of penalties being imposed on account of delay in LTA operationalization. As such penalties are quite substantial, they are affecting the sentiments of the investors as the projects are awarded through competitive bidding. We suggest that similar provisions be introduced in the LTA related Regulations along with directions to CTU to align the Agreements with the amended provisions. As the Hon’ble Commission has issued draft GNA Regulations sometime back, necessary provisions be introduced while finalizing these Regulations.

5. Clause 14 on Sharing of Connectivity and Dedicated Transmission line of the Draft Regulations provide as under:

“14.4A - An applicant who is a Stage-I Connectivity grantee or is applying for Stage-I Connectivity and Stage-II Connectivity simultaneously, may apply for Stage-II Connectivity at the bay already allocated to another Stage-II Connectivity grantee along with an agreement duly signed between the applicant and the Stage-II Connectivity grantee for sharing the dedicated transmission line. The Stage-II Connectivity shall be granted to such applicant subject to availability of capacity in the dedicated transmission line.

14.4B - Two or more applicants may apply for Stage-II Connectivity at a common bay along with an agreement duly signed between such applicants for sharing the dedicated transmission line. The Stage-II Connectivity shall be granted to such applicants subject to availability of capacity in the dedicated transmission line.”

Suggestion:

While we welcome this suggested amendment, we would also like to have provisions on following issues:

1. There are instances where even though the PPA and the corresponding PSAs are also signed, but the PPA’s get terminated due to various reasons which are not attributable to the Project Developers such

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as the time taken for tariff adoption etc. which lead to significant time and cost overruns. So, in such a case:

- a. There should be an explicit provision that there should be no LTA relinquishment charges and no connectivity BG encashment.
 - b. Similarly, if two or more projects are allocated on same bay and one wishes to get out of the PPA and hence cancels the connectivity, the process for cancellation/relinquishment of such connectivity / linked Conn-BG etc. needs to be notified.
2. The PPA under the competitive bidding route and the Bidding Guidelines permit phase wise commissioning of the RE projects. There should be a provision to make LTA operationalization in phased manner.
 3. The Agreements which the Developer needs to sign for Connectivity and LTA with CTU also need to be aligned with the Bidding Guidelines provisions especially on FM Provisions.

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