

TAMIL NADU GENERATION AND DISTRIBUTION CORPORATION LTD

From

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To

The Secretary,
Central Electricity Regulatory Commission,
4th Floor, Chanderlok Building,
36, Janpath,
New Delhi- 110001.

Lr. No. CFC/RC/SE/CERC/EE/AEE1/ F. CERC /D./41/20 dt: ²⁰²⁰ ~~26.08.2018~~

Sir,

Sub: CERC – Draft Amendment to Detailed Procedure for "Grant of Connectivity to Projects Based on Renewable Sources to Inter-State Transmission System" - comments and suggestions of TANGEDCO – submitted - Regarding.

Ref:(1) CERC's public notice No. L-1/(3)/2009-CERC Dated: 24.07.2020.

This has reference to the public notice of Hon'ble CERC dated 24th July, 2020, inviting comments/ suggestions/ objections on the draft Amendment to Detailed Procedure for "Grant of Connectivity to Projects Based on Renewable Sources to Inter-State Transmission System". TANGEDCO had requested for extension of time vide email dated 3.08.2020.

In this connection, the comments/ view and suggestions of TANGEDCO are submitted herewith as Annexure for kind consideration. Further, we would like to present the views of TANGEDCO before the Hon'ble Commission on the vital issues in the proposed amendments to the detailed procedure. Hence, it is requested to give us an opportunity to present our views before the Hon'ble Commission during the public hearing.

Thanking you,

Encl: Annexure

Yours faithfully,

B. Rajeswari
Chief Financial Controller / Regulatory Cell (6/2)

Comments/ Views and suggestions of TANGEDCO on Detailed Procedure for "Grant of Connectivity to projects based on Renewable Sources to Inter-state Transmission System"

SINo.	Clause No	Changes proposed in draft Amendment	Comments / views of TANGEDCO	Justification
1	5.2.1	<p>Utilisation of Connectivity granted to the Parent Company by its Subsidiary company (ies) and Transfer of Connectivity</p> <p>The Connectivity granted to a company may be utilised by its wholly owned (100%) subsidiary company(ies) including SPVs. In such cases, the parent company cannot sell its shareholding in the subsidiary company (ies) before the lock-in period of one year after the commencement of supply of power from such subsidiary. In case of more than one wholly owned (100%) subsidiary of the same company, the lock-in period of one year shall apply from commencement of supply of power from the last such subsidiary. An illustration is given below: "A company is granted Connectivity for 1000 MW and it wins a bid for 250 MW. It forms five wholly owned (100%) subsidiaries of 50 MW each. In such a case lock-in period shall be 1 year from commencement of supply from last subsidiary (i.e. subsidiary which is commissioned last) out of this 250 MW."</p> <p>The utilisation and transfer of Connectivity shall be governed in accordance with Clause 8A of the Connectivity Regulations.</p>	<p>The Clause 8A of the Regulation 8 of the principal Regulation provides as below:</p> <p>"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</p>	<p>The Hon'ble Commission's intent to introduce this clause was to ensure that the developers are not involved in any gaming. The Hon'ble Commission vide its RoP dated 06.08.2020 in petition No.529/MP/2020 has observed as below:</p> <p>(g) The above restriction was put in place to (i) eliminate the practice of trading of connectivity by connectivity grantees for earning a premium, (ii) ensure there is no 'renting' of net worth for the purpose of qualifying for the bid, and (ii) ensure that the entity on the basis of whose technical/financial net worth the bid has been won remains committed to the Project.</p> <p>In order to ensure that such restrictions are complied by the developers, the REIA should be prohibited from relaxing any restrictions contradictory to the</p>

			<p>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.”</p> <p>It is suggested that more stringent proviso shall be introduced in Clause 8A of Regulation 8 of the principal regulation so that the REIA shall not grant any relaxation in contrary to the provisions of the Regulations for transfer of LTA.</p>	Regulations.
5.3.1	<p>Provided that the applicant may itself construct the associated bay(s), subject to approval of the CTU and agreement with the transmission licensee owning the ISTS sub-station.</p>	<p>A note or proviso shall be added to give more clarity with regard to treatment of the line bays if they are executed by the applicant and the bench mark cost of the bays:</p>	<p>It is a welcome move which will avoid mismatch of commissioning of bays and lines. However, if there is any mismatch between commissioning of the bays and the pooling substation, then the parties shall settle the financial loss / transmission charges for the mismatch period through indemnifying agreement.</p>	
6.2	<p>6.2 (v) Scanned Copy of authorization certificate issued by the Central or State Government to Wind or Solar or Wind-Solar Renewable Power Park Developers or REIA, as may be applicable.</p>	<p>If the REIA is acting as an applicant as provided under subclass (g) of Clause (1)(b)(i) of the Regulation 2 of the Connectivity Regulations, then the clause 6.2(v) may be modified as</p> <p>“6.2 (v) Scanned Copy of authorization certificate issued by the Central or State Government to Wind or Solar or Wind-Solar Renewable Power Park Developers</p>	<p>Since the REIA is authorised to apply for connectivity on behalf of RE generators inclusion of the same would be appropriate.</p>	

			or REIA, as may be applicable.”	
	7.1	<p>7. Grant of Stage-I Connectivity</p> <p>7.1 Upon receipt of the Connectivity application, CTU shall carry out necessary study for grant of connectivity in the available margin in the nearest existing ISTS substations or in new sub-stations under implementation/ planning stage.</p>	<p>A new proviso shall be introduced as below: Provided if the study results carried out by CTU reveals that there is adequate margin available in the deemed ISTS (owned by STU) to cater the requirement of the connectivity application duly considering the open access requirements of STU, CTU in consultation with the concerned STU may grant Stage-I connectivity or redirect the application for granting connectivity by STU.</p>	<p>Some of the State Transmission Utilities have developed Intra State Transmission infrastructures to facilitate evacuation of power from the STU embedded RE generators. Due to non-materialisation of the RE generation projects, these transmission infrastructures have become redundant. In order to optimally utilise the resources and avoid redundant investments, it is suggested to beneficially utilise the existing infrastructure to avoid parking of public funds. The waiver clause and recovery of the transmission charges would be applicable to deemed ISTS assets.</p>
	7.2	<p>7.2 New sub-stations for harnessing renewable generation potential shall be planned by CTU in consultation with CEA, and Ministry of New and Renewable Energy (MNRE) or its designated agency/authority / nodal officer. CTU shall regularly interact with MNRE or its designated agency / authority / nodal officer in this regard. The sub-station plant shall be implemented in terms of the tariff policy.</p>	<p>7.2 New sub-stations for harnessing renewable generation potential shall be planned by CTU in consultation with CEA and respective STU, and Ministry of New and Renewable Energy (MNRE) or its designated agency/authority / nodal officer. CTU shall regularly interact with MNRE or its designated agency / authority / nodal officer in this regard. The sub-station plant shall be implemented in terms of the tariff policy.</p>	

7.3	<p>7.3 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.</p>	<p>It is the welcome move to delete the provision for indicating alternate location at Stage I connectivity which would avoid unnecessary ambiguity in deciding the location of substation and curtail the associated expenditures</p>	
9.2.2	<p>An entity who is a grantee of Stage-I Connectivity or who has applied for grant of Stage-I Connectivity or has applied for Stage-I Connectivity and Stage-II Connectivity simultaneously, and is not covered under Clause 9.2.1 above, and Having has achieved the following milestones:</p> <p>(i) Ownership or lease rights or land use rights for 50% of the land required for the capacity of Stage-II connectivity; and (ii) Achievement of financial Financial closure, of the project (with copy of sanction letter) Or Rrelease of at least 10% funds towards generation project execution of the project cost including the land acquisition cost through equity, duly supported by Auditor’s certificate. regarding release of such funds through equity.</p>	<p>The paragraph under subclause (ii) of 9.2.2 shall be modified as below: Release of atleast 10% of the project cost including excluding the land acquisition cost through equity, duly supported by Auditor’s Certificate.</p>	<p>The applicant covered under clause 9.2.2 are those who have not entered into PPA or not received LOA/LOI and exclusively for those who are having ownership right for atleast 50% land required and achieved financial closure or released 10% of the project cost. Since the sub clause (i) and (ii) are mandatory, it is essential to exclude the land cost from the 10% of the fund released for project execution. Since the land cost itself would be in the range of 10% of the project cost, relaxing this norms would relax the firm commitment of the applicant which will lead to unnecessary delay.</p>

9.3.2	(i) In case of an entity who has submitted the proof of release of at least 10% funds of the project cost including the land acquisition cost through equity, duly supported by Auditor's certificate, shall submit documents regarding achievement of financial closure;	The subclause (i) of clause 9.3.2 may be modified as below: (i) In case of an entity who has submitted the proof of release of at least 10% funds of the project cost including excluding the land acquisition cost through equity, duly supported by Auditor's certificate, shall submit documents regarding achievement of financial closure;	As in 9.2.2.
9.3.3	In the event of failure to achieve above milestones as listed in Clause 9.3.1 or Clause 9.3.2 above, as applicable, Stage-II connectivity shall be revoked by the CTU under intimation to the grantee and ConnBG1 and Conn-BG2 shall be encashed by CTU in accordance with the provisions under Para 10.10 (b) of this Procedure.	This is a welcome move. Many grantees of Connectivity and LTA have failed to comply with the provisions of the Connectivity Regulation and delayed the project execution / abandoned their projects resulting in creation of huge redundant transmission capacity, ultimately burdening the Discoms in turn end consumers. This will enforce the binding liability on the grantees.	
10	10.1 Processing of Applications and Grant of Stage-II Connectivity	In order to make the procedure consistent with the Principal Connectivity Regulations and also the Planning Regulations, it is suggested that the following paragraph may be added: "CTU shall conduct the inter connection studies in consultation and coordination with other agencies involved in inter-state transmission system to be used, including State Transmission Utility, and	CTU shall follow the mandates of the Planning Regulations while processing the applications and grant of Stage II connectivity Regulations and hence this proviso is very vital.

			integrating the planning of intra State transmission system as mandated under Regulation 7 of the Planning Regulations.																
10.10	<table border="1"> <thead> <tr> <th>Bay Allocated</th> <th>Conn-BG1</th> <th>Conn-BG2</th> <th>Additional Conn-BG2 for Each Additional Bay</th> </tr> </thead> <tbody> <tr> <td>132kV</td> <td>Rs. 50 Lakh</td> <td>Rs. 3 Crore.</td> <td>Rs. 3 Crore.</td> </tr> <tr> <td>220/230kV</td> <td>Rs. 50 Lakh</td> <td>Rs. 3 Crore.</td> <td>Rs. 3 Crore.</td> </tr> <tr> <td>400kV</td> <td>Rs. 50 Lakh</td> <td>Rs. 6 Crore.</td> <td>Rs. 6 Crore.</td> </tr> </tbody> </table> <p>Provided that Conn-BG 2 shall not be payable if the grantee constructs the bay by itself or is granted a bay which is already allocated to other applicant(s);</p>	Bay Allocated	Conn-BG1	Conn-BG2	Additional Conn-BG2 for Each Additional Bay	132kV	Rs. 50 Lakh	Rs. 3 Crore.	Rs. 3 Crore.	220/230kV	Rs. 50 Lakh	Rs. 3 Crore.	Rs. 3 Crore.	400kV	Rs. 50 Lakh	Rs. 6 Crore.	Rs. 6 Crore.	<p>This is also a welcome move by the Hon'ble Commission. This will ensure the certainty of the connectivity granted at both Stage I and Stage II. Further it is suggested that the Conn BG 2 shall be increased to 5 crores for 220/230 kV level and Rs.10 crores for 400 kV level in order to compensate the TSP / End beneficiaries in case of non-compliance of the Connectivity Regulations and failure to achieve mile stones by the grantee.</p>	
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11.2	<p>(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. (b) six months after the scheduled date of commercial operation as intimated at time of making application for grant of Stage-II Connectivity, for cases covered under Clause</p>	<p>This is also a welcome move. However, if the SCOD of the project is allowed to be extended by the bidding agency after award of the bids then it will lead to mismatch between the commissioning of the upstream /downstream system, dedicated lines and the generation project. Hence, to avoid such issues, an indemnifying agreement shall be mandated between the grantee of the Connectivity, CTU and the agency executing the upstream and downstream</p>																	

		9.2.2. (B) If a grantee fails to complete the dedicated transmission line(s) and/or pooling sub-station(s) within the timeline stipulated under sub-Clause (A) above, Stage-II Connectivity shall be revoked and Conn-BG1 and Conn-BG2 shall be encashed, as per provisions of Clause 10.10. (C) In case of applicants which have been granted Stage-II Connectivity under Clause 9.2.2 but are subsequently covered under Clause 9.3.1, the last date for completion of dedicated transmission line(s) and pooling sub-station(s) shall be the SCOD of the project or as extended by the bidding agency.	system.	
	11.4	On a specific request of Connectivity grantee(s) and for the purpose of optimal utilisation of transmission infrastructure, CTU may, after consultation with the Connectivity grantee(s) concerned, carry out rearrangement or shifting of the Connectivity across different bay(s) of the same substation.	Conditions and stage under which this clause is applicable and financial implications needs to be clarified through a note	If the rearrangement or shifting of connectivity across bays are taken up at a later stage, it may involve cost implications. Hence this needs to be clarified.
	16.4	16.4 Based on consultation with MNRE, the transmission system so evolved shall be taken up for discussion in Standing Committee for Power System Planning and shall be implemented after regulatory approval.	To be retained	This clause is in compliance with the Regulation 7 of the Planning Regulations. Hence it shall be retained.