



Comments from Tata Power Company Limited on
RE Connectivity Procedure
DRAFT BY CERC

We are aware that these procedures flow from the RE Connectivity regulations. There are certain observations which would necessitate an amendment in Regulations; we request Hon’ble Commission to consider the same for both Regulations and the Procedure.

S No.	Clause No.	Proposed amendment by CERC	Suggestions	Rationale for suggestions
1.	5.2.2	In the cases covered under 4th(fourth) proviso of Regulation 8A of the Connectivity Regulations, where the subsidiary companies have been allowed to utilize the Connectivity granted to the parent company and vice versa, the Connectivity grantee shall be responsible for all operational and commercial obligations	It is suggested that in all circumstances the obligations should lie with the company utilizing the connectivity. Accordingly, this clause may be suitably modified.	The connectivity grantee should not be responsible for obligations when the connectivity has already been transferred. This is important in situations where the connectivity grantee is a Parent company & the project is being done by a Subsidiary. This subsidiary, at a later date, may get hived off under some restructuring mechanism; under such a situation it would not be an ideal situation to keep the

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		<p>of the concerned renewable energy generating station including compliance with the provisions of the Grid Code and other regulations of the Commission, related to grid security, scheduling and dispatch, collection and payment/adjustment of Transmission charges, deviation charges, congestion and other charges etc.</p>		<p>parent company responsible as a connectivity grantee for any obligations.</p>
2.	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>We suggest that the Honorable Commission, in the interest of the developers, may remove this provision or make clear provisions where the payments for constructing the bays are given to the developers upfront</p>	<p>CTU / PGCIL use this provision to put the burden of construction on the developers, often unilaterally. Developers are forced to construct bays themselves when they stare at huge delays in construction of bays and delays in connectivity and power evacuation causing them insurmountable losses due to LD BGs on the project as well as loss of generation. We feel that the associated bays at ISTS substations must be done by Transmission licensee only. In the event, where bays have to be constructed by developers, provisions must be spelt out upfront on the process of recovery of such costs by the developer.</p>

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3.	6.6	The Stage-I Connectivity grantees who fail to apply for Stage-II Connectivity within 24 months from grant of Stage-I Connectivity shall cease to be Stage-I grantee and their Application fees shall be forfeited	It is suggested that the time period of 24 months may be reduced to 9 months.	It has been observed that developers apply for Stage I connectivity in anticipation of developing projects and obtaining connectivity because delay in connectivity permits has been a matter of concern for developers. Hence, the central transmission licensee ends up getting applications far in excess of the capacities which are finally executed; thus, Stage I applications also fail to give authentic signals for planning purposes.
4.	7.7	At the time of grant of Stage-I Connectivity, the power carrying capacity of the Dedicated Transmission Line ...	Table 7.7 needs to be revised upwards as there is precedence of CTU allowing higher capacity through HTLS conductors.	In view of the past precedence, the Commission may consider revising the capacities which can be carried through the dedicated lines.
5.	9.2.1	Illustration B for RTC hybrid projects	<p>Illustration b - it may be clearly spelt out that the LTOA of 500 MW will be allowed from each location.</p> <p>In addition to this, it is essential to add a provision to match the timelines provided under the bidding documents with the timelines provided in this procedure.</p>	<p>In view of the issues explained, we request Hon'ble Commission may incorporate provisions which provide flexibility to the grantees in such situations.</p> <p>It is relevant to note that under the RTC route the project can be distributed in more than two states/RLDCs and therefore may have to match two entirely different ISTS commissioning timelines with the timelines provided in the RTC bidding documents. Non-compliance to any of the timelines may derail the entire project. Hence, it is imperative that timelines under this procedure and in the bidding documents to be aligned.</p>

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6.	9.3.2 A (read with 9.2.1 and 9.2.2)	If a grantee of Stage-II Connectivity covered under Clause 9.2.2, subsequently submits the LOA or the PPA with the Renewable Energy Implementing Agency or the distribution licensee, as the case may be, consequent upon tariff based competitive bidding within the timeline under Clause 9.3.2, it shall be deemed to be a grantee under Clause 9.2.1 and shall be required to meet the conditions under Clause 9.3.1.	Deletion of Clause 9.2.2 or Restricting it only for Open Access Projects / Projects being developed outside a bid process. Accordingly, Clause 9.3.2 A to be modified as follows: (i) A grantee of Stage-II Connectivity covered under Clause 9.2.2 shall not be allowed to convert it to connectivity granted under Clause 9.2.1	Clause 9.2.2 is primarily meant for connectivity Stage II for open access projects. The requirements for applying for Stage II connectivity are comparatively less onerous as compared with the requirement of a PPA/ LOA required for bid out projects. Clause 9.3.2A enables Stage II connectivity to be transferred from the open access project scheme to those awarded through TBCB route. This could be misused and could result in blocking of potential of connectivity options for serious developers. Most of the Connectivity grantees under Clause 9.2.2 have not even applied for LTAs since that involves a significant long-term financial obligation. Post receipt of Connectivity-II under Clause 9.2.2, mostly the Connectivity Grantee waits for winning a bid before applying for LTA. In the light of the above, it is suggested that this transferability may not be allowed.
7.	9.2.2 (i)	Ownership or lease rights or land use rights for 50% of the land required for the capacity of Stage-II Connectivity	To be amended as follows: Ownership or registered leasehold rights for minimum 25 years or land use rights for 50% of the land required for the capacity of Stage-II Connectivity.	Lease period shall be for a minimum period of project life which is expected to be 25 years. All Lease greater than 1 year need to be compulsorily registered.

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8.	9.2.2.(ii)	Financial closure, of the project (with copy of sanction letter)	It is suggested that instead of sanction letter, for Financial Closure, of the project a copy of unconditional sanction letter and loan agreement and certificate by the lender that the Pre-disbursement Conditions have been complied under the Loan Agreement may be made as conditions precedents.	As per the draft procedure, conditional sanction letters/ bridge facilities for a group as a whole rather than for the Project can be used as compliance for such a condition. The Commission would appreciate that lenders are not likely to fund a project which does not have a PPA. Under Bidding Documents also, Financial Closure implies signing of loan agreement as well as compliance of pre-disbursement conditions under the loan agreement. This requirement can be replicated here for application under 9.2.2.
9.	9.2.2(ii)	Release of at least 10% project cost including the land acquisition cost through equity, duly supported by Auditor's certificate.	In addition to the requirement under 9.2.2(ii), it is suggested to add the following: The Auditor has to certify that such expenditure has been released to a third party and not to a related party and none of this expenditure is under a refundable advance.	The suggested clause in the draft has a significant chance of being misused, wherein the Connectivity Grantee may give advance to a related party entity under an EPC contract or give a refundable advance to a contractor.
10.	9.3.1	After grant of Stage II connectivity, the grantee covered under Clause 9.2.1 shall have to achieve the following milestones in accordance with the Letter of Award or the Power Purchase Agreement and submit the proof to CTU	The condition to show proof of release of funds duly supported by Auditors certificate should only be for those cases where connectivity is not obtained through LOA / PPA. It is suggested that this condition and requirement may be removed for the cases covered under 9.2.1 having LOA or PPA.	Grant of Stage II Connectivity under 9.2.1 is subject to furnishing of a LOA and PPA. This requirement itself indicates that connectivity if granted, shall be to a valid PPA holder. Additional conditions may be waived as anyways, he is required to fulfill his obligations as per PPA and LTA.

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		<p>within a week of achieving the milestone(s):</p> <p>iii) Proof of release of funds duly supported by Auditor's certificate</p>		
11.	9.3.3	<p>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 Conn-BG1 and Conn-BG2 shall be encashed by CTU...</p>	<p>The CERC Regulations and Detailed Procedure does not capture any provisions in the event of non-signing of PSA or force majeure conditions, leading to PPA termination.</p>	<p>To take care of force majeure, following may be included in the CTU procedures for connectivity and LTA.</p> <p>In case of PPA termination by either Developer or Procurer due to reasons, including non-signing of PSA, Force Majeure Events identified under PPA/PSA, then the following options should be given to the Developer:</p> <ul style="list-style-type: none"> i. Allow the Developer to use/transfer the existing connectivity and LTA (whose PPA is terminated), for other new projects, developed by its subsidiary/affiliate companies within a period of two year and accordingly timelines under the existing TSA and LTA should be suitably extended without any penalty. In this subsidiary/parent company, the parent company shall have at least 51 % stake <p>Or</p> <ul style="list-style-type: none"> ii. Allow the Developer to exit from TSA and LTA and return back the BGs and no relinquishment charges for the LTA granted.

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12.	10.10(a)	Conn-BG 2 shall not be payable if it is granted a bay which is already allocated to other applicant(s);	It is suggested to amend the provision to indicate that the BGs shall be shared by the parties in proportion to the capacities being used.	The provision that a grantee is liable to pay no BG in case he is granted a bay which is already allocated appears to be inequitable.
13.	10.10(b)	In case Stage-II Connectivity is revoked in accordance with Clause 9.3.3 or Clause 11.2 of this Procedure, Conn-BG1 and Conn-BG2 shall be encashed.	The following proviso may be added: Provided that Connectivity BGs will not be encashed if Stage II connectivity revocation is on account of factors beyond control of grantees.	We wish to bring to the notice of the Hon'ble Commission that there have been some events due to which the timelines could not be adhered to by the grantees due to factors beyond his control. For instance, the change in the state policies pertaining to allocation of land, non-execution of the PPAs/PSAs, etc. Such events are beyond the control of the Stage - II grantees.
14.	14.4 B	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		It is suggested that the Joint agreement may be signed post award. This is also in line with our comments against Clause 10.10 (a)

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15.	Additional Comment	Suggestion on LTA operationalisation under force majeure condition	Renewable Energy Developers get the ISTS projects through tariff based competitive bidding and LOAs are issued to the successful bidders. Based on the LOAs, developers have to apply for connectivity and LTA and provide certain date for operationalization of LTA which developers usually mention SCOD which is approx. 18-21 months from the date of LOA. Now, in case of Force Majeure, where SCOD has been extended, developers are asked to pay transmission charges prior to date of commissioning.	It is suggested that the developers should be allowed to extend the date of operationalization of LTA as well as SCOD due to Force Majeure events subject to getting necessary extension from bidding agencies and there should not be any levy of transmission charges
16.	Additional Comment	Suggestion on Phasing of operationalization of LTA in line with Part Commissioning	Flexibility of SCOD dates in LTA to be considered.	Hon'ble Commission is aware that a solar/ wind power project does not get commissioned on a single date, unlike a thermal project. The Standard Bidding documents recognize this and allow part commissioning. In a scenario, when individual project sizes become large, a fixed SCOD date of the project in the LTA becomes meaningless. It is recommended that phasing of operationalisation dates in LTA may be considered in line with the part commissioning of the projects and their SCODs accordingly.