

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Draft Central Electricity Regulatory Commission (Cross-Border Trade of Electricity) (First Amendment) Regulations, 2023.

No. 13/2/7/2015-PM/CERC

Dated:28th,August 2023

Explanatory Memorandum

1.0 Background

1.1 Ministry of Power vide OM No. 14/1/2017-Trans dated 18th December 2018 has issued the 'Guidelines for Import/Export (Cross-Border) of Electricity-2018' (hereinafter referred to as 'MoP Guidelines') repealing the earlier MoP Guidelines.

1.2 Subsequent to the issuance of the MoP Guidelines, the CERC vide Notification No. 13/2/7/2015-PM/CERC dated 8th March 2019, issued the enabling regulations namely the "Central Electricity Regulatory Commission (Cross Border Trade of Electricity) Regulations, 2019" (hereinafter referred to as 'CERC CBTE Regulations 2019'), effective from 08.03.2019.

1.3 The MoP Guidelines, inter-alia, provide that a Nodal Agency (Settlement Nodal Agency i.e. SNA) notified for each country by the Ministry of Power shall be responsible for the settlement of grid operation-related charges as per the CERC Regulations. The role of SNA has been further detailed in the CERC CBTE Regulations, 2019.

1.4 Role of Settlement Nodal Agency (SNA) as per CERC CBTE Regulations, 2019 include:

1. Settlement of Operating charges, charges for deviation, reactive and other charges related to transactions with a particular neighboring country during cross-border trade of electricity.
2. To be member of the deviation pool, reactive energy pool, and other regulatory pools for payment and settlement of the corresponding charges in the pool accounts of the region having connectivity with any neighboring country.

3. Co-ordinate with System Operators of respective neighboring countries for scheduling of cross-border transactions and revisions during the day of operation.
4. All payments to be settled by the parties through the Settlement Nodal Agency as per the timeline specified in the DSM Regulations.
5. Settlement Nodal Agency to put in place a suitable payment security mechanism for charges to be collected by it. (LC).
6. Also, any dispute with entities of separate countries to be mutually agreed or settled through the International Arbitration Centre as mutually acceptable.

1.5 The MoP Guidelines also provide that various grid operation related charges, viz., scheduling, metering accounting, deviation settlement, secure grid operations involving the Indian Grid, and any other related operational mechanism shall be governed in accordance with the applicable regulations of the Government of India.

1.6 Based on the above premise, the CERC CBTE Regulations 2019 provides that the Nodal Agency (SNA) notified by MoP for each of the neighbouring countries, will be responsible for the settlement of Grid Operation related charges in respect of all the transactions between India and the respective neighbouring country. MoP vide its letter ref.14/1/2017 - Trans - (Pt-1) dated 26.11.2019, designated NVVN as SNA for settlement of grid operation-related charges with neighboring countries, namely, Bangladesh, Bhutan, Nepal and Myanmar.

1.7 NVVN has been accordingly carrying out the functions of the Settlement Nodal Agency. Earlier, the function(s) of settlement of charges e.g. DSM charges were carried out on behalf of cross-border entities by the Indian Trader(s) e.g. NVVN as per mutually agreed arrangement. The service charges for such functions were mutually agreed upon and paid by cross-border entities e.g. NEA, BPDB to the Trader. However, in the absence of any provision for charging such fees from cross-border entities by SNA in the CERC CBTE Regulations 2019, it is reported that NVVN is not being paid such charges by the cross-border entities.

1.8 The concept of an SNA for neighbouring country(ies) to settle grid operation-related charges was newly introduced for Cross Border Trade in the MoP Guidelines in Dec'2018, having no existing applicable or available CERC

regulations for claiming charges/fees for discharging SNA functions.

1.9 NVVN had earlier filed Petition No. 199/MP/2020 praying for removal of difficulty and allowing billing of appropriate SNA fee/ charge to the cross-border customers for discharging the mandated functions. The Commission vide order dated 20.12.2021 had disposed of the above petition stating that determination of fees and charges is a substantive exercise and cannot be undertaken under the provisions of 'Power to issue directions'.

1.10 Vide letter dated 29.11.2022, the MoP has stated that there is a need for prescribing appropriate mechanism for recovery of legitimate charges towards deployment of manpower, resources, and risk involved while carrying out the functions and responsibilities of SNA.

1.11 Various Cross Border entities in the signed SNA Agreement(s) with NVVN (like, NEA, Nepal Agreement signed on 05th Oct 2020; and with DGPC, Bhutan Agreement signed on 13th Dec 2022) have agreed that SNA charges approved by CERC from time to time shall be payable by them.

1.12 With due regard to the above, the Commission recognizes the need to enable SNA for recovery of reasonable charges from the cross-border entities located in the neighbouring countries. For calculation of per unit cost to be recovered by SNA, the following are the major components of cost: -

A. Every SNA is required to have a separate SNA Secretariat with all measures in place such as separate manpower on 24X7 basis for SNA functions. They have to ensure proper handling of the SNA transactions. Additional manpower has to be deployed by SNA for billing, payment and realisation-related work. Full-time Senior officer is required to supervise and ensure proper billing, payment, realisation and settlement of these Grid-related charges. Similarly, there is a need for maintaining a good office with provision for meeting rooms equipped with computers etc.

B. Separate web portal is required for SNA for all the data related to cross-border transactions with SNA, solving the queries and extending its access to cross-border participants.

C. Settlement Nodal Agency (SNA) is required to meet all its cash obligations and also create sufficient resources for future upgradation, augmentation and replacement of assets. Further financial independence is of utmost importance to an organisation to work in an unbiased manner. Therefore, SNA requires working capital support.

D. Based on the above, the costs towards manpower; office expenses; legal expenses; Letter of Credit (LC)/bank related charges; and overheads have been estimated to be in the range of Rs. 8 crore per annum. The current transactions being handled by NVVN as an SNA are to the tune of 8500 MUs per annum. This together with normative interest on working capital (SBI MCLR of one year tenor plus 350 basis points) translates to per kWh cost of approximately 1 (one) paise. Accordingly, the Commission proposes SNA Charge of 1 (one) paise/kWh.

1.13 Prior to the Implementation of CBTE Regulation 2019, the existing SNA, namely NVVN, had been collecting SNA charges pursuant to their mutual agreement.

1.14 In view of the above, the Commission proposes appropriate amendments to the existing CBTE Regulations, 2019 for recovery of reasonable expenses by the SNA.

2.0 Proposed Draft Amendment

2.1 Vide the draft First Amendment to the CERC CBTE Regulations 2023, amendments have been proposed mainly under Regulation 30 of the Principal Regulations.

2.2 Amendment to Clause (2) of Regulation 30 of the Principal Regulations

Clause (2) of Regulation 30 of the Principal Regulations shall be substituted as under:

“30. Payment of Transmission charges and other charges

(1) XXX

(2) Settlement Nodal Agency may recover SNA charge of One (1.00) paise/kWh from the cross-border customers, and shall put in place a suitable payment security mechanism for the charges to be collected by it.”

2.3 Further, the term- “SNA Charge” is also defined under Regulation 2 of

Definition under Principal Regulation as follows: -

(1) A new clause, namely, clause (tt-A) shall be added after clause (tt) of Regulation 2(1) of the Principal Regulations as under:

“(tt-A) **‘Settlement Nodal Agency Charge’** or **‘SNA Charge’** means the charge payable to the SNA by the cross-border customers, for discharging the mandated functions;”

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