

DISTRIBUTED SOLAR POWER ASSOCIATION



Ref: DiSPA/CERC/PH/GNA/2024-25/02

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To
Secretary
Hon'ble Central Electricity Regulatory Commission
7th Floor, World Trade Centre, Tower B, Nauroji Nagar, New Delhi-110029
No. L-1/261/2021/CERC Dated: 9th October 2024

Reference: CERC's Public notice No L-1/261/2021/CERC Dated 9th Oct'24

Sub: Comments / Suggestions on "Staff Paper on Stakeholder's suggestion for necessary modifications in the GNA Regulations".

Dear Sir,

We would like to begin by expressing our sincere appreciation for the Hon'ble Commission's ongoing efforts and dedication to advancing India's renewable energy sector. The release of the discussion paper on proposed modifications to the General Network Access (GNA) Regulations highlights the Commission's proactive approach in addressing the challenges and regulatory barriers faced by developers in implementing renewable energy projects.

The Commission's consistent work to eliminate obstacles and enhance the GNA Regulations is highly commendable. These efforts are crucial in establishing a more transparent, efficient, and supportive framework for the sector. We also appreciate the Commission's openness to stakeholder feedback, which plays an essential role in ensuring that the regulatory environment fosters growth, encourages investment, and alleviates the operational challenges developers face.

On behalf of the Distributed Solar Power Developers Association (DiSPA), representing leading renewable energy developers, we are pleased to submit the following comments and suggestions. These have been carefully compiled after extensive consultations with our members, who continue to face challenges related to connectivity squatting, delays in approvals from Nodal Agency, limited flexibility in utilizing connectivity across sister concerns, and the need for smoother conversion between project and park category connectivity.

1. Strengthening the application Criteria for the Grant of Connectivity:

As per the present selection criteria the only provision to be fulfilled is:

- i. Application Fee
- ii. Land or Land Bank Guarantee

The current selection criteria for granting connectivity rely on basic provisions like the application fee, land guarantee, and bank guarantee. This has led to squatting and trading of connectivity by non-sectoral entities, which is a big concern raised at all levels including ministry and PMO also.

We recommend incorporating additional criteria, such as **technical expertise** (Successful execution) and **financial strength** (net worth), as mandatory requirements for the applicant or its parent/sister concerns. This will ensure that only entities with proven capabilities and sufficient financial backing are granted connectivity, reducing speculative practices and promoting genuine development.

Thus, it is submitted that along with Land / Land BG a mandatory requirement of Successful Execution of the Project of at least 50% of the said capacity by the applicant or its parent / sister concern along with networth of net less than 50% of the bid value of the applicant or its parent company shall be introduced in the bidding / application process.

This should put a check on the above mentioned problem of squatting and trading / cornering of capacities.

2. **Change in General Conditions for the eligibility of Land / Location Change without changing the substation at which the connectivity has been granted:**

As per the current provisions the land/location change without changing the substation is allowed to “connectivity grantee”.

An applicant is termed as “Connectivity Grantee” only when he is awarded the final grant of connectivity and a connection agreement is signed.

The relevant provision defining the grantee is as follows:

“Within 30 days of the intimation of connection details by the Nodal Agency under Regulation 10.2, Connectivity Agreement shall be signed between the Nodal Agency and the entity which has been intimated final grant of Connectivity. On signing of the Connectivity Agreement such entity shall become the Connectivity grantee”.

It is submitted that:

- i. With the increasing application on the ISTS network and uncertainty on the date of COD of the ISTS Substation and over booking of the capacity at a particular substation there are following conditions:

- a. The applicant is allocated a connectivity at an ISTS substation other than the substation for which they have applied, which is far away from the present substation but within the same cluster. This makes it difficult for the applicant to utilize the land acquired for the application under **Land Route**
- b. There are delays in issuing the final grant of connectivity and signing of the connection agreement, particularly when the new substation has not yet gone for bidding. While the tentative location is finalized, applicants are only provided with an in-principal grant for connectivity at that substation (for as long as a period of 10-12 months)
- ii. As per the present provision the land can be changed only when the applicant attains the status of “Connectivity Grantee” which is post the signing of connection agreement.
- iii. In the present cases the final grant of connectivity is at times awarded several months, or even a year, after the in-principal grant of connectivity is issued.
- iv. This delay results in difficulty for the applicant to continue holding the previous land, which may no longer be useful, as the substation location has changed. Furthermore, the current provisions do not allow the applicant to relocate the land to the new substation for which they have been granted in-principal grant of connectivity.
- v. Applicants under Land Route who have already made significant investments, face a docuble financial burden, compared to the applicant under Land BG route. They are unable to release or transfer the acquired land until the final connection agreement is signed and new land is approved by the CTUIL.

Thus, it is proposed that.

- (i) As per the provision of the regulations since the final grant of connectivity is to be provided within 15 days from the submission of CONN BGs or in other words 45 days of the of the in-principal grant of connectivity. And when there is a need of change of land due to various reasons stated above including change in the substation where application was made etc. the applicant shall be permitted:
 - i. Applicants should be granted the status of “Connectivity Grantee” within 15 days from submission of CONN BG’s or 45 days of the issuance of the in-principal grant of connectivity. This would allow them to change their land parcel and submit it for approval by CTUIL.

Or,

- ii. Applicants should be permitted to submit a Land Bank Guarantee (BG) in place of the previously submitted land guarantee and migrate to the Land BG route after 45 days from the issuance of the in-principal connectivity grant when CONBG's are submitted. This would allow them to select new land in line with the terms applicable to Land BG route applicants.

3. **Comments on Issue NO 5 of Staff Paper i.e “Utilization of the Connectivity granted to a subsidiary by another subsidiary of the same Parent company”.**

The draft proposes allowing the utilization of connectivity granted to one subsidiary by other subsidiaries of the same parent company. In this regard it is submitted the same may be supported with an illustration. A reference illustration is provided below:

If a company, “A,” secures connectivity for a capacity of 300 MW but needs to develop the project in three different capacities for three distinct consumers, the connectivity granted to company “A” can be utilized through separate metering by three different entities—say, “B,” “C,” and “D”—provided these entities are all subsidiaries of the same parent company. In essence, this would allow connectivity to be shared among the sister companies within the same corporate group.

This approach enables developers to serve a larger and more diverse customer base, including multiple C&I consumers, by allocating capacity among different subsidiaries within the same corporate group. The flexibility to distribute energy based on the specific needs of individual consumers, particularly in the C&I sector, will increase the appeal and adoption of renewable energy solutions by large consumer base.

4. **To allow conversion from Project to RE Park and vice-a-versa, Post grant of connectivity:**

An RE Park enables creation of individual SPVs (Special Purpose Vehicles) for the generation of power, with separate legal entities and metering of each project within the larger capacity of a connectivity. Typically, these are single user SPVs, simplifying operations and financial tracking and enabling better compliance, especially for captive consumers.

It is also important to note that this model also simplifies the **captive verification process** at year-end, as there are no fluctuations in equity shares or consumption.

RE Parks can cater to multiple types of users, such as open access for **C&I**, sales to utilities, or exchanges, offering flexibility in project design. In contrast, **larger projects** with multiple users require the allocation of power to only one category (e.g., utility, C&I, or exchange), which limits their operational flexibility.

However, due to unclear guidelines and the requirement for **Government Orders (GOs)** in the states, and mandatory requirement of land registration before applying as a park, developers often find it difficult to apply under this category.

Hence, it is humbly submitted, once **in-principal connectivity** is granted, developers should be allowed to change the mode of execution from Project to a RE Park post the award of grant of In-Principal connectivity/or submission of CONNBG's after obtaining the necessary Authorization for the Park from the Nodal agency of the state or complying the required obligations stipulated for the Park category at that stage.

5. **Introduction of the Insurance Surety Bonds as an alternate to the various bank guarantees needed to be submitted by the applicant of the REGS/or RE Park:**

Today the only surety mechanism in the application and the grant of connectivity is a Bank Guarantee for Land BG's and CON BGs. We propose the introduction of **Insurance Surety Bonds (ISBs)** as an alternative to BGs.

The Government of India, through the Ministry of Power have made significant strides in removing barriers to ease business operations and ensuring financial surety for renewable energy projects. A key step is the introduction of Insurance Surety Bonds (ISBs), as an alternative to Bank Guarantees, as outlined by the Department of Financial Services and IRDAI, in line with the Surety Insurance Contracts Guidelines 2022 (Surety Guidelines).

The issuance of the orders of the Department of Financial Services (Ministry of Finance – Government of India) for considering and approval of Insurance Surety Bonds (ISB's) after the Surety Insurance Contracts Guidelines 2022 (Surety Guidelines) notified by the Insurance Regulatory and Development Authority of India (IRDAI), as an alternate to the Bank Guarantees is one of them to ensure availability of funds for the development of projects in the larger public interest.

It is germane to mention that while both Bank Guarantees and Surety Bond's aim to protect a party to the contract against losses suffered by it due to a breach or non-performance by the counterparty, a Surety Bonds, unlike a Bank Guarantee, is not required to be collateralized through cash margins that are kept in the form of fixed deposits.

Further, to ensure the bid surety and performance of the applicant it has already been established by the ministry that the ISB's are equally robust and secure mechanism at par with the Bank Guarantees.

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Several other ministries & PSUs including Ministry of Road Transport & Highways and National Thermal Power Corporation have already recognized ISB's for Bid and performance sureties.

It is thus most humbly requested that in the larger interest of renewable energy development and ease of business the **Insurance Surety Bonds may be introduced** alongside BG's as an alternate mechanism to the Bank Guarantee mainly required as Land Bank Guarantee, CON BGs (CONN BG-1, CONN BG-2 and CONN BG-3) as stipulated under Central Electricity Regulatory Commission (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2022.

We kindly request the Hon'ble Commission to consider these suggestions and include as part of the final draft. Additionally, we would appreciate the opportunity to make **oral submissions** to further elaborate on these points and engage in a constructive discussion that supports the sector's development.

Thanks' and Best Regards
For Distributed Solar Power Association

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