

TAMIL NADU GENERATION AND DISTRIBUTION CORPORATION LIMITED

From

B.Rajeswari, B.Com, FCMA.,
Chief Financial Controller/Regulatory Cell,
7th Floor, Western Wing, NPKRR Maaligai,
TANGEDCO, 144 Anna Salai,
Chennai-02.

To

The Secretary,
Central Electricity Regulatory Commission,
3rd & 4th Floor, Chanderlok Building,
36, Janpath, New Delhi 110001.
secy@cercind.gov.in ; shilpa@cercind.gov.in

Lr.No.CFC/RC/SE/CERC/EE1/AEE1/F.GNA/D.No. 57/2024, dt. 08.03.2024.
Sir,

Sub: Draft Central Electricity Regulatory Commission (Connectivity and General Network Access to the inter-State Transmission System) (Second Amendment) Regulations, 2024 – TANGEDCO's Comments and Observations – submission of Reg.


Ref. Public notice issued vide No. L-1/261/2021/CERC, dt. 16th February 2024.

This has reference to the public notice No. L-1/261/2021/CERC, dt.16th February 2024 inviting comments/suggestions/objections from the stakeholders and interested persons on the draft Central Electricity Regulatory Commission (Connectivity and General Network Access to the inter-State Transmission System) (Second Amendment) Regulations, 2024.

In this regard, it is submitted that the proposed amendment is not in line with the mandates of Electricity Act, 2003 and National tariff Policy. Hence, it is requested to revisit the proposed amendment. The detailed views and comments are enclosed as Annexure.

Thanking you,

Yours faithfully,


Chief Financial Controller
Regulatory Cell/TANGEDCO

Enclosures: As above.

Annexure

Comments of TANGEDCO on the draft Second Amendment to Central Electricity Regulatory Commission (Connectivity and General Network Access to the inter-State transmission System) Regulations, 2024 :

This draft Second Amendment to Central Electricity Regulatory Commission (Connectivity and General Network Access to the inter-State transmission System) Regulations, 2024 outlines the proposed changes to the existing regulations governing Connectivity and GNA to the inter-state transmission system (ISTS) **specifically focusing on renewable energy**. In this regard, TANGEDCO submits the comments and views on the proposed amendments as below:

Key changes:

- i. **New definition:** Introduces the definition of "Renewable Energy Implementing Agency" to facilitate renewable energy procurement.
- ii. **Eligibility for connectivity to ISTS:** Introduces a new clause with minimum installed capacity requirement of 25 MW individually or with aggregate to apply for ISTS connectivity **in the North Eastern Region (NER)**.
- iii. **Extended timelines:** Increases the timeframes for various stages of the application process by the Nodal Agency:
 - o Intimation of deficiency after scrutiny of the application by the Nodal Agency (from 1 week to 18 days)
 - o In principle Grant of connectivity without ATS (from 30 days to 60 days)
 - o In principle Grant of connectivity with ATS (from 60 days to 90 days)

Documents to be submitted by the applicants – REGS, ESS and Renewable Power Park Developers for the Grant of connectivity – Revision proposed:

- iv. Bank Guarantee for capacity more than 1000MW is reduced in lieu of ownership or lease rights or land use rights of land for 50% of the land required.

- v. The deadline for submission of land document has been reduced from 180 days of issuance of final grant of connectivity to within 18 months of issuance of an in-principle grant of Connectivity or within 12 months of issuance of a final grant of Connectivity, whichever is earlier.
- vi. The deadline for submission of auditor's certificate after receiving final grant of connectivity has been revised from within a period of 12 months from the date of issuance of final grant of connectivity to 12 months prior to the SCOD.
- vii. The deadline to achieve the financial closure after receiving final grant of connectivity has been revised from within a period of 12 months from the date of issuance of final grant of connectivity to 12 months prior to the SCOD.
- viii. **A new clause is added for provision for conversion from LoA/PPA to Land-based connectivity:** Allows projects initially granted connectivity based on LoA/PPA to switch to Land-based connectivity under certain conditions, like termination of LoA/PPA for reasons beyond applicants control.

Comments of TANGEDCO:

In this regard, TANGEDCO submits the comments and views on the proposed amendments as below:

1. CERC has not issued the Explanatory Memorandum to the Draft Second Amendment to CERC (Connectivity and General Network Access to the inter-State transmission System) Regulations, 2024. The Section -79(3) of the Electricity Act-2003 mandates the following:

"The Central Commission shall ensure transparency while exercising its powers and discharging its functions".

Therefore, considering the spirit of the Electricity Act-2003, CERC may be requested to provide the above document for proper understanding of the amendments brought out by CERC to the principal regulations.

2. Proposed Amendment

5. Amendment to Regulation 5.8 of the Principal Regulations:

5.1. The sub-clause (c) to Clause (vii) of Regulation 5.8 of the Principal Regulations shall be substituted, and sub-clause (d) shall be added after subclause (c) as under:

*“(c) For a capacity up to 1000MW - Bank Guarantee of Rs. 10 lakh/ MW and for a capacity more than 1000MW - Bank Guarantee of Rs. 100 Crore plus Rs. 5lakh/ MW for capacity over and above 1000MW, in lieu of ownership or lease rights or land use rights of land for 50% of the land required for the capacity for which Connectivity is sought subject to provisions of Regulations 11A and 11B of these regulations; or
(d) Government Order issued by the concerned Government for allotment of the land along with possession documents for 100% of the land required for the capacity for which Connectivity is sought.”*

5.2. The sub-clause (c) to Clause (xi) of Regulation 5.8 of the Principal Regulations shall be substituted, and sub-clause (d) shall be added after sub-clause (c) as under as under:

*“(c) For a capacity up to 1000MW - Bank Guarantee of Rs. 10 lakh/ MW and for a capacity more than 1000MW - Bank Guarantee of Rs. 100 Crore plus Rs. 5lakh/ MW for capacity over and above 1000MW, in lieu of ownership or lease rights or land use rights of land for 50% of the land required for the capacity for which Connectivity is sought subject to provisions of Regulations 11A and 11B of these regulations; or
(d) Government Order issued by the concerned Government for allotment of the land along with possession documents for 100% of the land required for the capacity for which Connectivity is sought.”*

Comments and views of TANGEDCO:

- a. The original provision in the sub-clause (c) to Clause (xi) of Regulation 5.8 of the Principal Regulations the sub-clause (c) to Clause (vii) and (xi) of Regulation 5.8 of the Principal Regulations may be retained i.e., uniform BG for Rs.10 lakh/MW irrespective of capacity of RE generators.

(c) Bank Guarantee of Rs. 10 lakh/ MW in lieu of ownership or lease rights or land use rights of land for 50% of the land required for the capacity for which Connectivity is sought subject to provisions of Regulations 11A and 11B of these regulations.”

- b. A huge investment is made based on the grant of connectivity to the applicants for higher capacity more than 1000MW, the BG amount might not provide sufficient financial security for the costs incurred especially if the applicant fails to acquire land or abandon the project.
- c. Already, the Hon'ble CERC has modified the definition of Associated Transmission (ATS) which was not brought in the draft Regulations. The definition proposed under draft and the final Regulations are extracted:

“Any augmentation required, excluding terminal bay(s), to the existing ISTS identified under Regulation 6.1 of these regulations, shall be considered as the Associated Transmission System (ATS) for the Applicant(s).” - as per draft

Of the augmentation requirement as identified under Regulation 6.1 of these regulations, augmentation required for immediate evacuation of power of the Applicant (s), excluding terminal bay(s), shall be considered as the Associated Transmission System (ATS) for the Applicant(s)- as per final Regulation

- d. The above definition has already relieved the Connectivity grantees from the liability of compensating the transmission licensee in case of failure to match the commissioning of the generation project with COD of transmission system or abandonment of the projects and the entire financial burden on account of redundant transmission system created will be imposed on the existing DICs.
- e. The above revision would further relieve the generators from the responsibility of providing bank guarantees in proportion to the transmission system developed at their behest.

Hence, this proviso shall be dropped so as to have atleast the minimum security in the form of BG.

3. Proposed Amendment

8. Amendment to Regulation 11A of the Principal Regulations:

8.1. Clause (1), Clause (2) and Clause (3) of Regulation 11A of the Principal Regulations shall be substituted as under:

“(1) An applicant which is REGS (other than Hydro generating station) or ESS (excluding PSP) covered under sub-clause (c) of Clause (xi) of Regulation 5.8 or Renewable power park developer covered under sub-clause (c) of Clause (vii) Regulation 5.8, shall submit documents for land in terms of sub-clause (b) of Clause (xi) or sub-clause (b) of Clause (vii) of Regulation 5.8 of these regulations, as the case may be, within 18 months of issuance of an in-principle grant of Connectivity or within 12 months of issuance of a final grant of Connectivity, whichever is earlier. The Bank Guarantee submitted under subclause (c) of Clause (vii) or under sub-clause (c) of Clause (xi) of Regulation 5.8 of these regulations shall be returned within 7 days of submission of stipulated documents as proof of Ownership or lease rights or land use rights.

(2) An applicant which is REGS (other than Hydro generating station), ESS (excluding PSP) or Renewable power park developer to which a final grant of connectivity has been issued shall submit an Auditor’s certificate, certifying the release of at least 10% of the project cost including the land acquisition cost through equity latest by 12 months prior to the scheduled date of commercial operation of such applicant: Provided that in case of REGS (other than Hydro generating station) or ESS (excluding PSP) who have been granted Connectivity under sub-clause (a) of Clause (xi) of Regulation 5.8 or are subsequently covered under sub-clause (a) of Clause (xi) of

Regulation 5.8, the scheduled date of commercial operation for the purpose of Clause (2) of Regulation 11A shall be considered as SCOD, as extended by REIA or a distribution licensee or an authorized agency on behalf of distribution licensee from time to time, subject to the condition that any extension in the timeline to release 10% equity infusion due to extension in SCOD shall not be allowed more than 12 months from the original timeline as per initial SCOD.

(3) An applicant which is REGS (other than Hydro generating station), ESS (excluding PSP) or Renewable power park developer to which a final grant of connectivity has been issued shall have to achieve the financial closure for the capacity of such Connectivity, latest by 12 months prior to the scheduled date of commercial operation of such applicant: Provided that such an applicant shall submit proof of Financial Closure of the project (with a copy of the loan sanction letter or proof of first disbursement of the loan amount) or a copy of board resolution (if internal funding is planned for 100% of the project cost) to CTU within 15 days of achieving the financial closure: Provided that in case of REGS (other than Hydro generating station) or ESS (excluding PSP) who have been granted Connectivity under sub-clause (a) of Clause (xi) of Regulation 5.8 or are subsequently covered under sub-clause (a) of Clause (xi) of Regulation 5.8, the scheduled date of commercial operation for the purpose of Clause (3) of Regulation 11 A shall be considered as the SCOD, as extended by REIA or a distribution licensee or an authorized agency on behalf of distribution licensee from time to time, subject to the condition that any extension in the timeline to achieve the milestone of Financial Closure due to extension in SCOD shall not be allowed more than 12 months from the original timeline as per initial SCOD."

Comments and views of TANGEDCO:

- i. The deadline for submission of land document has been revised from 180 days of issuance of final grant of connectivity to **within 18 months of issuance of an in-principle grant of Connectivity or within 12 months of issuance of a final grant of Connectivity, whichever is earlier.**
- ii. Further, the deadline for submission of auditor's certificate after receiving final grant of connectivity has been revised from within a period of 12 months from the date of issuance of final grant of connectivity to **12 months prior to the SCOD.**
- iii. The deadline for financial closure has been shifted from
 - (a) within a period of 12 months from the date of issuance of final grant of connectivity, if the start date of Connectivity is within 2 years from date of issuance of final grant of connectivity or

(b) a period equivalent to 50% time period between issue of final grant of Connectivity and start date of Connectivity, if the start date of Connectivity is more than 2 years from date of issuance of final grant of connectivity:

to latest by **12 months prior to the scheduled date of commercial operation** of such applicant:

- iv. Once the final grant of connectivity has been granted, the ISTS sub station and associated line work will be awarded and be completed within 18 months. However, the applicants might not have acquired the land and started the execution of development of REGS; the substation would remain idle.
- v. This will also lead to creation of redundant transmission capacities due to the fact that the planners are facilitated to plan the transmission schemes without firm generation capacities and identified beneficiaries.

Hence, this proviso shall be dropped

4. Proposed Amendment

8.2. A new Clause, namely Clause (5), shall be added after Clause (4) of Regulation 11A of the Principal Regulations as under:

“(5) In case of Applicants which have been granted Connectivity under subclause (a) of Clause (xi) of Regulation 5.8 of these regulations, and whose LoA or PPA gets terminated prior to the COD of the project, for the reasons not attributable to such Applicant and in cases where LoA or PPA has been terminated by the entity and the same has also been agreed by the REIA or Distribution Licensee, such Applicant may convert the Connectivity, in full or part, granted under sub-clause (a) of Clause (xi) of Regulation 5.8 of these regulations to Connectivity under sub-clause (b) of Clause (xi) of Regulation 5.8 of these Regulations with no change in the start date of Connectivity consequent to such conversion and compliance to requirements of Clause (2) and Clause (3) of this Regulation as applicable to entities covered under subclause (b) of Clause (xi) of Regulation 5.8 of these regulations:

Provided that in case of conversion of part quantum of Connectivity from LOA or PPA to Land, balance quantum of Connectivity shall be revoked and shall be governed in terms of Regulation 24.6 of these regulations:

Provided further that such subsequent conversion from Land to LoA or PPA, for the purpose of fulfilling requirements under Regulation 11A and Regulation 24.6 of these regulations, shall not be permitted under Clause (4) of this Regulation.”

Comments and views of TANGEDCO:

- i. IF the connectivity grantee is permitted to convert the connectivity in full or part prior to COD, it will have huge financial implication due to creation of associated transmission system which will become redundant. The entire capital investment made on the transmission system will put into the pool and the discoms will be burdened with the unwarranted financial liability.
- ii. This will relieve the generators from the responsibility of payment of transmission charges for the mismatch / change in the connectivity


CFC/ Regulatory Cell