

TNPDCL

From

S.Girinathan, ACME

Chief Financial Controller (FAC)/ Regulatory Cell,

7th Floor, Western Wing,

144, Anna Salai,

Chennai - 600 002.

To

The Secretary,

Central Electricity Regulatory Commission,

6th, 7th & 8th Floors, Tower B, World Trade Centre,, Nauroji Nagar,

New Delhi-110029

Lr. No. CFC/RC/SE/CERC/EE/ F. /D 132/24 dt: 11.11.2024

Sir,

Sub: CERC - Draft CERC (Sharing of Inter-State Transmission Charges and Losses) (Fourth Amendment) Regulations, 2024. Submission of comments and views of TANGEDCO - Approval requested -Regarding.

Ref:(i)CERC's notification No. L-1/ 250/ 2019/ CERC Dt.09.10.2024

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As a preamble to the comments and views of TNPDCL (Erstwhile TANGEDCO) on the proposed fourth amendment to sharing Regulations, the following issues that are critical in terms of imposing ISTS transmission charges in unjust and inequitable manner and socialisation and cross subsidisation contrary to National Tariff Policy and Electricity Act 2003 are submitted to the perusal of the Hon'ble Commission:

- a) The philosophy of sharing of ISTS transmission charges and losses has been completely changed under the Central Electricity Regulatory Commission (Sharing of Inter- State Transmission Charges and Losses) Regulations, 2020. The major portion of (about 80%) of the charges are shared under uniform charges method and the remaining under the use based method resulting in socialisation and cross subsidisation of the unused / underutilized transmission capacity in an inequitable manner. After notification of the CERC (Connectivity and General Network Access to

the inter-State Transmission System) Regulations, 2022, the gamut of the game is again changed as the sharing of the ISTS transmission charges is directed linked to the deemed GNA.

- b) The deemed GNA fixed by Hon'ble CERC is based on three year drawl data from 2018-19 to 2020-21 which includes COVID period. Further, the drawl through STU network is also included in the deemed GNA. The contracted quantum was not taken into consideration. Due to this, the GNA for ISTS has been jacked up erroneously resulting in huge financial loss in terms higher transmission charges. Now, there is a drastic change in the drawl pattern of the drawee entities.
- c) As per the draft amendment to the Regulation 12, it is clarified that the deviation charges are to be calculated based on actual drawl in excess of (GNA to the inter-State transmission system + Connectivity with STU system).
- d) Hence, there is a need to segregate the GNA in ISTS and Connectivity and access in STU network by CTUIL and all the STUs.
- e) Also, there is an urgent need to revisit the GNA quantum fixed by Hon'ble CERC as per the present drawl conditions.
- f) Further, the revised GNA in ISTS and Connectivity and access in STU network for each drawee entity across the country shall have to be approved and notified by the Hon'ble Commission.
- g) Also, necessary amendment to the relevant Regulations of the GNA Regulations shall be notified in conformity with the Sharing Regulations.
- h) Further, regarding waiver of ISTS transmission charges and losses, the Ministry of Power, vide orders dated 29.05.2023 and 9.6.2023, specified provisions regarding the waiver of inter-State Transmission Charges to facilitate the execution of offshore wind power projects, Green Hydrogen/ Green Ammonia Plants, Hydro PSPs, and Hydro Projects.
- i) In this regard, TANGEDCO has flagged the issue regarding the waiver of inter-State Transmission Charges for offshore wind power projects, Green Hydrogen/ Green Ammonia Plants with MoP, as the waiver of transmission

system will have significant financial implications for TANGEDCO and ultimately for end consumers and requested to withdraw the notification.

- j) Under these circumstances, the proposed amendments are inequitable, arbitrary and against the mandate of the Electricity Act and National Tariff Policy in terms of socialising and cross subsidising the transmission cost.
- k) Draft amendment has been proposed in Regulation 13(2) of the Principal Regulations, regarding waiver of inter-State Transmission Charges to facilitate the execution of offshore wind power projects, Green Hydrogen/ Green Ammonia Plants, Hydro PSPs, and Hydro Projects.
- l) The present regulations provide waiver of transmission charges to both RE developer and the RE buying entities and socializes the entire investment cost and the tariff.
- m) The present impact on yearly transmission charges due to the National component -RE & RE waiver portion for TANGEDCO is Rs.520/- Crores per annum which works out to be 14% of All India RE NC - YTC.

		in crores
ALL INDIA YTC of RE NC -at present		3848.46
TANGEDCO TRANSMISSION CHARGES - RE	Monthly Liability (Based on July 2024 RTA)	Tentative Annual Liability
National Component RE - A	22.84	274.12
Waiver portion (Due to other states) - B	26.00	312.00
Waiver portion of TN - C	5.50	66.00
TOTAL RE - ANNUAL LIABILITY (A+B-C)		520.12
TN portion in All India RE -NC		14%

- n) Moreover, to meet the Government of India's target of 500 GW by 2030, the capital investment in the transmission sector would be to the extent of Rs. 2,50,000 Crores. Due to this investment, the estimated YTC for TANGEDCO for both the NC-RE and RE waiver component would be around Rs. 5,250 crores, surpassing the current total annual transmission liability.

- o) In this context, it is submitted that the waiver of inter-State Transmission Charges for offshore wind power projects, Green Hydrogen/ Green Ammonia Plants will further increase the financial burden of Discoms and ultimately for end consumers.
- p) It is pertinent to state that providing open access to consumer under the category of bulk consumer directly by CTUIL is in gross violation of the provisions of Act. This will cause irreparable loss to the Distribution companies and the very purpose of the provisions under Sec.38 (2)(d) and 42(2) of the Act will be defeated.
5. Further, considering the huge capacity addition of green hydrogen / green ammonia projects and the capital investment to be infused in transmission sector, the power sector will be jeopardised if such unlawful relaxations are given through the regulations.
6. In view of protecting the larger consumer interest and avoid creation of stranded transmission assets and skyrocketing of the tariff of end consumers, the privilege proposed to be given to a particular category of GNA grantee shall be withdrawn and the proposed amendment may be dropped.

The detailed comments and suggestions of TNPDCLE(erstwhile TANGEDCO) in this context are submitted in the annexure enclosed. It is requested that the observations /comments and suggestions of TNPDCLE(erstwhile TANGEDCO) may kindly be taken into consideration while finalizing the Regulations.

Thanking you,


Chief Financial Controller (FAC)/
Regulatory Cell, TNPDCLE

Annexure
Comments, views and suggestions of TNPDC(TANGEDCO) on the draft (Fourth Amendment) of Sharing of Inter-State Transmission Charges and Losses) Regulations, 2024:

S.NO	Draft 4th Amendment	TANGEDCO COMMENTS
1.	<p><u>3. Amendment to Regulation 12 of the Principal Regulations:</u> (1) A new Proviso shall be added after the third Proviso of sub-clause (a) of Clause (1) of Regulation 12 of the Principal Regulations as under: "Provided also that for a Generating Station having dual connectivity to both inter- State transmission system and intra-State transmission system, the transmission deviation shall be computed as net metered ex-bus injection, in a time block in excess of (GNA to the inter-State transmission system + Connectivity with STU system)"</p>	<p>a) Since the transmission charges are levied in proportion to the GNA quantum there is a need to segregate the GNA in ISTS and Connectivity and access in STU network by CTUIL and all the STUs. b) Also, there is an urgent need to revisit the GNA quantum fixed by Hon'ble CERC as per the present drawl conditions. c) Further, the revised GNA in ISTS and Connectivity and access in STU network shall have to be approved and notified by the Hon'ble Commission. d) The same analogy shall be adopted for drawee entities for sharing of transmission charges similar to the proposed amendment for calculating the Deviation charges to generators. e) Also, necessary amendment to the relevant Regulations of the GNA Regulations shall be notified in conformity with the Sharing Regulations</p>
2.	<p><u>4. Amendment to Regulation 13 of the Principal Regulations:</u> New sub-clauses (a-i) and (a-ii) shall be inserted after sub-clause (a) in Clause (2) of Regulation 13 of the Principal Regulations: (a-ii) REGS based on Offshore wind which has declared commercial operation on or before 31.12.2032 shall be eligible for a waiver of transmission charges for a period of 25 years, from the COD of said REGS."</p>	<p>Based on MoP Order dated 29.05.2023, the Hon'ble commission has proposed the draft amendment for waiver of offshore wind projects declared COD on or before 31.12.2032, for a period of 25 years. TNPDC(TANGEDCO) comments are as follows:</p> <ol style="list-style-type: none"> 1) The proposed amendment on waiver of transmission charges of Offshore wind is totally against the objectives of the EA and the Tariff Policy. 2) The terminology, "Waiver of Transmission Charges" is misnomer as the Transmission charges for any generation project is ultimately borne by the end user and not by the Generator. 3) The waiver is neither met out of the grants by the appropriate Government nor by any other funding agencies. The fact is that the transmission charges associated with the RE

generation projects are socialized among the State utilities, in turn the end consumers.

- 4) The irony of the issue is that the sharing mechanism redefined under the sharing regulation 2020 and GNA regulations of the CERC, mandate to share the transmission tariff of the RE transmission schemes and the waiver component in the ratio of the deemed GNA notified by the Central Commission (availed for the purpose of drawl of power from the conventional Generating stations) resulting in huge cross subsidization of transmission charges and imposing unlawful burden to the end consumers of the respective States.
- 5) Further the proposed amendment for waiver (cross subsidization) of transmission charges for a period of 25 years from 2032 onwards will have a huge recurring impact on the end consumers and the future end consumers.

Further to this;

- a. The Ministry of New and Renewable Energy (MNRE) has identified an offshore wind energy potential of approximately 37 GW along the coasts of Gujarat and Tamil Nadu.
- b. The transmission system required for integrating 500MW of **VGF** offshore wind energy (1st phase) each in Gujarat and Tamil Nadu has already been approved in 20th NCT meeting held on 13.07.2024 with estimated cost of approximately Rs.13,142 crore, with annual transmission charges around Rs. 1,971 crore for 1000MW. The tentative transmission infrastructure capital cost works out to be Rs.13Cr per MW.
- c. The remaining 36 GW is proposed to be developed under **Non VGF** model.
- d. In this context, CTUIL has stated in SRPC meeting that the generation cost per unit with VGF is Rs.4/unit, it may be higher without VGF. Further, the tentative transmission tariff of Rs. 4.20 per unit (at current price

		<p>levels) is extremely high, and could further increase by the time the project is commissioned.</p> <ul style="list-style-type: none">e. The reason for this high Transmission cost is the immediate evacuation system from the offshore generation pooling station up to the onshore pooling station (subsea cable) is added in the transmission cost.f. It is understood that in European countries, the Transmission charges of Offshore Pooling station and submarine cable has been included in the Generation Tariff.g. TNPDC(LTANGEDCO) is bearing the maximum share under NC-RE, due to higher GNA. The proposed models of Offshore wind and transmission systems are with huge investment and will have a significant financial implication for TNPDC(LTANGEDCO) and ultimately for end consumers.h. In this context, TNPDC(LTANGEDCO) has flagged the issue to MoP vide letter dt:01.04.2024. The copy of the letter is enclosed as Annexure A.i. Hence, it is requested that the proposed amendment may be dropped by the Commissionj. The Hon'ble Commission may take up the matter with MNRE and the Ministry of Power (MoP) to deliberate on the issue of waiver of transmission charges and recommend the following.<ul style="list-style-type: none">• The waiver on transmission charges, applicable to scheduling RE power, mainly benefits the states procuring RE power via ISTS. As a result, RE-rich states who facilitate the growth and evacuation of RE power end up cross-subsidizing the transmission charge liability of RPO-deficit states and other RE-buying entities.• For the pilot project, the entire investment on transmission project for the 1 GW capacity (expanded up to 5 GW) shall be funded by
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		<p>Government of India</p> <ul style="list-style-type: none"> • For the remaining 36MW, the development of transmission system shall be funded under Green Energy Corridor from NGEF. • The immediate evacuation system from the offshore generation pooling station up to the onshore pooling station should be under the purview of generation developer or any other funding mechanism. • A special committee shall be formed to look into the issue of waiver of transmission charges and to create a win-win situation without violating the mandates of EA 2003.
	<p>"(b) Battery ESS which has declared commercial operation on or before 30.6.2025 shall be eligible for a waiver of transmission charges for a period of 12 years from the date of COD of such ESS subject to conditions as per sub-clause (c) of this Clause."</p>	<p>The objective of existing regulation for Battery ESS charged with REGS or RHGS is to make the ESS eligible to avail the waiver (socialization) of transmission charges, the removal of this link will make any BESS established to meet out the balancing requirement of any specific state utility eligible for availing the waiver (socialization) of transmission charges, this will result in additional financial liability for the DISCOMS already compiled with the RPO and having adequate balancing requirement. Since there is no justification of this removal, the existing regulation may be retained.</p>
<p>3.</p>	<p>Amendment to Regulation 13 of the Principal Regulations:</p> <p>(6) The sub-clause (f) of Clause (2) of Regulation 13 of the Principal Regulations shall be substituted as under: “(f) Waiver for REGS or RHGS based on wind or solar source or ESS or new Hydro projects or Green hydrogen or Green Ammonia Plants shall be calculated in terms of the following: (i) REGS or RHGS based on wind or solar source or Battery ESS which is declared under commercial operation after 30.6.2025 or Hydro PSP ESS which has awarded the construction contract after 30.6.2025 shall be eligible for grant of waiver in the following</p>	<p>The proposed amendment of sub clause (f) of clause (2) of Regulation 13 , introduces Green hydrogen or Green Ammonia Plants to become eligible for the waiver of transmission charges. Due to the huge financial implications, TNPDC(TANGEDCO) submitted the following comments regarding waiver of REGS or RHGS,</p> <ol style="list-style-type: none"> 1. The Inter-State Transmission System (ISTS) is developed to evacuate power from RE-rich states connected to it and deliver this power to other states. The transmission charges for these assets are recovered through National Component- Renewable Energy billed to all DICs.

manner:

Category	(i) Period of COD (for REGS or RHGS based on wind or solar source and Battery ESS / (ii) Period of award of construction work (for hydro PSP ESS)	Number of years from COD	% of drawl Schedule from Identified generating station or ESS, to be considered under Annexure-III
REGS or RHGS based on wind or solar source or Hydro PSP ESS	1.7.2025 to 30.6.2026	25 years	75
	1.7.2026 to 30.6.2027	25 years	50
	1.7.2027 to 30.6.2028	25 years	25
	After 30.6.2028		0
Battery ESS	1.7.2025 to 30.6.2026	12 years	75
	1.7.2026 to 30.6.2027	12 years	50
	1.7.2027 to 30.6.2028	12 years	25
	After 30.6.2028		0

1. However, the waiver on transmission charges, applicable to scheduling RE power, mainly benefits the states procuring RE power via ISTS. As a result, RE-rich States , who facilitate the growth and evacuation of RE power end up cross-subsidizing the transmission charge liability of RPO-deficit states and other RE-buying entities.
2. The present impact on yearly transmission charges due to the National component -RE & RE waiver portion for TNPDC (TANGEDCO) is **Rs.520/- Crores** per annum which works out to be 14% of All India NC- RE YTC.

in crore
ALL INDIA YTC of RE NC -at present 3848.46

TANGEDCO TRANSMISSION CHARGES - RE	Monthly Liability (BASED ON JULY 2024 RTA)	Tentative Annual Liability
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TOTAL RE - ANNUAL LIABILITY (A+B-C)		520.12

14% of YTC of All India NC- RE
TN portion in All India NC -RE

3. The capital investment in the transmission sector would increase to the extent of Rs. 2,50,000 Crores to meet the Government of India's target of 500 GW by 2030. Due to the NC-RE and RE waiver component, the estimated annual transmission charges for TNPDC (TANGEDCO) would be around Rs. 5,250 crores.
4. SRPC has also requested MoP to consider the concerns of the Southern Region (SR) States and DISCOMs,

		<p>particularly the RE-rich states, by forming a committee. The copy of the letters is enclosed as Annexure B.</p> <p>5. As the waiver of transmission system will have significant financial implications for TNPDC(TANGEDCO) and ultimately for end consumers, it is requested that the Hon'ble Commission may take up the matter with MNRE and the Ministry of Power (MoP) and reconsider the waiver of transmission charges for the use of ISTS for RE projects.</p>																		
4.	<p>(iii) REGS based on Offshore Wind which is declared under commercial operation on or after 1.01.2033, shall be considered as follows:</p> <table border="1" data-bbox="347 936 799 1205"> <thead> <tr> <th>Period of COD</th> <th>Number of years from COD</th> <th>% of drawl Schedule from off shore wind generating station, to be considered under Annexure-III</th> </tr> </thead> <tbody> <tr> <td>01.01.2033 to 31.12.2033</td> <td rowspan="4">25 years</td> <td>75</td> </tr> <tr> <td>01.01.2034 to 31.12.2034</td> <td>50</td> </tr> <tr> <td>01.01.2035 to 31.12.2035</td> <td>25</td> </tr> <tr> <td>After 31.12.2035</td> <td>0</td> </tr> </tbody> </table>	Period of COD	Number of years from COD	% of drawl Schedule from off shore wind generating station, to be considered under Annexure-III	01.01.2033 to 31.12.2033	25 years	75	01.01.2034 to 31.12.2034	50	01.01.2035 to 31.12.2035	25	After 31.12.2035	0	<p>It is once again reiterated, that the socialization of ISTS transmission charges should not be made applicable to offshore wind projects, as the per MW cost of the transmission projects associated with the Off-shore plants as high as Rs.13Cr. Hence, there is a need to include the cost of the transmission system up to On-shore under the Generation tariff to be funded by the Central Government so as to make the Off shore wind projects economically viable. Hence, the Hon'ble commission may issue statutory advise to the MoP to re-examine the waiver (socialization and cross subsidising) of transmission charges and to adopt causer based principle as per the mandate of Electricity Act. Hence, the proposed amendment may be dropped.</p>						
Period of COD	Number of years from COD	% of drawl Schedule from off shore wind generating station, to be considered under Annexure-III																		
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After 31.12.2035		0																		
5.	<p>(iv) Waiver of transmission charges for the use of ISTS shall be applicable for Green Hydrogen or Green Ammonia Plant as a drawee DIC as follows:</p> <table border="1" data-bbox="339 1547 852 1832"> <thead> <tr> <th>Period of COD (1)</th> <th>Number of years from COD (2)</th> <th>% of drawl Schedule to be considered under Annexure-III* (3)</th> </tr> </thead> <tbody> <tr> <td>Upto 31.12.2030</td> <td>25 years</td> <td>100</td> </tr> <tr> <td>01.01.2031 to 31.12.2031</td> <td>25 years</td> <td>75</td> </tr> <tr> <td>01.01.2032 to 31.12.2032</td> <td>25 years</td> <td>50</td> </tr> <tr> <td>01.01.2033 to 31.12.2033</td> <td>25 years</td> <td>25</td> </tr> <tr> <td>After 01.01.2034</td> <td></td> <td>0</td> </tr> </tbody> </table> <p>As a drawee DIC, a Green Hydrogen or Green Ammonia Plant having drawl schedule from</p> <p>(i) REGS or RHGS based on wind (including off shore wind) or solar source, (ii) ESS which is meeting at least 51% of its</p>	Period of COD (1)	Number of years from COD (2)	% of drawl Schedule to be considered under Annexure-III* (3)	Upto 31.12.2030	25 years	100	01.01.2031 to 31.12.2031	25 years	75	01.01.2032 to 31.12.2032	25 years	50	01.01.2033 to 31.12.2033	25 years	25	After 01.01.2034		0	<p>The proposed amendment to make the Green Hydrogen or Green Ammonia Plant developers eligible for waiver (socialization and cross subsidising) of transmission charges is against the basic objective of Electricity Act and Tariff Policy.</p> <p>a) In this regard, it is pertinent to bring it to the knowledge of the Hon'ble Commission that as per the Nation Green Hydrogen Mission notified by the Ministry of Power, an estimated capacity of 75000 MW of green hydrogen/ green ammonia projects are under pipeline and will be connected to the national grid under the category of bulk consumers. The waiver of the transmission charges of such category of consumers would impose an additional tariff burden of Rs. 40,000 crores (based on the</p>
Period of COD (1)	Number of years from COD (2)	% of drawl Schedule to be considered under Annexure-III* (3)																		
Upto 31.12.2030	25 years	100																		
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01.01.2033 to 31.12.2033	25 years	25																		
After 01.01.2034		0																		

	<p>annual electricity requirement for pumping of water or charging of battery with electricity generated from REGS or RHGS based on wind or solar source and</p> <p>(iii) hydro generating station, shall be eligible to waiver considering drawl schedule as per Table under sub-clause (f-iii) or as per sub-clauses(a) to (f-i) of Clause (2) of this Regulation, whichever is higher.</p>	<p>estimates as on 2030).</p> <p>b) The transmission charges liability imposed on the end consumers will have a huge recurring impact for 25 years (cut-off date of 31.12.2030) and further up to COD 31.12.2033 with reduced % drawl schedule. This is against larger public interest.</p> <p>c) In this context, TNPDC(TANGEDCO) has flagged the issue to MoP vide letter dt:03.09.2024 and requested to withdraw the notification. The copy of the letter is enclosed as Annexure C.</p> <p>d) The proposed waiver of transmission charges to the privately owned Green Hydrogen/Green Ammonia at the cost of public exchequer is totally against the interest of the end consumer and is to protect the interest of the promoters of the drawee entities/bulk consumers. This recurring financial loss to the public exchequer for 25 years will result in sky rocketing of the electricity charges to the end consumers. Hence, in order to protect the interest of the end consumers which is the mandate of the EA, this Hon'ble Commission is requested to withdraw the proposed amendment and issue necessary statutory advice to the MoP as mentioned in the previous paragraph 1.</p>
6.	<p>A new sub-clause (h) shall be inserted after sub-clause (g) under Clause (2) of Regulation 13 of the Principal Regulations as under</p> <p>“(h) Any REGS based on wind or solar source which is eligible for a waiver of inter-state transmission charges under Regulation 13(2) of these regulations and is having its scheduled date of commissioning on or before 30th June 2025 is granted extension of time to achieve COD by the competent authority in terms of the Power Purchase Agreements (where PPA has been entered into with, a Renewable Energy Implementing Agency or a distribution licensee or an authorized agency on behalf of distribution licensee, consequent to tariff based competitive bidding) or the Commission (for cases other than specified PPA, on an appropriate application made by the entity),</p>	<p>No extension should be allowed. Further, as stated above it is requested to revisit the socialization of the transmission cost and issue necessary advice to MoP.</p>

	<p>on account of any Force Majeure event including non-availability of transmission or for reasons not attributable to the REGS, and the project achieves COD before the extended date, it shall be eligible for a waiver of inter-state transmission charges as if the said REGS had achieved COD on 30.6.2025:</p> <p>Provided that, for the purpose of this Clause, such extension shall not exceed a period of six months at a time and not more than two times."</p>	
7.	<p>(8) The second Proviso of Clause (3) of Regulation 13 of the Principal Regulations shall be substituted as follows: "Provided further that for cases of augmentation without ATS and where the Terminal Bay(s) at the ISTS sub-station, in the scope of the transmission licensee have achieved COD, which is not earlier than the start date of Connectivity, and the COD of a Connectivity grantee or the Renewable Power Park Developer, as the case may be, has not been achieved, the Connectivity Grantee or the Renewable Power Park Developer, as the case may be, shall pay Yearly Transmission Charges for the Terminal Bay(s) corresponding to the Connectivity capacity which has not achieved COD:</p> <p>Provided also that Yearly Transmission Charges in respect of the Associated Transmission System and terminal bay(s) corresponding to the Connectivity capacity that have achieved COD shall be included for determination of transmission charges of DICs in accordance with Regulations 5 to 8 of these regulations."</p>	Agreed.


 Chief Financial Controller (FAC)/
 Regulatory Cell, TNPDC