TNPDCL

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To
The Secretary,
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New Delhi- 110029.

Lr.No.CFC/RC/SE/CERC/EE1/AEE4/F.Staff Paper/D. 01/26 dt: 03.01.2026

Sir/Madam,

Sub: TNPDCL- Regulatory Cell – CERC Wing - Staff Paper on Proposal for allocation of Connectivity granted (on LOA route) where the signing of the PPA/PSA is getting delayed – Comments & Suggestions of TNPDCL – Submission of – Reg.

Ref:
1. Public Notice Ref: No.L-1/261/2021/CERC dt.25.11.2025
2. Public Notice Ref: No. L-1/261/2021/CERC dt:15.12.2025

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With reference to the public notices cited above, TNPDCL's comments and suggestions on the Staff Paper on Proposal for allocation of Connectivity granted (on LOA route) where the signing of the PPA/PSA is getting delayed, is enclosed as Annexure, for kind consideration of the Hon'ble Commission.

Encl: Annexure

Yours faithfully,
R Krishnaswami
03.01.2026
Chief Financial Controller
Regulatory Cell

Copy submitted to the Additional Secretary/MoP
Copy submitted to the Additional Secretary/MNRE

ANNEXURE

COMMENTS AND SUGGESTIONS OF TNPDCL ON STAFF PAPER ON PROPOSAL FOR ALLOCATION OF CONNECTIVITY GRANTED (ON LOA ROUTE) WHERE THE SIGNING OF THE PPA/PSA IS GETTING DELAYED

I. Proposal 1- Connectivity has been granted on the basis of LoA, but the signing of the PPA is delayed:

1. It is respectfully submitted that Options I, II and III proposed in the Staff Paper have been formulated without undertaking a comprehensive study of the planning philosophy, development process, and implementation framework of the Inter-State Transmission System (ISTS) for evacuation of power from Renewable Energy Generating Stations (REGS). Further, the said options do not adequately take into account the provisions of the extant regulatory framework governing connectivity, access and transmission planning.

2. In this context, it is necessary to place on record the background relating to the development of ISTS transmission schemes for the promotion of renewable energy, which were originally conceived based on **assessed generation potential** and were subject to a **stringent generation–transmission linkage** under the erstwhile **Connectivity Regulations**. These safeguards ensured synchronisation between the commissioning of generation projects and the corresponding transmission systems. However, such regulatory protections have been substantially diluted under the present **General Network Access (GNA) Regulations**.

3. Further, the segregation of ISTS assets created specifically for renewable energy evacuation into **Associated Transmission System (ATS)** and **Common Transmission System (CTS)** has far-reaching financial and operational implications. This structural change has effectively created an escape route for generators who fail to adhere to the prescribed project execution timelines, leading to mismatches between the **Commercial Operation Date (COD)** of generation projects and that of the associated transmission infrastructure. Such mismatches undermine system planning discipline and are detrimental to consumer interest.

4. The critical issues that merit examination by the Hon'ble Commission, along with nodal agencies such as **CTUIL, CEA, SECI, other Renewable Energy Implementing Agencies (REIAs)**, and the concerned Ministries, are set out below:

a) Lessons learnt in regulatory approval granted in Petition No. 233 of 2009 in the case of nine numbers high capacity corridors.

(i) Observations and directions of the Hon'ble Commission in order dated 31.05.2010 in Petition No. 233/2009 are as below:

"37. In order to ensure that no capacity either in generation or in transmission remains idle, there is an imperative necessity for both to come up simultaneously. However, transmission system elements can come up only as lumped elements and cannot be exactly matched with the generating unit capacity, MW to MW. Therefore, there are ***bound to be periods of some under utilization of the transmission systems, which can be mitigated by phasing the implementation of the transmission systems as far as possible to match with the commercial operation of the generation projects****...*

38. ..... ***An important matter which has engaged the attention of the Commission is the likelihood of these generation projects coming up as planned, so as not to burden the consumers with transmission charges without getting the benefit of extra power.***

42. The petitioner is directed to ensure that the proposed transmission projects for which regulatory approval has been ***granted are executed within the time frames matching with the commissioning schedules of the IPPs so that the beneficiaries are not burdened with higher IDC****..."*

(ii) Despite the clear directions issued by the Hon'ble Commission and the binding provisions of the **Bulk Power Transmission Agreement (BPTA)** and the **Connectivity Regulations, 2009**, there was a significant failure on the part of the generation companies to comply with the terms of the agreement and the Regulations. Further, there was a failure on the part of **CTUIL** to ensure that the commissioning of transmission projects was aligned with the commissioning of the corresponding generation projects. As a result of the lapses on the part of the planning agencies and the LTA grantees, substantial stranded transmission capacity was created, leading to imposition of illegitimate

financial burden on existing **DICs,** through the pooling and socialisation of tariffs under the **PoC** pool.

b) Lessons learnt in Relinquishment of LTA by the IPPs in the matter under 92/MP/2015.

(i) Consequent to the implementation of transmission schemes at the behest of the IPPs, and due to the non-materialisation of generation projects and/or failure to firm up beneficiaries owing to the absence of PPA tie-ups, approximately **57% of the total Long-Term Access (LTA)** granted was relinquished by the LTA grantees. The relevant observations of the Hon'ble Commission in this regard are extracted below:

"107. The next question is how the stranded transmission capacity shall be determined. The Commission after going through the pleadings of the Petitioner and the Respondents is of the view that since the relinquishment charges are to be paid for stranded transmission capacity falling short of the 12 years of access rights, there is a clear mandate of the regulation to determine the stranded transmission capacity. The Commission in its order dated 16.2.2015 in Petition No.92/MP/2014 had directed CEA to suggest methodology to work out stranded capacity and the formula for calculating corresponding relinquishment charges of LTA keeping in view the load generation scenario and power flows considered at the time of planning and changes subsequent to proposed relinquishment after taking note of the difficulties expressed by CTU to decide the stranded capacity. However, CEA has not provided methodology for working out the stranded capacity. The Commission also directed CEA to furnish the system study files based on which decision to implement the transmission systems under the Petition was taken. CEA forwarded the requirement of files to CTU, but neither CEA nor CTU have been able to provide the system study files to the Commission.

...

110. From the above provisions, it emerges that the basis for grant of long term access rights is the system studies carried out by CTU in consultation with CEA and the stakeholders. The need for new transmission system may arise due to new generation or to remove congestion or to meet increased/perspective demands of the States. Once the requests are received by CTU under the referred heads, CTU after carrying out load flow studies ascertains whether existing system will suffice or new system is required. CTU while planning for new systems takes into consideration the status of existing systems, particularly whether it is fully utilized or partly utilized based on

which decision to plan new systems would have been taken. However, for determination of stranded capacity, CTU has stated that load flow studies are based on a large number of assumptions pertaining to load generation and network configuration and these assumptions are always open to disputes. We are of the view that load flow study as a tool has been in use and is being used for the transmission planning, determination of PoC charges and determination of TTC/ATC not only in India but in other parts of the world. Determination of PoC charges is also based on several sequence processes including AC load flow studies which are sensitive to assumptions and the transmission charges are shared by the DICs based on load flow studies as per the Sharing Regulations. In that sense, we agree with the Respondents that the determination of stranded transmission capacity by use of well-established engineering tool like load flow analysis will be appropriate and scientific. The Commission is of the view that the stranded transmission capacity in terms of Regulation 18 of the Connectivity Regulations should be based on load flow studies with clearly laid out assumptions.

120. It is evident from the above table that out of 40607.95 MW envisaged capacity in 9 HCPTCs, quantum of 17556.3 MW is remaining and the balance capacity of 23051.65 MW has been surrendered. In fact, the average works out to 56.8% of relinquishment/abandonment or in abeyance of LTAs. Considering such large quantum of relinquishment of capacity, it cannot be said that there would not be stranded transmission capacity in ISTS. In the changed scenario, the decisions of the Commission in Petition No.118/MP/2012 and 63/MP/2013 are inapplicable to deal with such large scale relinquishment of LTAs resorted to by the long term customers."

(ii) It is evident from the aforesaid findings and observations of the Hon'ble Commission that, despite the existence of adequate binding conditions and statutory safeguards under the **BPTA** and the extant Regulations, the failure of the concerned agencies resulted in the creation of transmission systems aggregating to approximately **23,000 MW** without any beneficial use, thereby rendering them stranded assets.

(iii) Further, due to the failure of **CTUIL** to encash the Bank Guarantees in a timely manner, several generators approached the **Hon'ble APTEL** and obtained interim stays even after a lapse of six months. This resulted in the non-recovery of relinquishment charges amounting to

approximately **₹7,300 crore**, causing substantial loss to the public exchequer.

c) Hon'ble Commission's direction in the matter of regulatory approval for 18.5 GW transmission system based on assessed RE potential vide order dated 26.11.2021 in 200/MP/2019.

(i) Notwithstanding the adverse decisions and consequences arising from mismatches in the commissioning of generation and transmission projects - leading to the creation of redundant and stranded capacities and the imposition of unwarranted financial burdens on end consumers - the nodal agencies, namely **SECI, CTUIL and CEA**, along with **MNRE and MoP**, continued to advocate the delinking of generation and transmission projects. Based on the targeted Renewable Energy capacity addition of **180 GW by 2022**, CTUIL planned extensive transmission capacities across the country at the behest of SECI. However, TNPDCL raised strong objections to the development of transmission systems based solely on assessed potential, without firm generation commitments or beneficiary tie-ups. Owing to the strong objections raised by Southern Region beneficiaries, CTUIL sought regulatory approval for an investment of **₹9,450 crore** for **18.5 GW**. The Hon'ble **CERC**, however, did not approve the proposal in its original form and substantially scaled down the investment to **₹1,600 crore** corresponding to **8 GW** of capacity.

(ii) The relevant observations and directions of the Hon'ble Commission are extracted below:

"55. We are of the view that this scaling down of the proposal of transmission system for regulatory approval from 18.5 GW to 8 GW raises a serious question mark on the entire process of transmission planning and approval. ***In our view, there was gross lack of due diligence by statutory planning agencies such as CTUIL and intermediary agency like SECI and the competent authority which approved the scheme for the 18 GW. The basic ingredients of planning, namely availability of land, applications for LTA, comprehensive All India study and respecting the view-points of stakeholders, especially those who finally bear the cost of the transmission system through transmission charges were conveniently neglected and overlooked.***

It was the persistent nudging by the Commission and repeated voicing of concerns of the stakeholders that led these agencies to accept the reality, albeit reluctantly, and revise the scheme downwards.

56. We observe that the estimated cost of the originally proposed 18.5 GW transmission system was Rs.9,485 crore, whereas the estimated cost of the scaled down transmission system of 8 GW is only Rs.1,628 crore. Thus, because of scaling down of the transmission system to 8 GW, the expected additional annual transmission charges would be substantially lower than what would have been with the transmission system of 18.5 GW. ***Thus, had the Commission not taken the view that it took, the consumers would have been unnecessarily burdened with additional transmission charges and there would have been un-necessary capital expenditure incurred and in addition, there could have been stranded assets.***

66. In view of above, it is directed that Petitioner shall ensure that the transmission system is taken up for implementation matching with progress of generation projects. We observe from various minutes of meetings of SRPC, SRSCT, NCT and ECT that the transmission schemes are agreed for implementation after receipt of LTA. The recovery of transmission charges as well as treatment of mismatch between COD of generating station and transmission system shall be governed by provisions of the Central Electricity Regulatory Commission (Sharing of inter-state transmission charges and losses) Regulations, 2020 as amended from time to time. ***The regulatory approval granted in this order is subject to the condition that the distribution companies and consumers shall be liable for payment of transmission charges after the renewable generating stations achieve COD. In case the generating stations as envisaged do not materialize and transmission system is commissioned, CTUIL may seek appropriate remedies such as grants and/or subsidies from GOI/ State Governments till the associated generating stations achieve COD. CTUIL may also approach the Commission for appropriate relief and directions"***

(iii) Though the Hon'ble Commission had issued specific directions in respect of the transmission scheme in the Southern Region, no such directions were issued for other regions. In the absence of such directions, the implementing agency proceeded with the execution of the transmission schemes without adhering to the aforesaid guiding principles, resulting in the creation of stranded transmission assets.

d) Comments and observations of TNPDCL on the draft First Amendment to GNA Regulations, on ATS & CTS and its technical and financial implications:

" 6. Apart from the above, 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***

7. The above definition has changed the gamut of the Planning and blatantly 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. 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. There were number of such financially unviable and technically stranded transmission schemes created in the recent past resulting in imposition of huge illegitimate liabilities on the DICs through the pool (Example- 92/MP/2015 – Relinquishment case)"

5. TNPDCL has already raised its concerns regarding the change in the definition of Associated Transmission System (ATS) in the draft and final GNA Regulations, as the revised definition imposes a substantial and illegitimate financial burden on Designated ISTS Customers (DICs). This burden arises due to the creation of redundant transmission systems resulting from the failure of generators to align the Commercial Operation Date (COD) of their generation projects with that of the corresponding transmission system or due to abandonment of generation projects. By segregating transmission systems into ATS and Common Transmission System (CTS), defaulting generators have effectively been absolved of the responsibility to pay transmission charges for unutilised CTS assets developed exclusively for evacuation of their power. Consequently, the liability for such assets has been shifted to DICs/consumers, without any corresponding benefit.

6. In this context, the three options proposed in the Staff Paper further extends the commissioning timeline of Renewable Energy Generating Stations (REGS) by more than 18 months, considering the additional extensions and auction

period. During this extended period, transmission charges for the stranded or redundant CTS created for these projects would continue to be borne by the DICs without any beneficial use. Further, the amounts realised through Conn-BG1, Conn-BG2, Conn-BG3, PBG, mismatch charges, milestone extension charges and auction premiums, which are proposed to offset monthly transmission charges of DICs, are negligible and grossly inadequate even to meet the fixed charges of the ATS.

7. In view of the above, TNPDCL submits that none of the options proposed in the Staff Paper should be permitted for existing connectivity grantees. Instead, the provisions of Regulation 24.6 – Revocation of Connectivity under the Connectivity and GNA Regulations should be strictly enforced in cases where generators fail to achieve COD within the stipulated timelines (or) the liability of transmission charges of both Associated and Common Transmission Systems ought to be fixed on the LOA awardee, till COD of the generating station.

8. The encashment of Bank Guarantees is insufficient to meet the fixed charges of the redundant transmission systems that have been commissioned or under commissioning, for the projects whose connectivity stands revoked. The Hon'ble Commission, vide order dated 26.11.2021 in Petition No. 200/MP/2019, directed CTUIL to explore appropriate remedies such as grants and/or subsidies from the Government of India or State Governments in cases where transmission systems are commissioned but the corresponding generating stations are not. This principle is well-settled in law. Accordingly, CTUIL may be directed to seek grants from the Government of India to meet the transmission charges of such redundant assets, as beneficiaries cannot be held liable for transmission charges until the assets are put to beneficial use.

9. Under these circumstances, it is evident that the Staff Paper attempts to circumvent the regulatory framework and create an escape route for defaulting generators from the rigours of the Regulations. Moreover, other categories such as the Land Route and Land BG Route have not been examined or placed for deliberation. It is learnt that several generators under

the Land BG Route have failed to firm up land acquisition and continue to seek time extensions even after two years from the grant of connectivity.

10. In light of the foregoing, TNPDCL submits that the existing Joint coordination Committee (JCC) may be strengthened by including all nodal agencies and stakeholders, particularly DISCOMs to comprehensively review the status of all RE generation and transmission projects and recommend appropriate measures. Such an exercise would help resolve the issues in a holistic manner without causing unlawful financial burden on end consumers and would also facilitate necessary amendments to the relevant regulations.

11. TNPDCL submits that the transmission charges that is waived for drawl of RE power for a period of 25 years, is again socialised among the DISCOMs in proportion to their share in total ISTS charges. Due to this waiver, DISCOMs like TNPDCL having more RE generations within the state is bearing additional tariff burden in sharing the RE waiver component.

12. TNPDCL further submits that in respect of Common Transmission System (CTS), as an alternative, the IDC from the deemed COD of the CTS to actual COD of the generating station may be capitalised and recovered from the concerned generators. In this method, there will be co-relation between the generator and the transmission licensee to bring the generation project along with the transmission system and make them mutually responsible, instead of execution of generation and transmission projects separately without responsibility.

Proposal II – Grant of fresh connectivity in the future:

13. TNPDCL submits that Option-I, which proposes grant of Connectivity only on the basis of a duly executed Power Purchase Agreement (PPA) in place of the LoA route under Regulation 5.8(xi), **is appropriate and merits consideration.**

14. In practice, developers undertake substantive project development only after execution of a PPA. Restricting connectivity to the PPA route would discourage speculative applications, ensure transmission planning based on

firm contractual commitments and reduce the risk of stranded or under-utilised transmission assets and associated cost burden to beneficiaries.

Summary of TNPDCL's Suggestions:

1. Under proposal No.1, TNPDCL submits that none of the options proposed in the Staff Paper should be permitted for existing connectivity grantees. Instead, the provisions of Regulation 24.6 – Revocation of Connectivity under the Connectivity and GNA Regulations should be strictly enforced in cases where generators fail to achieve COD within the stipulated timelines (or) the liability of transmission charges of both Associated and Common Transmission Systems ought to be fixed on the LOA awardee, till COD of the generating station.

2. Under Proposal No.2, TNPDCL suggests Option–I, grant of connectivity exclusively on the basis of executed PPAs for all future applications.

3. The Hon'ble Commission may restore the original ATS definition from the draft GNA Regulations, thereby clear guidelines to prevent the socialization of CTS costs during mismatch or abandonment periods.

4. The Hon'ble Commission may issue appropriate directions to strengthen the Joint Coordination Committee as an effective decision making forum by including DISCOMs to comprehensively review the status of all RE generation and transmission projects and recommend appropriate measures so as to avoid stranded assets and unlawful financial burden on end consumers.

5. CTUIL may be directed to seek grants from the Government of India to meet the transmission charges of redundant assets that have been commissioned or under commissioning for the projects whose connectivity stands revoked, as beneficiaries cannot be held liable for the transmission charges until the assets are put to beneficial use.

R Srinivasan

03. 01. 2026

Chief Financial Controller
Regulatory Cell