

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Dated: 9 June, 2014

NOTIFICATION

No. L-1/148 /2014/CERC In exercise of the powers conferred by Sections 178 (1) and 178 (2) (ze) of the Electricity Act, 2003 (36 of 2003) and all other powers enabling it in this behalf and after previous publication, the Central Electricity Regulatory Commission hereby makes the following regulations, namely:-

1. Short title and commencement:

- (1) These regulations may be called the Central Electricity Regulatory Commission (Power System Development Fund) Regulations, 2014.
- (2) These regulations shall come into force from the date of their publication in the Official Gazette.

2. Definitions:

- (1) In these regulations, unless the context otherwise requires:
 - (a) "Act" means the Electricity Act, 2003 (36 of 2003), including amendments thereto;
 - (b) "Appraisal Committee" shall mean the Committee constituted by Government of India, Ministry of Power for the purpose of scrutiny (techno-economic appraisal) and prioritization of various project proposals for funding from PSDF and such other functions relating to PSDF as may be assigned;
 - (c) "Appropriate Commission" means the Central Commission or the State Commission or the Joint Commission as defined in the Act;
 - (d) "Congestion Relief Regulations" means Central Electricity Regulatory Commission (Measures to relieve congestion in real time operation) Regulations, 2009 as amended from time to time and any subsequent enactment thereof;
 - (e) "Power Market Regulations" means Central Electricity Regulatory Commission (Power Market) Regulations, 2010 as amended from time to time and any subsequent enactment thereof;
 - (f) "Congestion Amount" has the same meaning as assigned to it in Regulation 33 of the Power Market Regulations;

- (g) "Congestion Charge" has the same meaning as assigned to it under Congestion Relief Regulations;
 - (h) "Detailed Procedure" means the procedure prepared by the Nodal Agency, with the approval of the Monitoring Committee, for implementation and administration of PSDF in accordance with these regulations and as per the scheme for operationalization of PSDF notified by Ministry of Power, Govt. of India.
 - (i) "Deviation Settlement Charges" has the same meaning as assigned to it in the Deviation Settlement Mechanism Regulations;
 - (j) "Deviation Settlement Mechanism Regulations" means the Central Electricity Regulatory Commission (Deviation Settlement and related matters) Regulations 2014 as amended from time to time and subsequent enactment thereof;
 - (k) "Grid Code" means the Central Electricity Regulatory Commission (Indian Electricity Grid Code) Regulations 2010, as amended from time to time and any subsequent enactment thereof;
 - (l) "Monitoring Committee" shall mean the committee constituted by Government of India, Ministry of Power for the purpose of sanctioning of projects, release of funds from PSDF and overall supervision and monitoring of the implementation of projects and such other functions as may be assigned;
 - (m) "Nodal Agency" means the agency as designated under clause (a) of regulation 5 of these regulations;
 - (n) "PSDF" means the Power System Development Fund constituted under Regulation 3 of these regulations;
 - (o) "Reactive Energy Charges" has the same meaning as assigned to it in the Grid Code;
- (2) Save as aforesaid and unless repugnant to the context or the subject-matter otherwise requires, words and expressions used in these regulations and not defined, but defined in the Act, or the regulations made thereunder by the Commission, shall have the meanings assigned to them respectively in the Act or the regulations.
- (3) The provisions of the General Clauses Act, 1897 (10 of 1897) as amended from time to time shall apply for the interpretation of these regulations as they apply for the interpretation of an Act of Parliament.

3. Constitution of the Fund:

- (1) There shall be constituted a fund to be called the "Power System Development Fund" or "PSDF" and there shall be credited thereto.-
 - (a) Congestion charges standing to the credit of the "Congestion Charge Account" after release of amounts payable to Regional Entities entitled to receive congestion charges along with interest, if any, in accordance with the Congestion Relief Regulations;
 - (b) Congestion amount arising from the difference in the market prices of different regions as a consequence of market splitting in power exchanges in accordance with Power Market Regulations;
 - (c) Deviation Settlement Charges standing to the credit of the "Regional Deviation Pool Account Fund" after final settlement of claims in accordance with Deviation Settlement Mechanism Regulations;
 - (d) RLDC reactive energy charges standing to the credit of Reactive Energy Charges Account in accordance with the Grid Code;
 - (e) Additional Transmission Charges arising out of the explicit auction process in STOA Advance Bilateral transactions in accordance with the CERC (Open Access in interstate transmission) Regulations, 2008 and amendments thereof;
 - (f) Such other charges as may be notified by the Central Commission from time to time;
- (2) The agencies which are authorized to collect Congestion charges, Congestion amount, Deviation Settlement charges, Reactive energy charges under the respective regulations and such other charges as may be notified by the Commission from time to time, shall transfer to the credit of the Fund the balance amounts in the charges under sub-clauses (a) to (f) of clause (1) of this regulation on monthly basis or on such periodicity as may be provided in the Detailed Procedure.
- (3) The PSDF shall be maintained and operated through the Public Account of India. All the amounts that would accrue into the fund as per clause (1) of Regulation 3 and also the amounts lying accumulated in the fund and not transferred to public account till the issue of this regulation, shall be transferred to the Public Account of India.

4. Utilization of the PSDF:

(1) PSDF shall be utilized for the following purposes:

- (a) Transmission systems of strategic importance based on operational feedback by Load Despatch Centers for relieving congestion in inter-State transmission system (ISTS) and intra-State Transmission Systems which are incidental to the ISTS.
- (b) Installation of shunt capacitors, series compensators and other reactive energy generates including reactive energy absorption and dynamic reactive support like static VaR compensator (SVC) and static synchronous compensator (STATCOM) for improvement voltage profile in the Grid.
- (c) Installation of special protection schemes, pilot and demonstrative projects, standard protection schemes and for setting right the discrepancies identified in the protection audits on regional basis.
- (d) Renovation and Modernization (R&M) of transmission system for relieving congestion.
- (e) Any other scheme/ project in furtherance of the above objectives such as technical studies, capacity building, installation of Phasor Measurement Unit (PMU) etc.

(2) PSDF shall also be utilized for the projects proposed by distribution utilities in the above areas which are incidental to inter-state transmission system and have a bearing on grid safety and security, provided that these projects are not covered under any other scheme of the Government of India, such as Restructured Accelerated Power Development & Reforms Programme (RAPDRP), Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) / National Electricity Fund (NEF) etc.

(3) The private sector projects shall not be eligible for assistance from PSDF.

(4) Prioritization shall be done mainly on the criteria of the schemes (i) addressing grid security concerns; (ii) being of national importance; (iii) being in the order of National/Multi utility/Regional/State importance; (iv) being inter-state in nature.

5. Nodal Agency and its functions

(a) National Load Despatch Centre (NLDC) shall be the Nodal Agency for the implementation of the scheme under these regulations.

(b) The Nodal Agency shall perform the following functions:-

- (i) Act as Secretariat to the Monitoring Committee and the Appraisal Committee.

- (ii) Prepare a Detailed Procedure for release and disbursement from PSDF consistent with the Procedure approved by the Monitoring Committee from time to time.
- (iii) Keep the Record of Business transacted at each meeting of the Appraisal Committee and the Monitoring Committee.
- (iv) Prepare detailed procedure for preparation of Budget, Accounting of receipts/ disbursements from PSDF Public Account and Audit with the approval of the Monitoring Committee.
- (v) Prepare Annual Report of the PSDF.
- (vi) Perform such other functions as may be assigned by the Monitoring Committee and the Appraisal Committee.

6. Appraisal Committee

There shall be an Appraisal Committee headed by the Chairperson, Central Electricity Authority (CEA), to be constituted by the Government of India (Ministry of Power) for scrutiny (techno-economic appraisal) and prioritization of the various projects proposals for funding from PSDF in line with Clause (4) of Regulation (4) of these Regulations and such other functions as may be assigned by the Monitoring Committee.

7. Monitoring Committee

Government of India (Ministry of Power) shall constitute an Inter-Ministerial Monitoring Committee under the Chairmanship of Secretary (Power) Government of India to be known as Monitoring Committee and shall also consist of representatives from the Ministry of Power, Ministry of New and Renewable Energy, Department of Expenditure (Ministry of Finance), Central Electricity Authority (CEA) and Planning Commission as Members. The Chief Executive Officer, Power System Operation Corporation Limited (POSOCO) shall be the Member-Secretary of the Committee. The Monitoring Committee will consider such projects (or their revised costs) for sanction based on the recommendation of the Appraisal Committee and communication of the Central Commission that such projects are in line with the principles defined in these regulations and have been prioritised in accordance with the principles envisaged in these regulations. Based on the sanctions by the Monitoring Committee, the funds will be released to the project entities from the Budget of Ministry of Power. This Committee will also supervise and monitor the implementation of various projects sanctioned by it. Release of funds from PSDF will be regulated as per the extant instructions of the Ministry of Finance in this regard. The release of funds to Nodal Agency from the Public Account for further disbursement to project entities will be made after exercising requisite expenditure control, provided that the scheme has adequate funds provisioned for in the Demand for

Grants of Ministry of Power.

8. Procedure for Application, Screening, Appraisal, Monitoring, Sanction etc of PSDF

- (a) The Regional Power Committees, Generating Companies, Transmission Licensees, Distribution Licensees, Load Despatch Centers, Power Exchange as the case may be, shall furnish necessary details of the projects, schemes or activities to the Nodal Agency.
- (b) The Nodal Agency shall place these projects or scheme or activities for techno-economic scrutiny by the Appraisal Committee.
- (c) After scrutinizing the proposals, the Appraisal Committee shall submit its Appraisal Report and recommendations in writing to the Central Commission, and to the project entity who has submitted the proposal.
- (d) The Nodal Agency will approach the Central Commission, along with the recommendations of the Appraisal Committee, for ascertaining that the projects / scheme(s) / activities are covered within the scope of these Regulations.
- (e) The Central Commission, on receipt of such reference, will look into the following aspects viz.:-
 - (i) Whether the proposed projects / schemes / activities are in line with the purposes defined in these regulations;
 - (ii) Whether the proposed scheme(s) have been prioritized in accordance with the principles envisaged in these regulations.
- (f) If the conditions specified in clause (e) of this regulation are satisfied, the Central Commission shall communicate to the Nodal Agency that the proposed projects are in line with the principles defined in these regulations and have been prioritised in accordance with the principles envisaged in these regulations.
- (g) The Central Commission, at this stage shall not go into the details of the project cost, which will be examined by the Appropriate Commission only at the time of filing of tariff petition by the project entity to ensure inter alia that the tariff in respect of such project / scheme is not claimed for the portion of grant from the PSDF.
- (h) Based on the communication received in this regard from the Central Commission, the Nodal Agency shall approach the Monitoring Committee for sanction of the fund from the PSDF.

9. Assistance Pattern

The funding will be made as a grant, subject to availability of funds. The quantum of grant shall depend on the strategic importance and the size of the project and shall be considered for release as per these regulations. Detailed guidelines in this regard shall be prepared by the Monitoring Committee.

10. Execution, Operation & Maintenance of the Assets

The project entity shall be responsible for the execution as well as Operation & Maintenance of the projects during its useful life. Operation and Maintenance of the Project / scheme shall be governed in accordance with the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014, as amended from time to time or any subsequent enactment thereof.

11. Preparation of Budget, Accounts and other records

Preparation of Budget, Accounting of Receipts/ disbursements from PSDF Public Account, Utilization Certificates, and Audit etc shall be governed in accordance with the provisions made in the Detailed Procedure in this regard.

12. Implementation, Monitoring and Control of Projects/ Schemes

- (a) The Regional Power Committees, Transmission Licensees, Distribution Licensees, Load Despatch Centers, Power Exchanges, Central Transmission Utility (CTU), State Transmission Utility (STU) for intra-State systems which are incidental to the ISTS will be the Implementing Agencies.
- (b) The Appraisal Committee in consultation with Ministry of Power will evolve a mechanism to evaluate the implementation of projects by laying down objective quantifiable financial and technical outcome parameters for each category of projects funded under the project / scheme.
- (c) The Monitoring Committee will supervise and monitor the implementation of projects on the basis of mechanism evolved but not limited to (b) above.

13. Annual Report

An Annual Report of the fund including the projects undertaken during the year, together with the Balance Sheet and Audited Accounts shall be submitted to the Central Government and for information to the Central Commission. The Annual Report shall also be laid on the table of both Houses of Parliament through the Ministry of Power.

14. Power to remove difficulties

If any difficulty arises in giving effect to the provisions of these regulations, the Commission may, by general or specific order, make such provisions not inconsistent with the provisions of the Act and the regulations made thereunder as may appear to be necessary for removing the difficulty in order to achieve the objectives of these regulations.

15. Repeal and Savings

- (a) Save as otherwise provided in these regulations, Central Electricity Regulatory Commission (Power System Development Fund) Regulations 2010 are hereby repealed.
- (b) Notwithstanding such repeal, anything done or any action taken or purported to have been done or taken including any procedure, minutes, annual reports, confirmation or declaration or any instrument executed under the repealed regulations shall be deemed to have been done or taken under the relevant provisions of these regulations.

(Shubha Sarma)
Secretary