ONGC Tripura Power Company Limited

(JV Company of ONGC, IL&FS, IDFC and Govt. of Tripura)

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Ref. No: OTPC/COMML/T-13/2016-17/219

14th November, 2016

The Secretary,
Central Electricity Regulatory Commission,
3rd and 4th Floor, Chanderlok Building,
36, Janpath, New Delhi-110001.

Sub: **Submission of Comments/Suggestions on Draft (Grant of Connectivity , Long Term Access and Medium Term Open Access in inter-state Transmission and related matters) (sixth amendment), Regulations, 2016 and Draft CERC (Sharing of Inter-State Transmission Charges and Losses) (fifth amendment), Regulations, 2016.**

Ref: **CERC Letter No: L-1/(3)/2009-CERC& L-1/144/2010-CERC dated 2nd November 2016**

Sir/Madam,

The Hon'ble Commission vide reference letter CERC has invited comments/suggestions/objections on Draft CERC (Grant of Connectivity, Long Term Access and Medium Term Open Access in inter-state Transmission and related matters) (sixth amendment), Regulations, 2016 and Draft CERC (Sharing of Inter-State Transmission Charges and Losses) (fifth amendment), Regulations, 2016.

Kindly find enclosed our comments/suggestions on the draft regulations. We are making this timely reply comments/suggestions and are submitting 1+9 hard copies of the submission. We have also e-mailed the PDF and word document of the submission at registry@cercind.gov.in.

Sincere Regards,

14/11/2016

Arup Ch. Sarmah
GM (Commercial)

OTPC Palatana Project - Comments on draft CERC (Sharing of Inter State Transmission Charges and Losses) Regulations, Fifth Amendment, 2016

1. Proposed Amendments relating to Reliability Support Charge

a) Proposed amendment to Regulation 7

Following sentence shall be added at the end of Sub-clause (q) of Clause (I) of Regulation 7 of the Principal Regulations:

"Additionally, Reliability Support Charge shall also be payable by a DIC for the quantum of Connectivity granted by CTU from the date of physical Connection to ISTS including the case where DIC is not availing any LTA / MTOA provided that the total quantum for the purpose of Reliability Charge shall not exceed the quantum of Connectivity granted to a DIC:

Provided further that if Connectivity has been sought in a phased manner, Reliability charges shall be billed accordingly:

Provided also that Reliability Support Charge paid by a DIC under STOA shall be off-set against the quantum covered under Connectivity"

b) Proposed amendment to Regulation 11

Following shall be added after subpara (2) of Para 4 of Regulation 11

For Generators having Connectivity over and above LTA + MTOA. The MTOA shall be considered in addition to LTA only if it is over and above LTA.

[Reliability Support Rate in Rs/MW/month] x [*Connectivity Quantum – (LTA + MTOA)*]

OTPC Comments/Views:

i. Reliability Support Charge (RSC) presently is being levied on the basis of approved withdrawl/injection. In case of implementation of the new proposal of levying RSC on the connectivity quantum, the price of power for the end consumer is set to increase at a time when measures like e-auctioning of power has been implemented resulting in discovery of lower electricity prices. **Therefore, there is a requirement to make the markets efficient by removing additional charges like RSC on the basis of connectivity.**

ii. The proposed levy of RSC on basis of connectivity goes contrary to the creation of an efficient marketplace. The Hon'ble Commission has been entrusted with the responsibility to develop the power market. The clause of the Act is extracted hereunder for ease of reference:

   a. *"Section 66: The Appropriate Commission shall endeavour to promote the development of a market (including trading) in power in such manner as may be specified and shall be guided by the National Electricity Policy referred to in section 3 in this regard."*

iii. The market encompasses all the transactions whether it is in long term, medium term or short term and this market should be both competitive and efficient. The Power Market Regulations define market as under:

> *"Market" means a forum / platform where buyers and sellers directly or through Electricity Trader , or through electronic Exchanges (including a Power Exchange) buy or sell electricity or its related products ;*

iv. An inefficient market place does not give the best results for the consumers and do not provide the cheapest rates and the same is corroborated by Sally Hunt in her book Making Competition Work in Electricity:

> *"But when markets are not competitive, or the marketplaces are not efficient, they do not work to give the cheapest and the best results for consumers."*

v. In the present situation when the average PLF of thermal power stations in the country is below 60% and the procurers/beneficiaries are not willing to get into long term arrangements, generators have no choice but to go for short term market. Even in the short term market, the prices are below the breakeven point thus forcing many of the generators to sell at a loss. In this scenario, levying RSC on connectivity quantum would compensate transmission utilities at the cost of the generating stations.

vi. In view of the above, it is humbly requested that the Hon'ble Commission considers **levying Reliability Support Charges on approved injection/withdrawl instead of connectivity as is the present practice**. In case the Hon'ble Commission decides to levy RSC, then the generators should also be **adequately compensated and should be allowed to pass through the additional charges to the beneficiaries.**

2. Proposed Amendments to relating to MTOA and STOA charges

a) Proposed amendment to Regulation 9

Sub-clause (I) of Regulation 9 of the Principal Regulations shall be substituted as under:
"(1) The transmission charges for MTOA customers who are not availing LTA to target region for the capacity under MTOA shall be charged 1.25 times of the LTA POC rates as notified by the Commission from time to time.
(2) The transmission charges for STOA customers who are not availing LTA to target region for the capacity under STOA shall be charged 1.35 times of the normal STOA POC rates as notified by the Commission from time to time.

Provided that the surplus charges collected under above clauses shall be reimbursed back to DICs paying charges under first bill in the next month."

b) Proposed amendment to Regulation 11:

Following shall be added after subpara (1) of Para 4 of Regulation 11.

For DICs having MTOA over and above LTA:

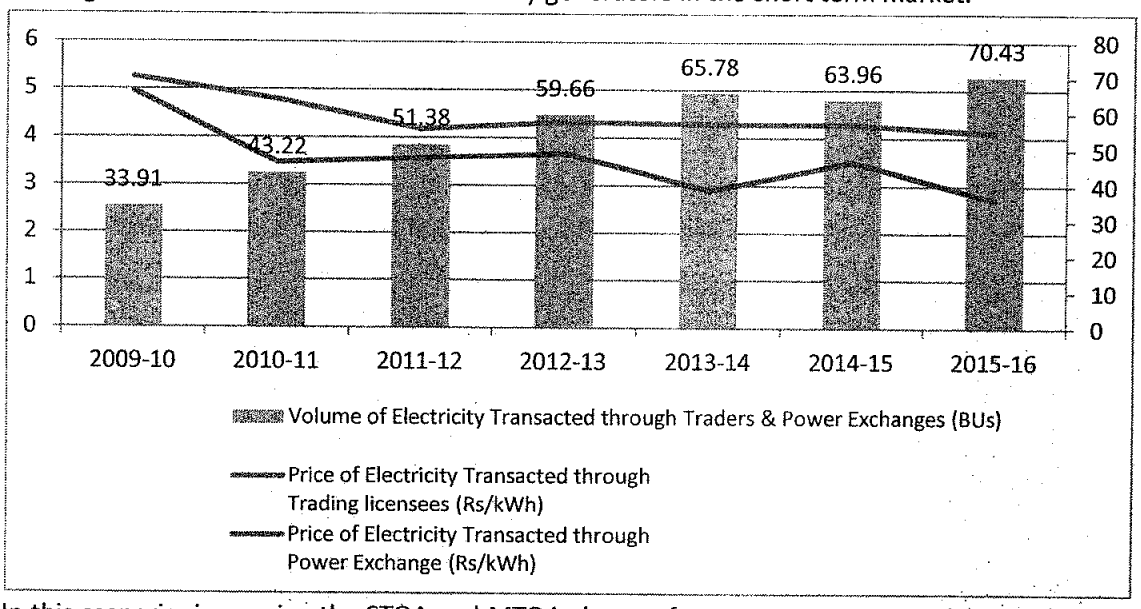
[*PoC transmission rate of demand zone in Rs/ MW/ month*] x [*1.25*] x [(*Approved withdrawal*) / (*Approved injection*)]

OTPC Comments/Views:

i. The transmission planning is linked to the long term access. It appears that in a bid to restrict short term and medium term transactions, the Hon'ble Commission intends to increase the medium term and short term access charges.

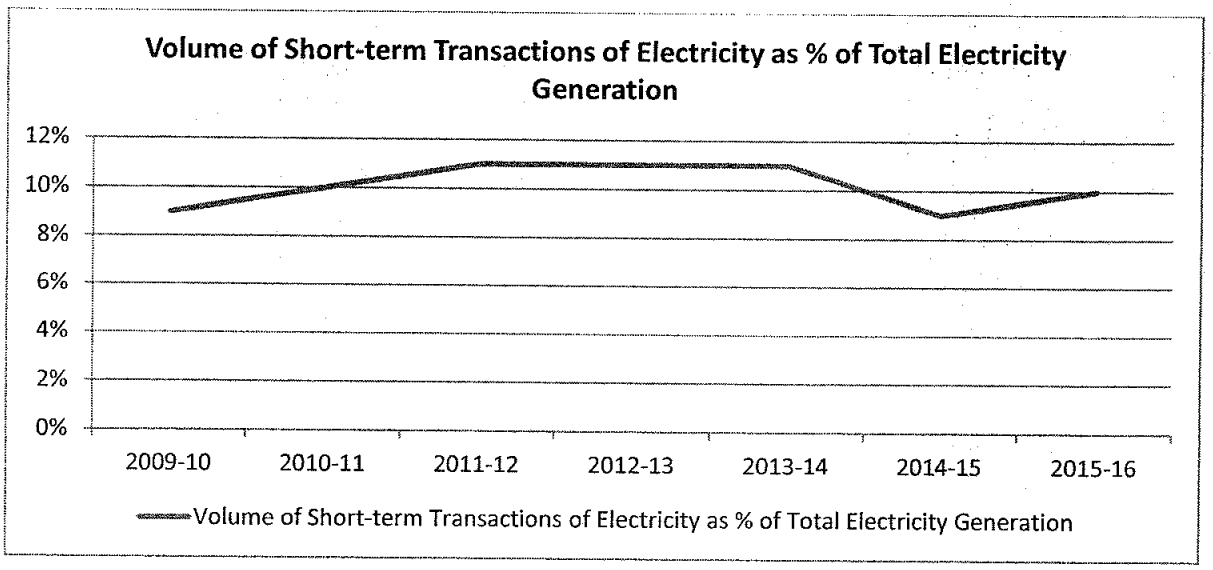
ii. As the Hon'ble Commission has acknowledged in the SOR, state utilities prefer the short term route over long or medium term for power procurement. In such a situation generators are left with no choice but to sell power in the short term. Although the volumes have increased in the short term market the prices have been coming down. Therefore, given a choice a generator would ideally like to secure its sale of its entire generation capacity in long term at higher prices than in short term with lower/volatile prices. However, it is not able to do so in view of paucity of DISCOMs Case-I and Case-II bids. It would be appropriate to advise state DISCOMs to ensure that 85% of demand (as forecasted in LGBR) is met by long term PPAs.

iii. As per Market Monitoring Report of CERC, the prices in short term shows a decreasing trend offering no incentive other than forced sell by generators in the short term market.



In this scenario, increasing the STOA and MTOA charges for generators may not lead to shifting to long term especially with state utilities inviting very limited Case-1 or Case-2 bids. Instead it would reduce the viability of the generators leading to additional unutilized capacity and therefore lower PLFs on national level.

iv. The National Electricity Policy, 2005 envisions that 15% of new generation capacity is sold outside long term PPAs. With limited medium term transactions, most of transactions happen in short term. The volume of short term transaction as a percentage of total generation since 2009-10 is shown below:



As can be observed, the short term transactions are within the suggested limit of 15%. Such a limit was advised in order to promote competition in the market. Any increase in price of STOA or MTOA therefore has a potential of reducing competition thereby stunting efforts to develop a competitive and efficient power market.

v. **In light of the above, it is requested that the MTOA and STOA charges are not increased. Even if the Hon'ble Commission intends to disincentivize, the increased STOA and MTOA charges should be applicable only for state utilities/procurers/beneficiaries.**