KERALA STATE ELECTRICITY BOARD Ltd.

(Incorporated under the Indian Companies Act, 1956)

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KSEB/TRAC/ Comments on draft Reg/2016-17 / 3433 Date: 24-11-2016

To

The Secretary,
Central Electricity Regulatory Commission,
3rd & 4th Floor, Chanderlok Building, 36 Janpath Marg,
New Delhi 110 001.

Sir,

Sub: Comments on the 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 Central Electricity Regulatory Commission)(Sharing of Inter State Transmission Charges and Losses)(Fifth Amendment)Regulations,2016 - Submitting of views - regarding.

Ref: 1. Notification No.L-1/44/2010-CERC dated 28-10-2016 of Hon'ble CERC.
2. Notification No.L-1/(3)/2009-CERC dated 28-10-2016 of Hon'ble CERC

KSEB's views/comments on the 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 Central Electricity Regulatory Commission)(Sharing of Inter State Transmission Charges and Losses)(Fifth Amendment)Regulations,2016 are enclosed here with for the kind consideration of the Hon. Commission.

Yours faithfully,

Chief Engineer (Commercial &Tariff)

Acc: as above

<u>omments on the draft CERC(Grant of Connectivity, Long term Access and Medium term pen Access in inter-state transmission and related matters)(Sixth mendment)Regulations,2016</u>

SEB Ltd. may submit the following comments on the draft CERC(Sharing of Inter State ransmission Charges and Losses)(Fifth Amendment)Regulations,2016.

1. **Amendment to Regulation 2 of the principal regulations:**

(1) Hon'ble Commission has proposed to amend the Regulation 2(1)(l) of the CERC (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 by modifying the definition of "long-term access" as the right to use the inter-state transmission system for a period exceeding 7 years but not exceeding 25 years. The proposed modification has been made to align the period of LTA with the period of 7 years specified in the "Guidelines for determination of tariff by bidding process for procurement of power by Distribution Licensees dated 19th January 2005."

Following concerns are raised on the proposed modification:

- **The minimum period for LTA as per the existing regulations is 12 years with due regard to repayment obligation of investors and for ensuring effective cost recovery. It is apprehended that by reducing the minimum period of LTA as 7 years, the investor will not be ensured effective cost recovery. This may result in DICs who are not beneficiaries of that particular transmission system to bear a portion of the unrecovered cost . Hence it is requested that while reducing the minimum period of LTA from 12 years to 7 years, the issue of effective cost recovery may also be addressed and other DICs may not be unnecessarily burdened.**

(2) Hon'ble Commission proposes to amend the Regulation 2(1)(o) of the principal regulations by modifying the definition of "Medium Term Open Access" as the right to use the inter-state transmission system for a period equal to or exceeding 1 year but not exceeding 5 years instead of the existing period of 3 months to 3 years.

As per the guidelines issued by MoP, the short term procurement of power is defined as contracts having a period up to 1 year. As per the existing regulations on short term open access namely Central Electricity Regulatory Commission (Open Access in inter-State Transmission) Regulations, 2008, STOA can be applied only for a maximum of 3 months, with separate application for each month. However, for utilities who have entered into short term power procurement contracts extending more than 3 months and up to 1 year, the existing regulations provide 2 options for availing power – either to apply for STOA every month till the expiry of the power procurement contract or avail one time medium term open access for drawing the power which have higher priority and more assurance over STOA.

However, since in the proposed amendment of the CERC (Grant of Connectivity, Long –term Access and Medium-term Open Access in Inter-state Transmission and related matters) Regulations , the minimum period of MTOA is made as 1 year, the utilities are left with only one option , i.e. to apply every month for STOA for a period upto one year for availing the power entered into under short term basis. Since grant of STOA depends on the margin left over after grant of LTA and MTOA, there is no assurance on the grant of STOA and hence the short term power procurement contracts which span upto 1 year may not always turn out to be effective. **Considering this, it is requested that the minimum period of medium term open access may be retained as 3 months or the maximum period of STOA may be made as 1 year by modifying the regulations on STOA.**

(3) **Regulation 15B: Insertion of a new regulation in the principal regulations:** Hon'ble Commission vide this draft amendment regulation has proposed to insert a new regulation on firming up of drawal or injection by LTA customers As per the proposed amendment, a long term access customer who has been granted long term access to a target region shall, after entering into a power purchase agreement for supply of power to the same target region for a period of not less than 1 year is eligible for scheduling of power under LTA.

It is apprehended that the proposed amendment will create issues at the time of bid evaluation as submitted below:

1. As per the prevailing regulations of Hon'ble Commission, a generator who has availed target region LTA can enter into medium term or short term power procurement contracts and avail MTOA or STOA for scheduling his generation. The proposed amendment gives an opportunity for such generators to schedule the short term contracts of 1 year duration under LTA.
2. The short term power procurement contracts are now entered as per the bids invited based on the guidelines issued by MoP vide the notification dated 30-3-2016. The tariff quoted by the bidder is a single tariff at the Delivery Point which shall include capacity charge, energy charge, trading margin, applicable Point of Connection (POC) charges upto Delivery Point etc.
3. Considering the provision in the proposed amendment for a target region LTA applicant to schedule the short term contracts of 1 year under LTA, the PoC charges quoted by such generators and other generators in the short term bids for the same injection and drawal points may vary leading to issues in the evaluation of bids and the selection process of bidders in short term power procurement bids.

(4) **Insertion of new Regulation 16B in the principal regulations: Underutilization of long term access and medium term open access:** Hon'ble Commission has proposed to add this new clause for proper utilization of transmission capacity. KSEBL may submit that following may also be included under this clause:

1. All Generators under LTA/MTOA should provide their scheduled maintenance plan to RLDC and RPC , which should be published by the respective RPC .
2. Any deviation from the scheduled plan is to be informed to RLDC, so as to release the corridor accordingly. In case of forced outage of units under LTA/MTOA, where the revival of the unit is sure to be extend upto 48hrs, the matter need to be informed to the respective RLDC by the DIC/ generator with tentative schedule of revival of the unit, along with the report of the generator. RLDC in such cases may inform the same to NLDC so as to release the corridor to the same extent.
3. If there exists a provision in the regulation whereby every generator/ DIC shall inform any change in the schedule of their sell/buy quantum through LTA /MTOA for a period exceeding 24hrs, optimum utilization of transmission assets can be done and the prime objective of open access can be achieved.

<u>Comments on the draft Central Electricity Regulatory Commission)(Sharing of Inter State Transmission Charges and Losses)(Fifth Amendment)Regulations,2016.</u>

(1) **Waiver of transmission charges and losses for wind and solar generation:**

As per the existing regulations, no inter-state transmission charges and losses are applicable for solar projects commissioned till 30-6-2017 and this waiver will be available for a period of 25 years from the date of commissioning of such projects.

Hon'ble Commission vide the draft regulation has proposed to add a new sub-clause(y) to clause(1) to Regulation 7 of principal regulations as under:

"No transmission charges and losses for the use of ISTS network shall be attributed to wind based generation for the projects awarded through competitive bidding and commissioned till 31-3-2019. This shall be applicable for a period of 25 years from the date of commissioning of such projects.

Provided such waiver will be available only for the projects entering into power purchase agreements for sale of electricity to the Distribution Companies for compliance of their renewable purchase obligation."

As per the proposed clause, Hon'ble Commission proposes to waive transmission charges and losses for wind projects awarded through competitive bidding route and commissioned till 31-3-2019 .

In this matter, following are submitted:

1. As per the existing regulations, waiver of inter-state transmission charges and losses are applicable only for solar projects which are commissioned till 30-6-2017. However, the proposed amendment provides for waiver of transmission charges and losses for wind projects commissioned till 31-3-2019.
2. The non-solar and solar RPO targets set for the states as per the notification of the Ministry of Power are significantly high, complying with the same will lead to huge financial liability for the DISCOMs. Hence it is highly essential that both non-solar and solar power are available for the DISCOMs at rates as low as possible.
3. Since non-solar and solar power are not spread uniformly across the country, the states have to draw power from other regions to meet their RPO targets. As the renewable power by itself is costly compared to conventional, addition of transmission charges and losses will increase the cost further, leading to huge cash outflow for the utilities to comply with the RPO targets.
4. In view of this, **it is requested that waiver of transmission charges and losses may be made applicable for all wind based and solar generation projects up to 31-3-2019. Further, it is also submitted that, the waiver of transmission charges and losses may be made applicable only for the projects entering into power purchase agreements for sale of electricity to the Distribution Companies for compliance of their renewable purchase obligation.**

l) Amendment to Clause (6) to Regulation 11 of the principal regulations:

As per the existing regulations, the third part of the bill which is used to adjust the variations in interest rates, FERV, rescheduling of commissioning of transmission assets etc are to be raised biannually i.e. on first working day of September and first working day of March. Considering that PoC rates are determined quarterly, Hon'ble Commission vide this amendment has proposed to raise the bill-3 on quarterly basis coinciding with PoC computations.

KSEBL may submit that PoC zonal rates (Rs/MW/month) are arrived for each quarter by NLDC based on the forecast of maximum injection and withdrawal for that quarter submitted by the DICs and the transmission charges to be recovered by the CTU . The PoC rates so arrived based on the forecasted quantum are multiplied by the actual injection and withdrawal for billing the DICs. Since the PoC rates of any quarter are not revised subsequently based on the actual injection/withdrawal quantum, it will always result in over or under recovery of transmission charges by CTU. **Hence it is requested that the PoC rates arrived for each quarter based on forecasted injection/withdrawal**

quantum may also be revised based on actuals and the difference in PoC charges collected from DICs may be adjusted in bill-3 along with other adjustments.

It is humbly submitted that the above views may kindly be considered while finalizing the amendment regulations.

Chief Engineer (Commercial & Tariff)