

TAMIL NADU GENERATION AND DISTRIBUTION CORPORATION LTD

From

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To

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

Lr. No. CE/M/RC/SE/CERC/EE/ AEE/ F. CERC /D.160 /18 dt: 18.05.2018

Sir,

Sub: CERC – Draft Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, Sixth Amendment, 2018- submission of comments and suggestions of TANGEDCO - submitted – Regarding.

Ref: (1) CERC's notice dated 27th April, 2018
(2) Lr. No. CE/M/RC/SE/CERC/EE/ AEE/ F.CERC /D.156 /18 dt:16.05.17

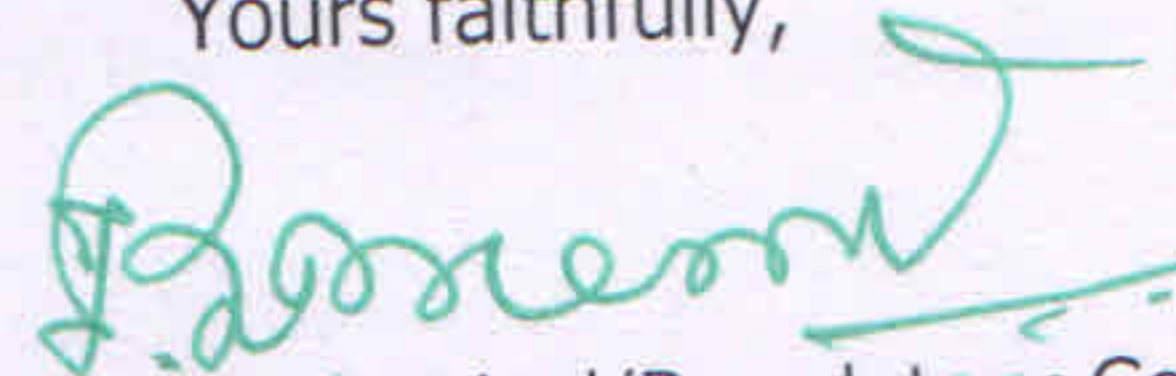
This has reference to the public notice of Hon'ble CERC dated 28th April, 2018, inviting comments/ suggestions/ objections on the draft CERC (Sharing of Inter State Transmission Charges and Losses) Regulations, Sixth Amendment, 2018. TANGEDCO vide letter under ref(2) cited requested for extension of time to submit the comments.

In this connection, the comments/ objections and suggestions of TANGEDCO are submitted herewith as Annexure. It is requested to consider the above while finalizing the draft Regulations. Also, it is requested to give us an opportunity to present our views before the Hon'ble Commission.

Thanking you,

Yours faithfully,

Encl: Annexure


Chief Engineer /Mechanical/Regulatory Cell

(2/3)

**COMMENTS / OBJECTIONS AND VIEWS OF TANGEDCO ON THE PROPOSED
6th AMENDMENT TO THE CERC (SHARING OF INTER STATE
TRANSMISSION CHARGES AND LOSSES) REGULATIONS, 2018**

- 1) The proposed draft amendment to Principal Regulation 7 of the CERC (Sharing of Inter State Transmission Charges and Losses), Regulations needs a detailed analysis and reply since it is going to affect the interest of the Discoms, particularly, in the Renewable Rich States. Prior to submission of comments and objections of TANGEDCO, various provisions under Electricity Act, 2003, National Tariff policy and existing provisions of CERC Regulations, which are considered to be imperative, are extracted as below:

PROVISIONS IN ELECTRICITY ACT, 2003

The Electricity Act, 2003 primarily focuses to protect the interest of the consumer and public. The preamble to the Act is extracted below:

*“An Act to consolidate the laws relating to generation, transmission, distribution, trading and use of electricity and generally for taking measures conducive to development of electricity industry, promoting competition therein, **protecting interest of consumers** and supply of electricity to all areas, rationalisation of electricity tariff, **ensuring transparent policies regarding subsidies**, promotion of efficient and environmentally benign policies constitution of Central Electricity Authority, Regulatory Commissions and establishment of Appellate Tribunal and for matters connected therewith or incidental thereto”*

The term “Public interest and consumer interest” appears in eighteen places in the Act viz, Section 11, 13, 18, 19(1), (2), 22, 24, 75(1), 75(2), 81(iv), 88(iv), 90(2), 107(1), (2), 108(1) and (2). **The proposed amendment will hit the rational tariff of the consumers at large and put the financial viability of the sector under risk.**

PROVISIONS IN TARIFF POLICY

The prime objective of the Tariff Policy is to safeguard the interest of the end consumers and ensure the financial viability of the sector. The objectives are extracted below:

- (a) Ensure availability of electricity to consumers at reasonable and competitive rates;
- (b) **Ensure financial viability of the sector** and attract investments;
- (c) Promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimise perception of regulatory risks;
- (d) Promote competition, efficiency in operations and improvement in quality of supply;

- 2) The amended Tariff Policy, 2016 emphasizes promotion of RE through various means. The sub clause 1(iii) of Clause (6.4) of the Tariff Policy, 2016 specifies promotion of REC mechanism to achieve the objective of large scale integration of RE sources, which is extracted below:

*“(iii) It is desirable that purchase of energy from renewable sources of energy takes place more or less in the same proportion in different States. To achieve this objective in the current scenario of large availability of such resources only in certain parts of the country, an appropriate mechanism such as **Renewable Energy Certificate (REC)** would need to be promoted. Through such a **mechanism**, the **renewable energy based generation companies** can sell the electricity to local distribution licensee at the rates for conventional power and can recover the balance cost by selling certificates to other distribution companies and obligated entities enabling the latter to meet their renewable power purchase obligations. The REC mechanism should also have a solar specific REC.”*

- 3) It is specified vide sub clause 6 of Clause (6.4) of the Tariff Policy that in order to further encourage renewable sources of energy, no inter-State transmission charges and losses may be levied till such period as may be notified by the Central Government on transmission of the electricity generated from solar and wind sources of energy through the inter-state transmission system for sale. This provision creates lot of ambiguities in terms of recovery of cost of transmission asset exclusively created for evacuation of power from the RE project. The apprehensions are listed below:

- a) The transmission systems are designed for evacuation of power from ultra mega scale solar and wind power plants based on a) firm generation – demand tie up b) firm generation- target region based demand c) without firm generation- demand tie up. The transmission assets are created with superficial generation – demand balancing.

- b) The blanket waiver of transmission charges to the RE generation sources for use of ISTS network raises serious questions on the intention and underlying principle behind the policy.
 - c) As per the existing provisions of Sharing Regulations, the PoC slab rates are calculated based on the sensitivities at the injection and drawal nodes of each DICs. Due to the addition of the transmission assets created in the Renewable rich States periphery, the sensitivity to the drawee State will increase for the assets added. This will have a thumping impact on the charges payable by the Discoms with high RE penetration.
 - d) Since there is no specific mention on the methodology to recover the cost of the transmission assets created for the purpose of RE evacuation, the cost of these assets are included in the PoC pool, which socializes the huge sunk cost.
 - e) **The entities / Discoms who are having tie up with the RE generators to fulfill their RPO obligations are legitimately liable to pay the transmission charges. But, the proposed waiver clause in the Regulations relieves them from the burden of payment of transmission charges**, whereas the RE rich States are burdened with sharing of additional transmission charges for fulfilling the obligations of the **RPO deficit States**. This is against the mandate of Electricity Act, 2003 as well as constitutional rights of the States.
 - f) **The proposed amendment will only benefit the RE promoters who are relieved of payment of transmission charges and the entities who are obligated to comply RPO. This will have adverse financial impact on the RE rich Discoms, which are no way benefitted and the illegitimate additional cost is a pass through in the tariff, which will badly impact the end consumers of the State, which is against the provisions of the EA,2003.**
- 4) TANGEDCO has raised the issue of sharing of the transmission charges of the transmission assets created exclusively for evacuation of power from solar

projects in various meetings of Southern Regional power committees. In this context, SRPC has written a letter dated 23.08.2017 to Hon'ble CERC, seeking clarification on how the waiver of transmission charges for solar projects is implemented in PoC mechanism. There is no explicit implementation procedure.

- 5) The huge capacity addition of RE generators also causes uneconomic implications on Discoms on account of managing the variability and intermittency. The Discoms are forced to keep adequate spinning reserves and non spinning reserves which includes conventional generators to manage the variability.
- 6) Must run status to RE sources imposes huge financial burden on the Discoms on account of backing down of State owned thermal stations as well as other low cost generating station. In addition, the compensation mechanism imposed by the Hon'ble Commission on account of operating the generating units at 55% Technical minimum and reserve shut down of CGS has increased the financial liability of the Discoms.
- 7) It is also imperative to mention that with the present level of capacity and energy penetration by RE generators, there is a huge operational impact in terms of voltage and frequency incursion in State networks. Furthermore, the transmission capacity created owing to non firmed up IPPs in addition to the ultra mega scale RE projects ended up with redundant capacity. This has caused persistent over voltage problem in almost all the 765 kV substations as well as many 400 kV substations, resulting in CTU resorting for establishment of over voltage mitigation devises with huge capital investment.
- 8) In this context, TANGEDCO also submits that many utilities in their comments and views on the review of framework of PoC charges have submitted their apprehension and objections for waiver of transmission charges to RE generators and the beneficiaries.
- 9) To achieve the ambitious target of the capacity addition of **175 GW** of RE sources in the **time frame of 2022** with the support of the RE rich States, it is necessitated to develop huge transmission capacity to evacuate power from the RE sources. In this context, in order to bring in transparency in planning and

execution, **it is essential to quantify the RE capacity eligible for waiver of transmission charges** or otherwise, it will pave way for misuse of the provisions. Hence, it has become inevitable to conduct a detailed impact assessment study by the designated planning agencies viz. CTU/CEA and other committee/task force nominated by the Hon'ble Commission featuring the following aspects:

- i) Transmission cost recovery methodology(the PoC mechanism does not cater the need)
 - ii) Optimum utilization of existing transmission infrastructure
 - iii) Role and responsibility of RPO deficit states /entities
 - iv) Requirement for balancing resources by State entities,
 - v) **Incentives / benefits** to host states.
- 10) As the proposed amendment will have an adverse impact on the continued existence of the Discoms, it is essential to have a detailed study in a holistic manner before granting waiver of transmission charges to the RE promoters and the RPO deficit entities.

- 11) The Sub Clause (Z) to Clause (1) of Regulation 7 of CERC(Sharing of Inter State Transmission Charges and Losses) Regulations provides as below:

"(z) No transmission charges and losses for the use of ISTS network shall be payable for the generation based on wind power resources for a period of 25 years from the date of commercial operation of such generation if they fulfil the following conditions:
(i) Such generation capacity has been awarded through competitive bidding; and
(ii) Such generation capacity has been declared under commercial operation between 30.9.2016 till 31.3.2019; and
(iii) Power Purchase Agreement(s) have been executed for sale of such generation capacity to the Distribution Companies for compliance of their renewable purchase obligations."

- 12) In the proposed amendment, a waiver clause is extended to the generators declaring COD upto 31.03.2022 aiming the target date for the 175 GW. Moreover, an important change is introduced in sub clause Z(iii) as below:

"Power Purchase Agreement(s) have been executed for sale of such generation capacity to all Entities including Distribution Companies, for compliance of their renewable purchase obligations."

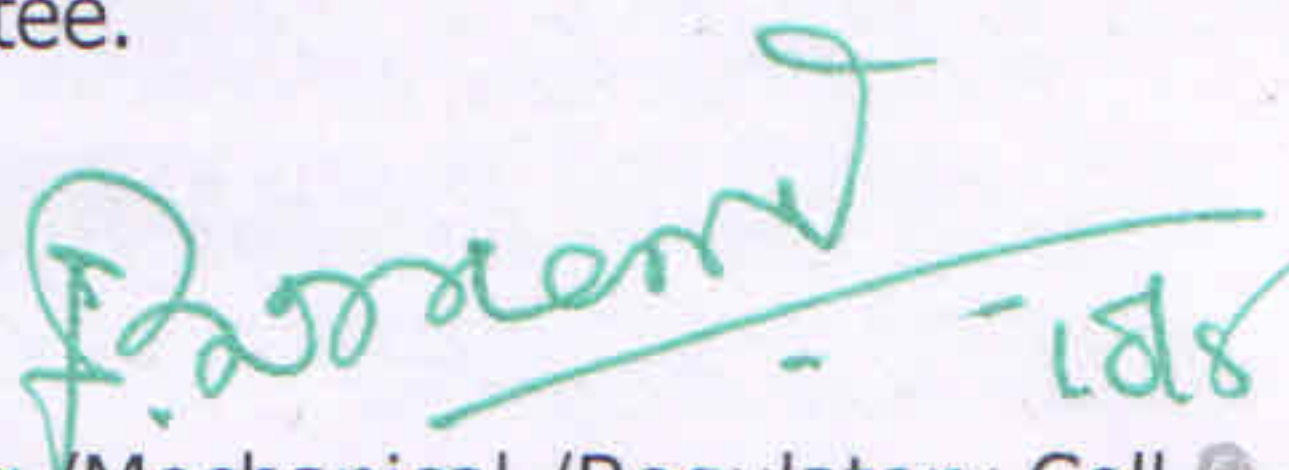
This clause will create unnecessary unrest among the Discoms since the RE rich Discoms will be penalized for the sake of benefitting the **Entities** (no specific classification is given) with RPO deficit. This is against the natural justice and against the larger interest of the public. **Further, waiver of charges for 25 years will hamper the financial planning of Discoms / STU and TSPs.**

13) Hence, TANGEDCO submits that the Hon'ble Commission may constitute a Committee to conduct a comprehensive study and analyse the technical and financial impact on the planning and operation of the ISTS and Intra STS and Discoms. The Committee may be directed to work on certain terms of reference which may consider the following aspects:

- i. Pocket wise RE assessment report by the designated agencies
- ii. RPO obligation of each State and present status of compliance
- iii. Assessment of State wise requirement for RPO compliance
- iv. Power System study to analyse the technical challenges which includes, network adequacy, expansion requirement and system balancing requirements (both interstate and intra state) in each time horizons of the study based on the target implementation plan for RE generators.
- v. Financial viability Study to accommodate the RE sources and the liability of RE home States and the obligated States /entities

14) TANGEDCO also submits that a detailed procedure / methodology to implement the waiver clause through the PoC mechanism shall be devised before notifying the proposed amendment. **Also, detailed guidelines shall be issued to CTU for identifying the qualified Discoms for waiver of the transmission charges for strict compliance. Other entities shall be made liable to pay the transmission charges.**

15) In view of the above, TANGEDCO prays that the proposed amendment to the Principal Regulation 7 of the Sharing Regulation may be taken up for public hearing after impact assessment study by a committee.


Chief Engineer /Mechanical /Regulatory Cell (3/3)