To,
The Secretary
Central Electricity Regulatory Commission
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Sub: Comments of GUVNL on Draft CERC (Grant of Connectivity and General Network Access) Regulations 2017.

Sir,

This has reference to Hon’ble CERC’s public notice dated 14th November 2017 inviting concerns / suggestion / comments from various stakeholders on Draft CERC (Grant of Connectivity and General Network Access) Regulations 2017.

In this regard, at the outset GUVNL would like to submit the following views / comments:

**Increase in Network Cost** – As per the proposed Regulation General Network Access can be availed anywhere in the inter-state transmission network whereby power can be transferred from injection point to any point in the transmission network in place of the existing provision for point to point transfer.

In order to implement above General Access right for transfer of power to all regions, it would be required to create multiple transmission system and the cost of the same shall be ultimately borne by general body of consumers. Thus, this will lead to multifold increase in the transmission tariff without any corresponding gain in terms of reduction in power purchase cost to the DISCOMs.

**Cross subsidization of Generator’s risk** – as per the existing mechanism the generators can seek access indicating the point of injection and point of drawl (identified region). In case generator wants flexibility to transfer power in all regions for the same quantum they might have sought access for all regions. However, as per the information available on CTU website no generator has sought access for all regions precisely due to reasons of cost implication for such requirement.

The proposed regulation renders flexibility to all generators to decide on point of drawl at any place in the inter-state transmission system without sharing risk with other
stakeholders. This will create a situation wherein every generator will seek flexibility of transfer of power in multiple regions which will lead to unintended increase in transmission cost and will lead to cross subsidization of transmission charges.

GUVRNL's comments / views on the Draft Regulation are as under:-

1. As per clause 2.1 (d) (iii) & (iv) of the Regulation, any consumer and a generating station including captive power plant irrespective of installed capacity may seek GNA whereas under clause 2.1 (c), minimum quantum load for consumer / capacity for generator has been defined for connectivity.

In this regard it is to state that since without connectivity there cannot be GNA, the intent of the Regulation could be that consumer or generator connected with intra state network may irrespective of their capacity seek GNA through STU. However the same is not clear in clause 2.1 (d) (iii) & (iv) and needs to be clarified accordingly. Further, it may also be clarified that captive power plant which is already connected to state grid and having exportable capacity of 250 MW and above should not be allowed to seek separate connectivity with CTU as the STU has already developed transmission system and this may lead to suboptimization of state transmission network.

2. As per Clause 3.3 & 7.26 of the Regulation a generating station may have dual connectivity both with State Grid and Central Grid. This may lead to suboptimum utilization of network and the cost implication on consumers. Therefore, Hon'ble CERC may define a specific guideline / conditions only under which dual connectivity can be granted so as to ensure optimization of transmission system.

3. As per Clause 3.6 of the Regulation, an applicant may apply for Connectivity and GNA simultaneously whereas as per clause 11.1, it is mentioned that applicant seeking GNA shall file application within two & half year of grant of connectivity. Thus in the proposed Regulation, connectivity and GNA are kept separately.

In this regard it is to mention that as per the existing practice, the applicant having sought connectivity does not come forward for LTA which results in creation of transmission system without commitment from the applicant for sharing of transmission cost. Even as per the proposed Regulation, the applicant may seek connectivity and reserve the upstream network against the quantum of connectivity. This may lead to stranding of transmission network and also not allow other generators to utilize the network in case the applicant is not coming forward for GNA or project gets delayed. Moreover, as per the proposed Regulations, it is not clear as to when the required network augmentation / strengthening will be carried out for grant of GNA. In order to ensure commitment
from the applicant for sharing of transmission charges in both cases where network strengthening is required or not required for granting GNA, it would be appropriate that the applicant shall simultaneously apply for connectivity as well as GNA and appropriate modifications may be made in the relevant provisions of Regulation.

4. As per Clause 7.25 and 8.1 of the Regulation, a dedicated line once completed is required to be handed over to CTU for purpose of operation and maintenance for which CTU shall be entitled to normative O&M charges as per CERC Regulation.

In this regard it is to state that transmission system is owned by transmission licensees and not by CTU. Therefore, dedicated line may either be maintained by generator or if required by other licensee for which the O&M cost may be paid by the concerned generator to the licensee and the same cannot be made part of pooled transmission charges. Necessary modification may be made in the Regulation clarifying that the charges of dedicated line shall not be included for pooling.

5. As per Clause 7.31 of the Regulation, if applicant fails to apply for GNA within prescribed time limit, the connectivity granted shall be withdrawn and the fee shall be forfeited.

In this regard it is to mention that the Regulation is not specifying the mechanism for recovery of the cost incurred by the transmission licensee for system augmentation or keeping the system idle against such connectivity. Therefore, Hon'ble CERC may prescribe a mechanism for recovery of charges from such defaulting applicants.

6. As per Clause 7.32 of the Regulation, infirm power can be injected or drawl of startup power is allowed even prior to operationalization of GNA.

In this regard it is to state that the power flowing in the transmission network is owned by DISCOMs or by other entities and penalty is applicable for any deviation beyond schedule as prescribed by Hon'ble CERC expecting all parties to strictly adhere to the schedule. Therefore, it would be appropriate that generator may make its own arrangement for startup power than being permitted to draw from the grid under DSM. This will also avoid misuse of grid power for construction purpose. Hon'ble CERC may accordingly make necessary modifications in the Regulation.

7. As per Clause 7.39 of the Regulation, a captive generator is required to seek connectivity and GNA to the extent of exportable capacity. The entire Regulation
is framed assuming that the power will be exported however there is no mechanism provided for drawl of incidental power by such captive generator from the grid. Hon’ble CERC may devise necessary mechanism specifying treatment for drawl of incidental power by such captive generator from the grid.

8. As per Clause 8.4 of the Regulation, the charges of dedicated transmission line constructed or under construction under co-ordinated transmission planning is allowed to be pooled under POC mechanism upon operationalization of GNA and shall be shared by all DICs.

In this regard it is to state that these dedicated lines are constructed for grant of GNA to a particular generator / consumer and should not be pooled under POC mechanism. The tariff of such dedicated line needs to be borne by the particular generator / consumer for whom it was created in line with the treatment as suggested at Sr. No. 4

9. As per Clause 10 of the Regulation, the commercial metering point shall be at the pooling substation of ISTS licensee and in case when the generator is connected to more than one pooling station, it shall be at bus-bar of the generator.

In this regard, it is to state that even in the case when the generator is connected to more than one pooling station, the metering arrangement should be at the pooling station and for the purpose of DSM, the summation of meter reading at all pooling station needs to be carried out as is being presently done in case of State utilities. This will also avoid discriminatory treatment of losses amongst the generators because in case a generator is connected to a single pooling station the losses of the dedicated line would be on the generator whereas in case a generator is connected to multiple pooling stations then the losses would be on the utility as the metering would be at bus-bar of such generator.

10. As per Clause 11.7 and 19.1 of the Regulation, a Bank Guarantee of Rs. 20 Lakhs / MW is to be submitted by applicant seeking GNA towards its commitment which can be forfeited in case of surrender of GNA prior to operationalisation or withdrawal of application after 9 months of grant of GNA.

In this regard it is to state that the amount of Bank Guarantee is not adequate as against the cost to be incurred by licensee for constructing the transmission network and is even not equivalent to one year of estimated transmission charges. The Bank Guarantee amount should atleast cover three years estimated transmission charges. Moreover, such Bank Guarantee should be only
from Indian Banks. Hon'ble CERC may make necessary modifications in the Regulation accordingly.

11. As per clause 16.4 of the Regulation, an applicant may seek GNA in a phased manner matching with the commissioning schedule of generating units.

In this regard, it is to state that these provisions may lead to a scenario where the generator applies for connectivity for a quantum aggregating to full installed capacity and GNA is applied in phases matching with commissioning schedule of generating units. This will lead to cases where asset creation by CTU will be completed in the early phases as CTU creates infrastructure keeping in view the full capacity whereas the generator may get delayed resulting into stranding/underutilization of network. Therefore, it is imperative to have stipulation whereby the entity / generator has to apply simultaneously for GNA with Connectivity application and the quantum should be equal in both the applications. This will avoid impact of additional transmission charges under POC mechanism towards the stranded / unutilized asset on the DISCOMs being deemed GNA customers.

12. As per clause 16.5 (c) of the Regulation, captive users may seek GNA for drawl through long term, medium term or short term arrangement and shall be subject to charges as imposed by State Commission.

In this regard, Hon'ble CERC is requested to specify the mechanism for recovery of the charges determined by State Commission when the captive generator is seeking GNA with ISTS. In the past there have been instances when PGCIL / RLDC has not allowed disconnection citing lack of specific Regulation for allowing disconnection towards nonpayment of DISCOM dues. Therefore, Hon'ble CERC is requested to provide for specific Regulation allowing disconnection with ISTS / discontinuation of GNA by concerned RLDC in case of nonpayment of DISCOMs dues by the captive generator.

Similar provision of disconnection by RLDC may also be made applicable in case of a consumer seeking GNA with ISTS so as to ensure recovery of dues by DISCOMs.

13. As per clause 18.2 of the Regulation, if it is not possible to accommodate the quantum requested by State on day ahead basis due to transmission constraint in ISTS, SLDC shall provide revised schedule with equal priority to all types of transactions as per the relative economics of transactions.
In this regard it is to state that while giving revised schedule, long term transaction should have highest priority especially in case of DISCOMs who are under universal supply obligation.

14. As per clause 22.6 of the Regulation, in case of delay in commissioning of generating plant beyond scheduled date of GNA due to reasons beyond its control, the operational date of GNA be extended with approval of Commission.

In this regard it is to state that in the past many generators have approached Hon’ble Commission seeking deferment in payment of transmission charges against approved LTA citing reasons beyond its control for the delay in commissioning of the generating project. It will not be appropriate to defer recovery of the transmission charges for the delay in commissioning of the generating plant specially when the transmission system has been created for the benefit of such generator and any deferment in payment by generator shall put additional burden on the existing DICs.

Hon’ble CERC may make appropriate modification in the Regulation. Similar modifications may also be made in Regulation 27.3.

15. As per clause 24.1 of the Regulation 24.1, in case GNA Customer intends to exit from GNA it shall be disconnected from grid from the intended date of exit and shall be liable to pay relinquishment charges. It is proposed that the relinquishment charges are payable considering exit before / after 5 years of operationalization of GNA.

In this regard it is submitted that presently infrastructure projects are getting loans for minimum period of 10-12 years which are to be secured over that duration. In the cases where new transmission system is created to grant GNA, enabling the GNA customer to exit even before 5 years will create a mismatch and the loan amount towards such system will remain unsecured. To avoid the mismatch in loan securing, it is appropriate to keep the access / right equivalent to the duration of debt / liability. Only then there would be adequate recovery of charges for relinquishment and the same is also consistent with Regulation 19.3 wherein it is stated that 1/5th of BG shall be retained till 12th year of operationalization of GNA.

Therefore, once GNA has been granted, the applicant should pay the transmission charges for a minimum period of 12 years and in case it desires to relinquish the GNA, then charges for the balance period upto 12 years has to be recovered. Hon’ble CERC may accordingly modify the Regulation.
It is also respectfully submitted that presently, many Petitions filed by generators are pending before Hon'ble Commission seeking relinquishment of around 25,000 MW without payment of relinquishment charges for which transmission system has been created with huge investment. Allowing relinquishment merely by paying 1 year transmission charge shall have a huge impact towards transmission charges on the existing DICs and the end consumers of states.

Moreover, it is mentioned at para 2.4.7 of the explanatory memorandum that STU cannot reduce GNA quantum in comparison to the previous year. However, since the requirement of GNA quantum of STU / DISCOM is depending on the increase / reduction in consumer demand for various reasons, DISCOMs STU should also be allowed to relinquish the GNA quantum based on its requirement.

16. As per clause 24.2 of the Regulation special provision is made for relinquishment of GNA by IPP on conversion to captive generating plant.

This provision may be deleted as there is no need to allow relinquishment based on category of generator. Moreover this will also create unwarranted disputes with DISCOMs wherein IPP desires to switch on to CGP and vice-versa.

17. As per clause 24.3 of the Regulation, generator is allowed to derate the unit and consequently reduce the GNA without any charges.

This provision may be deleted as it can be mis-used for reduction in GNA quantum without payment of relinquishment charges.

18. As per clause 27.5 of the Regulation, the transmission licensee shall make provision of foreclosure in its contract with EPC and the licensee shall pay liquidated damages for termination of contract out of the relinquishment charges recovered.

In this regard it is not clear that in case the relinquishment charge is not sufficient to meet the liquidated damages, how the shortfall would be met.

19. As per clause 30 of the Regulation, the transmission charges shall be shared in accordance with CERC Inter State Regulation 2010.

In this regard it is to state that the transmission system is created based on the quantum of access whereas the charges are to be shared under the existing POC Regulations based on the actual flow of power (marginal participation method). This leads to a situation where the person for whom network is created
based on higher access sought quantum may pay less transmission charges based on actual utilization.

20. As per clause 34 of the Regulation, 5% of each corridor for which separate ATC is declared shall be reserved for day ahead collective transactions at the power exchanges. Further, it is provided that percentage of reservation shall be reviewed after five years.

In this regard, it is to state that the provision for reservation of transmission corridors will create underutilization of transmission assets and the existing DICs will have to bear the burden of same in terms of increased transmission charges. If Hon’ble Commission decides to implement the proposal, the transmission charges for collective transactions should be determined based on the data of previous year in such a manner that the entire cost of reserved capacity is recovered from the collective transactions itself. Hon’ble CERC may accordingly modify the Regulation.

Thanking You.

Yours faithfully

(K.P. Jangid)
General Manager (Commerce)