



Uttar Pradesh Electricity Regulatory Commission

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Dr. Sanjay K. Singh
Secretary

Ref: UPERC/D(T&S)/JD(T)/050- 1667

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To,

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

Sub: Regarding comments on Draft CERC (Connectivity and General Network Access to the inter-State Transmission System) Regulation, 2021.

Sir,

This is with reference to your Public Notice dated 16.12.2021 and 16.02.2022, seeking comments on Draft CERC (Connectivity and General Network Access to the inter-State Transmission System) Regulation, 2021. In this regard kindly find enclosed herewith UPERC staff comments for your kind consideration.

Encl: As above.

Yours faithfully,

(Sanjay K. Singh)

UPERC Staff Comments on draft CERC (Connectivity and General Network Access to the inter-State Transmission System) Regulation, 2021

1. **Lack of clarity of Sharing Regulations on provisions of GNA Regulations** - It is important to mention that since these GNA Regulations would be read along with Sharing Regulations and therefore, the financial and commercial impact of these GNA Regulations on the State would be known after Sharing Regulations is amended. Therefore, it is imperative that the financial and commercial impact of GNA Regulations on States may be deliberated along with proposed draft amendment of Sharing Regulations at appropriate forum before finalization of these Regulations.
2. **Differentiation of GNA** - Draft Regulations seems to deal with two types of GNA with different set of obligations. First one is associated with GNA grantee i.e. drawing entity under Regulation 17.1 who is liable to pay transmission charges as per drawal GNA. Second one is the Connectivity grantee i.e. generating station under Regulation 4.1 who are deemed to have been granted GNA, equal to the quantum of connectivity with no obligation of payment of transmission charges.

It is proposed that in order to differentiate, separate terminologies may be used for these two types of GNAs according to their set of obligations i.e. Injection/ Generator GNA and Drawal GNA.

3. **Definitions:**

(1) **“Associated Transmission System” (ATS) under Regulation 2.1(b) read with Regulation 6.1 and 6.2** - Clarity may be provided whether ATS includes network expansion also i.e. augmentation of ISTS after conducting the system study. If not, then it is proposed that in view of Rs. 1 Crore/MW transmission cost involved in network expansion (Mata Prasad Committee Report), One-time GNA charge of Rs. 1 lakh per MW which shall be payable by entities covered under Regulation 4.1 and clause (iii) of Regulation 17.1 to be increased sufficiently and such entities need to also submit the refundable BG of the fixed amount per MW against network expansion requirement of ISTS based on system study. The proposed increase in One-time GNA charges and BG needs to be considered as otherwise the burden of unutilized/stranded ISTS asset, due to default of generator in case of non-commissioning of generating station or where generator is not in a position to sell power consistently in market/ to identified buyers, would be passed on to the States.

(2) **Clarity on word “Standalone”** - Word “Standalone ESS” has been mentioned in Regulation 4.1(c). In this regard, it is pertinent to mention that “stand alone system” has been defined under the Act. Therefore, clarity may be provided on word “Standalone” such that ESS mentioned in definition 2.1(q) and Standalone ESS may be differentiated and is not in contravention of the Act.

(3) **Definition of “intra-State entity”** - It is provided in draft that energy accounting of intra-State entity may also be done by any other agency so authorized other than SLDC. Therefore, clarity may be provided who can be such agency in terms of Section 32 of the Act and who will authorize the same.

(4) **Definition of “Lead ESS / Lead Generator”** - As per Regulation 2.1(x)(i) & (y)(i) to be read with Regulation 4.1(a) & (c), it is understood that ESS(s)/ Generator(s) may authorize one amongst themselves as Lead Generator or Lead ESS to apply for connectivity at a single inter-connection point. It is proposed that a condition may be inserted that such ESS/Generator has the majority stake in terms of quantum then only it can be authorized.

It is also proposed that Lead ESS / Lead Generator is made responsible for application processing stage only on behalf of entities. However, every individual entity be responsible for compliance with the Gid Code and other regulations of the Central Commission/CEA.

4. Eligibility for Connectivity / GNA to ISTS

(1) **Connectivity / GNA for drawal of ISTS connected captive load** - Act provides that CGP shall have the right to open access for the purposes of carrying electricity from his CGP to the destination of his use. Further, CGP alongwith its captive users is a composite scheme as per the Electricity Rules, 2005. It seems that draft does not provide any treatment for captive user w.r.t. grant of GNA for drawal. Therefore, clarity regarding eligibility of connectivity in Regulation 4.1 and drawal GNA in Regulation 17.1 related with grid connected captive load/captive users of such CGP needs to be captured.

Further, for drawal of power by ISTS connected captive users, it may be clarified whether CGP on behalf of captive load/captive users or captive users itself be eligible for T-GNA under Regulations 26.1.

(2) **Connectivity of distribution licensee to ISTS directly** - Presently, distribution licensees of the State are intra-State entities whose distribution system are connected with intra-State transmission system only. SLDC is responsible for integrated operation of the power system in the State under Section 32 of the Act. Whereas, in case the distribution licensees are connected directly with ISTS system as proposed in draft Regulation under Regulation 17.1(iii), would become regional entity under the ambit of RLDC. Hence, the optimum scheduling and dispatch, energy accounting, grid monitoring etc. related matters within State jurisdiction need to be deliberated in detail at appropriate forum before arriving at any decision. Earlier, existing Connectivity Regulations does not provide any provision regarding connectivity of distribution licensee to ISTS directly.

Furthermore, the Act provides for segregation into inter-State transmission system and intra-State transmission system and therefore, there is specific purpose with which intra-State transmission system (132 kV and above) has been provided

primarily for transmission need of distribution licensees (operating and maintaining up to 33 kV within the geographical area of the State) under the Act and therefore, intra-State transmission system cannot be bypassed by distribution licensees.

Under the Act, CTU is required to develop the transmission system for transmission of electricity involving more than one state as well as across the regions. Whereas STU is to develop the transmission system for transmission of electricity within the State. Accordingly, in the spirit of the Act, every entity has been enlisted with specific responsibilities, likewise, STU/intra-State transmission licensees are associated with development of transmission system within the State.

In view of above, this matter may be discussed in Forum of Regulators considering the jurisdictional, legal, operational and commercial implications associated with this before arriving at any decision.

(3) **GNA to trading licensee** - As per Section 38(2)(d) read with Section 2(47) of the Act, any licensee including trading licensee shall have the right to non-discriminatory open access, however as per proposed draft, it seems trading licensee cannot have GNA of its own. Therefore, clarity may be provided in this regard.

5. Application for grant of Connectivity / GNA -

(1) **Application for grant of Connectivity / GNA** - In view of definition of "CEA Registry", it is proposed to add at appropriate place that an Applicant would be eligible to apply for Connectivity only after it registers itself with CEA Registry.

(2) **Requirement of prerequisites** - In Regulation 5.8 prerequisites like status of land acquisition and possession, environmental clearance, forest clearance, fuel arrangements, water lineage etc. (as applicable) may be added for making an application for Connectivity.

(3) **Connectivity at common inter-connection points by more than one generating/ESS entity** - Provision may be inserted at appropriate place in these Regulations regarding methodology for segregation of metering, scheduling of power, DSM accounting etc. for connectivity at common interconnection point in accordance with CEA Metering Regulations/Grid Code/ DSM Regulations.

6. Connectivity Bank Guarantee - In Regulation 8, it is mentioned that for cases of grant of connectivity where no ATS is required, Con-BG3 @ Rs. 2 lakh / MW for the existing ISTS is required to be furnished, whereas, for cases where ATS is required, no such Con-BG3 is to be furnished. Therefore, it is proposed to add a provision of Con-BG3 @ Rs. 2 lakh / MW (or such corresponding amount as deemed fit), for the existing ISTS, in Regulation 8.3 (where ATS is required) similar to the provision provided in Regulation 8.2 (where no ATS is required).

7. **Connectivity Agreement** - Regulation 10.3 provides that connectivity agreement shall be signed between the Nodal Agency and the entity which has been intimated final grant of connectivity.

In this regard, it is understood that the connection agreement will be signed between Nodal Agency and Applicant. However, it may be considered that connection agreement may be signed by all the entities on whose behalf the application is being made by the Applicant, transmission licensee on whose system interconnection is being made and Nodal Agency/CTU as per CEA Technical Standards for Connectivity Regulations. Such all entitie(s) to be considered as Connectivity Grantee(s) and all of them to comply with the provisions of the CEA Technical Standards for Connectivity and other regulations of CEA/Central Commission. Therefore, the connection agreement must contain obligations and responsibilities of all concerned parties which must be the signatories and to be made responsible for enforcement.

8. **Dedicated Transmission Lines and Bay(s)** - Regulation 12.5 provides that *in case of an entity covered under Regulation 17.1(iii), the line to connect such an entity to the ISTS and necessary augmentation for providing connection to the ISTS, shall be constructed and maintained by a licensee at the cost of such entity.*

In this regard, dedicated transmission line is established, operated and maintained by generating station in terms of Section 2(16) of the Electricity Act, 2003 and the same cannot be construed for distribution licensee/bulk consumer. Accordingly, Regulation 12.5 should be removed under Regulation 12 with heading "Dedicated Transmission Lines and Bay(s)".

9. **Transfer of Connectivity** - Regulation 15.1 has made a provision that connectivity granted to a parent company may be utilized by its subsidiary and vice versa. Further, Regulation 15.3 provides that any person which acquires 51% or more shareholding of the company or its subsidiary or affiliate company owning REGS or part thereof, may after COD of such part, apply to the Nodal Agency for transfer of Connectivity.

It is pertinent to mention that connectivity is a technical matter which is also among others governed by CEA Regulations, therefore, first the physical location of the connectivity should not change and secondly trading of connectivity should not happen. Therefore, it is proposed that transfer of connectivity may be allowed only upon transfer of generating station itself, as connectivity granted is to specific generating station which is its integral part. Moreover, Regulations 15.3 is not clear as whether it is applicable to REGS or to others also.

10. **Methodology for transmission planning process of ISTS** - It is understood that deemed GNA will be granted to generators for injection and States will have their GNA for drawal. Therefore, it may be clarified how the planning of ISTS system will take place when drawl GNA is less than injection/generator GNA. Who will bear

the cost of unutilized injection/generator GNA. For example: Northern region States are having 40,000 MW GNA and there are 65,000 MW generators, then how the ISTS will be planned and in case ISTS is planned for 65,000 MW generators then, who will bear the cost involved in additional 25,000 MW generators GNA. It is proposed that the financial burden which will arise due to this mismatch, should not be transferred/passed on to the State.

Further, draft Regulations does not provide for methodology for planning of ISTS. However, the same may also be deliberated.

11. **Financial impact on account of existing and future stranded ISTS asset arisen due to unutilized generation capacity** - Clarity may be provided on who will bear the cost of existing and future stranded ISTS asset arisen due to unutilized generation capacity. Therefore, financial impact of stranded asset may be deliberated along with its payment liability in terms transmission charges.

12. **Deemed grant of GNA** - As per Regulation 18.1, while granting GNA to the State based on the past historical data as indicated in Annexure-1, it should be clarified whether "Max ISTS drawal MW" (10165 MW for Uttar Pradesh) includes short term transactions.

Further, this can be looked in the context that if any STU/State is allotted higher deemed GNA under Regulations 18.1, then it may have to bear the additional charges on account of unutilized GNA. Similarly, if any STU/State is allotted lower deemed GNA, then it may have to bear the higher charges on account of T-GNA.

In view of above, it is proposed that the deemed GNA under Regulations 18.1 of the States may be decided in consultation and due deliberation with the STUs/ States and the same should be made applicable from a prospective date after getting appreciate clarity in the matter. At the most, it can be interim measure for 6 months.

13. **Grant of additional GNA to STU** - In Regulation 19, it is stated that additional GNA may be sought by STUs on behalf of intra-State entities, once in a financial year. It is proposed that the same may be increased to at least twice in a financial year for being more realistic in view of demand being incidental to various factors. Moreover, demand is varying due to continuous evolution of power sector in India, there are more variables which are upcoming like open access consumers (1 MW and above), renewable energy generation, distributed generation, prosumers (under net metering/ banking), energy storage, electric vehicles etc.

14. **Use of GNA by other GNA grantee(s)** - Regulation 23.1 provides use of GNA by other GNA grantees are allowed on mutually agreed terms and conditions. Therefore, it seems that this provision may result into trading of GNA leading to profiteering. Hence it is proposed that payment by other GNA grantee shall be reimbursed to the original GNA grantee at the same cost/charge which is liable to original GNA grantee. Further, in case of use of GNA by other GNA grantee, there

should not be any case of additional network expansion/augmentation of ISTS system corresponding to such GNA.

15. Payment liability of Transmission Charges -

(a) **Exemption of ISTS charges and losses of solar generating station -** Presently there is exemption of ISTS charges and losses provided to certain categories of solar generating stations. In his regard, whether these dispensations provided under various policies/ orders of State Govt./ MoP would be abrogated. A clarity may be provided on such exemptions as presently generating station are exempted from these charges as benefit of these dispensations are passed on to the end consumers.

(b) **Transmission charges payment liability of existing LTAs of generating stations -** Payment of transmission charges by the States for GNA quantum needs to be revisit in draft Regulations as presently there are PPAs with the States where generators need to pay the transmission charges for use of ISTS and most of these PPAs are under Section 63 of the Act. Therefore, generators under competitive bidding had factored such condition while quoting for the tariff. Hence, at this stage, this condition may not be appropriate as the same will create additional burden on the consumers.

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