

Draft Central Electricity Regulatory Commission (Procedure, Terms and Conditions for grant of Transmission Licence and other related matters) Regulations, 2023 (hereinafter referred to as 'Draft Transmission Licence Regulations, 2023')

No. L-1/270/2023/CERC

Dated: 24.11.2023

Explanatory Memorandum

1 Background

- 1.1 The CERC notified CERC (Procedure, Terms and Conditions for grant of Transmission Licence and other related matters) Regulations, 2009 on 26.05.2009 which was amended on 26.05.2010 (hereinafter referred to as "Transmission Licence Regulations, 2009").
- 1.2 Subsequent to the issuance of Transmission Licence Regulations, 2009, some developments have taken place as follows:
 - (a) The Ministry of Power has issued Guidelines for Encouraging Competition in Development of Transmission Projects on 10.08.2021 and revised Standard bidding documents dated 06.08.2021, vide which salient modifications have been carried out as compared to earlier guidelines dated 13.8.2006 such as Empowered Committee has been replaced by National Committee on Transmission and the Transmission Service Agreement is to be signed between transmission developer with CTUIL in place of Long-term transmission Customers.
 - (b) CERC has notified CERC (Connectivity and General Network Access to the inter-State Transmission System) Regulations, 2022 (hereinafter referred to as "GNA Regulations") on 7th June 2022, partly effective from 5.4.2023 and balance from 1.10.2023. GNA Regulations enable a Bulk consumer to seek connection to ISTS through the GNA Application.
 - (c) Some of the bulk consumers have approached the Commission by way of a petition seeking to permit such bulk consumers to make a dedicated transmission line connecting such bulk consumers to the ISTS point of connection.

- (d) With the advent of several transmission projects under competitive bidding, some modifications may be required in such transmission projects due to the transmission plans of CTU.
- (e) Further, at present the Commission conducts two hearings before granting of licence, however, to expedite the issuance of the license and in order to facilitate ease of doing it is proposed that in normal cases, only one hearing may be carried out by the Commission, unless otherwise required such as due to lack of clarity of proposal, serious objection raised by a respondent, or there is a case of rejection of license. Further, all communications are proposed to be done in a digital mode.
- (f) The transmission projects are executed either under tariff based competitive bidding mode (TBCB) or regulated tariff mechanism (RTM) mode. Presently, under TBCB, the transmission project is bid as SPV, and the winning agency acquires such SPV. The transmission licence is granted to such SPV on application to the Commission. In RTM licence is issued to the entity which is assigned the project by the Central Government or its authorised agency. In order to streamline the process of granting a licence, the present process is reviewed and the proposed to be streamlined as follows:

Current Process:

TBCB: Presently transmission licence is awarded to each SPV. The transmission projects are bidded as separate SPVs for each project. Accordingly, a transmission license is sought by each such SPV. A company may have multiple SPVs with a transmission licence with each such SPV. A company (say 'A') participates in a competitive bid and, on winning such bid acquires the Special Purpose Vehicle (SPV) as a 100% subsidiary (say 'B'). Such SPV ('B') approaches the Commission to obtain the transmission licence and on fulfilling the requirements, is granted a transmission licence to implement a specific transmission project. Suppose another transmission project comes up under competitive bidding, in which Company 'A' participates and wins the bid and acquires the SPV for the project (say 'C'). SPV 'C' approaches the Commission to obtain the transmission licence to implement the transmission project. Accordingly, Company 'A' may have multiple transmission

licenses for its subsidiary companies 'B', 'C' and so on.

RTM: Suppose SPV 'B' mentioned above, is required to add some transmission elements to its transmission project; it may be awarded such transmission elements under RTM by the Central Govt. To obtain the transmission licence to implement such transmission elements under a regulated tariff mechanism, 'B' approaches the Commission and obtains a separate transmission licence (say 'RTM-B') to implement such additional elements. Subsequently, SPV 'B' is allotted some more transmission elements under a regulated tariff mechanism, 'SPV-B' approaches the Commission for an amendment to its existing transmission licence (RTM-B) issued for implementing specific transmission elements under RTM.

PROPOSAL

- (a) Under the draft Transmission Licence Regulations, 2023, it is proposed to formalize the arrangement of granting a licence and amending it for projects awarded under RTM.
- (b) An entity can obtain a fresh transmission licence on winning a bid under TBCB. Further, if the TBCB projects are bid on a project basis in place of SPV basis, and an existing transmission licensee wins such bid, such transmission licensee may approach the Commission for amendment of its licence to include additional elements won for implementation under TBCB.
- (c) It is also proposed to allow a bulk consumer to construct its connecting transmission line through any existing transmission licensee or it can obtain a license to execute the said line by itself. Further, the process of obtaining a license for connecting the transmission line of a bulk consumer has been shortened, keeping in view that such a line is at the cost of a bulk consumer.
- (d) It is proposed to remove the provision of Regulation 6(c) of the Transmission Licence Regulations, 2009 enabling a transmission licence for a dedicated line of generating station since a transmission line constructed as a dedicated

transmission line should remain as a dedicated transmission line even if it is shared among multiple generating stations. Any line constructed as a licensed line has to undergo a transparent process of bidding or tariff determination, the same is not required for a dedicated line.

- 1.3 Considering the reasons stated above, it is proposed to repeal the CERC (Procedure, Terms and Conditions for grant of Transmission Licence and other related matters) Regulations, 2009 and the Draft Central Electricity Regulatory Commission Procedure, Terms and Conditions for grant of Transmission Licence and other related matters) Regulations 2023 (hereinafter referred to as 'Draft Transmission Licence Regulations 2023' have been issued.

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