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Date: 17<sup>th</sup> October, 2014

To,  
The Secretary  
Central Electricity Regulatory Commission  
3<sup>rd</sup> and 4<sup>th</sup> Floor, Chanderlok Building  
36 Janpath, New Delhi - 110001

Subject: Comments on CERC Staff Paper on Transmission Planning,  
Connectivity, Long/Medium Term Open Access and Other  
Related Issues

Dear Sir

With reference to the comments invited by the Hon'ble Commission on the Staff Paper on "*Transmission Planning, Connectivity, Long/Medium Term Open Access and Other Related Issues*", we hereby submit our comments on the same in the file attached herewith. Request you to kindly take the same on record.

Thanking You

For Adani Power Limited

vh/adan

Authorized Signatory

Encl: As per above

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**Comments on the CERC Staff Paper on Transmission Planning, Connectivity,  
Long/Medium Term Open Access and Other Related Issues**

Before submitting the comments/suggestions on various proposals w.r.t. transmission planning, we would like to request to consider the following broad principles for development of a robust transmission network not only at the Inter-State level but also up to the consumer end.

- Co-ordinated and integrated transmission planning, both for Inter-State and Intra-State transmission system with approval from a committee formed under the guidance of CEA
- Transmission to be treated as a Service and GOI may be requested to consider development of at least some important transmission corridors that facilitate power flow between different regions of the country without any congestion. This shall be analogous to the development of national highways
- CTU to be ring-fenced from transmission planning to avoid discrimination between various transmission licensees
- Investment in transmission and distribution network must be sufficient to enable the power to flow to the end consumer without any congestion
- Apart from Planning and developing sufficient evacuation facilities, the transmission system should also result in overall cost benefit to the end consumers.
- Transmission access approved but not commenced even after two years of scheduled date and for which no network augmentation is carried out, may be cancelled and BG may be refunded back. Such users may be asked to apply again depending on revised schedule/requirement.
- Move out of contracted LTA/GNA based pricing to usage based pricing as suggested in the Staff Paper which is also a market friendly approach. At the same time, there is need for adopting a commercial deterrent to check the tendency of overstating the GNA capacity.

Before replying to the specific queries raised in the Staff Paper, we would like to submit the following comments on the issues discussed in the Staff Paper:

Refund of Relinquishment Charges

It is suggested that if any transmission system user has relinquished its GNA after paying the relinquishment charges, and in the event of utilization of the same access by alternate users, the revenue recovered from such new users shall be passed on to the user who has relinquished the access, limited to the amount charged as relinquishment charges.

Responsibility of Drawee Entities

Under any system of transmission planning adopted, the responsibility of drawee entities must be firmed-up by way of regulations to declare accurate demand projections/demand requirement. In case of deviation from the declared demand, beyond a pre-determined deviation band, the drawee entity must be made liable for penalty. This will ensure drawee utilities to project their demand by adopting prudent practices. OR

The nodal agency, may consider the existing maximum demand/GNA for each State as a base. Then as per the procedure suggested in the staff paper, the nodal agency, based on load forecast, STU inputs, discussions, and norms to be evolved, should plan/project additional GNA in a transparent manner which may then be validated by the validating agency. This would save the transmission planning process from being affected by the State's tendency to under declare its demand for saving money under GNA regime.

Conversion of Existing MTOA to GNA

If any mechanism, similar to GNA is implemented with a condition that all the existing LTAs shall automatically be converted to GNA, such treatment be extended to existing MTOA holders also.

Change of Region under GNA mechanism

On reading the GNA concept in the Staff Paper it is understood that GNA will provide access to a generator to supply power from a specified point to any drawee entity, in any region. It is also stated in para 7.4.1 that declaration of target region shall be optional. It is therefore requested to clarify as to why a situation for indicating "change of region" arises under the GNA regime as mentioned under para 7.4.10.2.

Charges in case demand is not realized as per envisaged GNA by the drawee

It is proposed under para 7.4.10.4 that in case of drawee utilities, if demand is not realized to the extent of GNA, the differential demand would be billed on such GNA

holders based on average transmission charges computed for the country. It is suggested that there should not be any other mechanism to compute charges for unrealised portion of GNA. Recovery of full transmission charges shall be based on the GNA availed.

Usage based Transmission Cost Allocation

Although it has been agreed/proposed in the CERC Staff Paper that transmission cost allocation be based on actual usage, the paper is silent on the methodology, as to how the same would be implemented. The methodology of usage based charges needs to be decided upon for bringing prudence and transparency in the cost allocation process.

**Reply:** The existing Bank Guarantee of Rs. 5 Lakh/MW is too low to drive responsibility and sense of ownership among the developers. At the same time it must not be at exorbitant level of cost of the transmission expansion work needed. The amount of BG so decided, may take into consideration the resale/scrap value of the asset, possible redeployment of transmission assets, risks to be borne by other beneficiaries, etc. May consider linking BG amount to the transmission charges payable for 3 to 5 years and encashment of BG if not used for 2 years from effective date of access. Refund the revenue recovered if any from alternate users during the balance BG period.

c) Is proposed bank guarantee equivalent to cost of transmission line sufficient?

**Reply:** The proposed Bank Guarantee equivalent to the cost of transmission line/system development is sufficient but too high as elaborated above.

d) Is proposed bank guarantees are very high?

**Reply:** The same is very high and shall not be linked to the cost of transmission line/system.

#### **Question 5: Bank Guarantee**

What should be amount of sufficient construction bank guarantee to safeguard against the risk of stranded asset or transfer of liability to other consumer in case generating project wants to exit/ downscale LTA after commissioning

**Reply:** As stated above, BG amount shall be equivalent to 3 to 5 years of transmission charges payable for the GNA capacity.

#### **Question No. 6: Delay in Commissioning**

In case of delay in generating unit(s) /project:

a) Date of LTA should be firm and no relaxation should be provided

**Reply:** No, date of LTA must not be firm. Regulations should provide certain relaxation margin for a period of say 3-6 months. For delay beyond the relaxation margin, the delay must be decided on case to case basis subject to force majeure conditions.

b) If information of delay is provided sufficiently in advance some staggered relief can be granted

**Reply:** Yes, relief may be granted in such case. However, the relief may be granted on case to case basis after thorough analysis for maximum permissible delay.

c) Issue should be decided mutually between generating company and transmission licensee subject to condition that no burden is transferred to other users.

**Reply:** Yes, the issue may be decided mutually between the generator and transmission licensee. However, in case of any dispute, Hon'ble Commission may be approached.

**Question No. 7:** Shallow Connection Vs. Deep Connection

a) What is your view on Shallow Connection Vs. Deep Connection

**Reply:** Mere shallow connection may not be desirable as the same would have a tendency to restrict the network planning process leading to congestion.

b) Shallow Connection should be permitted to only renewable generation or to both Renewable and conventional generators.

**Reply:** Shallow Connection should be permitted only to the renewable generators, as the same could be accommodated in the grid margins without requirement of system augmentation (deep connection). The same would not hold good for conventional generators as the same is highly concentrated generation and must definitely require system strengthening for a congestion free planning for the higher quantum of conventional power to be injected.

The generating capacity and the margins available in the existing system may be analysed even for a renewable generator for requirement of deep connection.

c) Under shallow connection system how transmission planning will be done and who shall bear the Grid level transmission charges?

**Reply:** It would be appropriate to recover the cost of shallow connection from GNA customer, if it is a point to point transmission element. In other cases, the same may be pooled.

**Question No. 8:** Whether you are an injecting entity, drawee entity or both?

**Reply:** I am an Injecting Entity

**Question No. 9:** GNA

a) What is your opinion on General Network Access (GNA) proposed by CEA?

**Reply:** It is a welcome step for better transmission system planning for a congestion free network. The key for its success depends on dissemination of proper and near accurate information from various users/states. A separate stringent regulation to ensure information flow may be brought in by CERC.

b) Whether it should be adopted for transmission access and transmission charges?



**Reply:** The proposed methodology of transmission access and transmission charges, under alternative 2 for GNA seems to be appropriate. As also suggested in the CERC Staff Paper, if payment liability based on LTA or GNA is adopted, it will further dampen the true declaration of injection and withdrawal from ISTS and will hamper transmission planning process.

c) What should be bank guarantees and Exit Charges under GNA mechanism?

**Reply:** The amount of BG so decided, may take into consideration the resale/scrap value of the asset, possible redeployment of transmission assets, risks to be borne by other beneficiaries, etc. May consider linking BG amount to the transmission charges payable for 3 to 5 years and encashment of BG if not used for 2 years from effective date of access. Refund the revenue recovered if any from alternate users during the balance BG period.

The exit options suggested under Alternative 2 seems to be appropriate. However, if at a later date, a new transmission system customer becomes available for using the relinquished transmission system, the revenue recovered for such alternate transmission system user should be refunded to the exited customer/user against the amount of BG withdrawn.

d) Whether it would be possible to plan transmission system to give assured access in all directions?

**Reply:** In order to achieve objectives of the Act and come out of the present scenario of congestion in the transmission network, transmission planning to give assured access in all directions must be made possible.

#### **Question No. 10:** Transmission Planning

a) How Transmission planning in the country needs to be reviewed under present condition to take care of future need of robust transmission system?

**Reply:** The possible solutions suggested in the CERC Staff Paper seem to be appropriate to be considered as an initiating mechanism to take care of future need of robust transmission system. The suggestions so invited herein and future implementation of the same following appropriate regulatory process considering views of each of the stakeholders would facilitate development of a robust transmission system. While doing the same, it must be kept in mind that every decision taken, is in line with the principles laid down under the Act.

b) Whether there is need for a separate Regulation for transmission planning to make it more participative?

**Reply:** Yes, there is a need to cover the transmission system planning under separate Regulations. The process/plan, elaborated under section 6.5.3 of the CERC Staff Paper, after finalisation based on deliberations and discussions, may also form part of the said Regulation. A separate agency must be identified under the guidance of CEA, say POSOCO, which may lead the transmission planning process for the purpose of co-ordinated and integrated planning of Inter-State as well as Intra-State transmission requirement. It must be the responsibility of such agency (POSOCO) to do billing, collection and disbursement. CTU/Powergrid must be ring-fenced from the function of system planning and related activities to avoid any conflict of interest.

c) Whether transmission planning should mandatorily make margins available for short-term power market?

**Reply:** Yes, at least to the extent of 20%.

d) Whether transmission system planned by CEA /CTU need to be adequately explained from cost benefit point of view?

**Reply:** Every investment is made to arrive at certain benefits, may it be in cash or kind. If adequate/appropriate benefits are not realised, the investment could be considered as a failure. In a country like India, where cost of power has an impact on sufficing the daily needs of people, some checks and balances for prudent planning are always recommended so that the end consumer is not burdened for improper planning and stranded assets.

e) Is there requirement of making submission of information related to transmission planning legally binding?

**Reply:** Definitely. Based on a plan identified by CEA, submission of true and authentic information must be made mandatory for aiding the transmission planning process.

#### **Question No. 11:** Utilization of Congestion Charges

a) Whether proposal of using congestion charges to reduce the long term ISTS transmission charges acceptable? Or

**Reply:** The same is acceptable from the view that ISTS charges are pooled and equally distributed based on the system usage.

b) Whether Congestion charges are to be utilized for creation of specific transmission assets for relieving the congestion? How should this be treated- as equity, loan or grant?

**Reply:** Congestion charges must be used to reduce the long term ISTS charges. If used for development of transmission assets, it must be treated as a grant as the same would be free money without any cost.



**Question No. 12:** Transmission corridor allocation for Power market:

- a) Whether participants of Power exchanges should be allowed to participate in e-bidding for transmission corridor? Or

Reply: Yes, participants of Power Exchanges may be allowed to participate in e-bidding for transmission corridor

- b) For power market development, certain quantum of corridor may be reserved for power market with all participant of Power Exchange sharing the transmission charges of reserved corridor.

**Reply:** No corridor may be reserved for power market. Reservation of capacity for any particular segment is discriminatory. Further, encouraging power exchange volumes to increase certain limit may lead to States not tying up even their base load requirements through firm contracts. In any case, as GNA based transmission system is expected to have redundancy, Power Exchange volumes may not face any constraint/congestion.