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20 October 2014

To,
Ms. Subha Sharma.,
Secretary
Central Electricity regulatory Commission
4th Floor, Chanderlok Building,
36, Janpath,
New Delhi- 110001

Sub.: "Comments on Staff Paper on Transmission Planning, Connectivity, Long Term Access, Medium Term Open Access and other related issues"

Dear Madam,

This has reference to **Engg./DP-Transmission/2014-CERC,** 'staff Paper on Transmission Planning, Connectivity, Long Term Access, Medium Term Open Access and other related issues', published on 19th Sept 2014. Please find enclosed our comments as Annexure-1.

We request you to kindly take them in record.

Yours Sincerely,

.....
Ashok Kumar Singh
(Senior Vice President)

STAKEHOLDERS COMMENTS

Question No. 1:

Whether Connectivity should be retained as a separate product:

Ans: Yes

Question No. 2(a)

If yes, what are in your opinion are the advantages of Connectivity as a separate product?

Ans: 1) Approval to connect to Grid is one of the critical milestone in project development phase for securing Finance for the project from Lenders.

2) Identification of point of connection in advance helps a generator to approximate the length of dedicated line it needs to construct up to the point and include the associated cost in the project.

3) Having grant of connectivity as a separate product will enable Generators to take a conscious call on the type of Access (STOA/MTOA/LTA) they want for injecting power in the grid depending upon the fuel scenario which at the moment is very volatile in Indian sector.

4) Connectivity as separate product will enable users to change the target region at later stage then what was planned initially base on the change in demand scenario or the realisation of PPA in course of completion of power plant.

Question No. 2(b)

If connectivity is retained as a separate product, then what whether it should be free or transmission charges should be borne by generator or drawee entity which is applying for connectivity?

Ans: Connectivity should continue to be free product, as it ideally take 2-3 years from the date of grant of connectivity till COD of project and paying all these years without actually using the Grid is not a fair practice. The admin expense of Grid Connection facility is already borne via Application Fee.

Question No. 2(c)

Whether for connectivity, only transmission charges corresponding to connectivity transmission system should be charged or some part of Grid transmission charges (25% as proposed) should also be charged?

Ans: There should not be any charge, and transmission charges should be levied on Open access provided under Short term depending upon availability of corridor.

Question No. 3:

If no, what is in your opinion are the dis- advantages of Connectivity as a separate product?

Ans: There is no disadvantage, as cost of connectivity to the nearest pooling point is already covered.

Question No. 4: Bank Guarantee

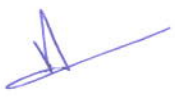
What should be amount of sufficient construction bank guarantee to safe guard against the risk of stranded asset in case generating project fails to get commissioned?

(a) Is existing construction bank guarantee amount (Rs 5 lakh per MW) sufficient when transmission cost is about Rs 1 Cr per MW?

(b) Is proposed bank guarantees equivalent to cost of transmission line is sufficient?

(c) Is proposed bank guarantees are very high?

Ans: Existing Construction bank guarantee amount (Rs 5 lakh per MW) is sufficient to safeguard (25-30% equity infusion of total project cost) of PGCIL's investment.



The proposed bank guarantee is very high, and it's impossible to deposit a Bank guarantee of this high amount before Financial Closure of project as no bank would invest in project without connectivity.

If commission seeks a Bank Guarantee from Generators for securing its investment the same should be reciprocated to Generators as well as from concerned authority as the Investment in generation project is way higher than the Transmission project. All risk should not be passed on to the generator. There should be a mechanism to review the progress of power station to match the progress of the transmission line.

Some risk should also be allocated to the beneficiary as they are equally benefiting from the timely completion of the transmission lines.

Question No. 5: Bank Guarantee

What should be amount of sufficient construction bank guarantee to safe guard against the risk of stranded asset or transfer of liability to other consumer in case generating project wants to exit/ downscale LTA after commissioning (Please give justification for your views)

(a) NPV equivalent to 12 year transmission charges

(b) NPV equivalent to 7 year transmission charges

(c) X Rs per MW of installed capacity –One time charge

(d) Five years Average Injection and withdrawal charges

(e) Five years Average injection charges only

Ans: Ideally five year average Injection charge should be practised.

However in cases otherwise, through scientific studies the extent or quantum of stranded capacity should be found out and the generator who wishes to exit/downscale its LTA should be charged on the quantum of stranded assets as per CERC norms. Whenever in future the stranded capacity becomes useful and CTU starts earning revenue for it the same should be shared with the Generator who had paid for it at the time of exit.

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

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

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

Ans: In case of delay in commissioning of the generation unit due to reasonable conditions and when the reason for delay is provided sufficiently in advance there should be provisions for relief for the generators.

Question No. 7: Shallow Connection vs Deep Connection:

(a) What is your view on shallow connection vs deep connection?

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

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

Ans: Shallow Connection seems to be a reasonable idea and should be applicable for the Generation Company.

In planning stage, generator should be made liable to bear charges for the development of lines for injection into the grid and beneficiaries should be liable to bear the cost of development of drawl infrastructure from grid. In planning stage all beneficiary should execute LTA for their future power requirement.

Question No. 8:

a. Whether you are an injecting entity or Drawee entity or both?

Ans: Both

Question No. 9: GNA

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

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

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

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

Ans: We support GNA mechanism however certain nitty-gritty needs to be discussed and addressed

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?

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

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

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

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

Ans: Generators are being burdened with excessive risk. In planning stage both the Generator and Beneficiary should be made partner and should share the risk.

Question No. 11: Utilization of Congestion charges

a. Whether proposal of using congestion charges to reduce the long term ISTS transmission charges acceptable, or

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?

Ans: Congestion charges collected from ISTS licensee should be utilized for creation of transmission assets for relieving the congestion of network. Presently, the revenue from congestion charges is being deposited in PSDF and as rightly pointed out that ISTS licensees are reluctant to use these funds to part finance their expansion plans through these money on account of reduced ROE, a better way may be granting monetary support to Transmission system developers in form of Loan without any ramification of ROE of the project. This will motivate ISTS developers to include PSDF into their Loan mix.

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

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.

Ans: A certain quantum of corridor should be reserved for power market with all participant of Power Exchange sharing the transmission charges of reserved corridor as this will reduce the price burden of Congestion borne largely by participants in collective transaction. Also, this competitive pricing of transmission capacity, at times of congestion, would be more real with increase in participants in Advance & FCFS categories paving way for a uniform competitive market for transmission capacity.

Comments' on Staff Paper on Transmission Planning, Connectivity, LTA/MTOA and related Issues

1) We support the GNA mechanism as it addresses a lot of critical issues being faced by Generators as per existing regulation.
   - As GNA declared will be the Installed Capacity- Auxiliary consumption, it will present a more realistic scenario for transmission system planning and thus will reduce congestion in Grid.
   - As the declaration of target region has been left optional, it will give flexibility to decide upon target region post identification of a beneficiary
   - No charges for change in target region
   - In case of relinquishment an alternative equivalent can be replaced by exiting company without revoking Bank guarantee and otherwise if a replacement is found at a later stage, the adjustment amount can be refunded back.
   - Proposed transmission charges payment based on Approved injection and withdrawal for the particular application period based on forecasted injection or withdrawal will appreciate users not to shy away from under declaring the corridor capacity required.

   Suggestions to be incorporated in GNA mechanism:

   - Force Majeure on account of unavailability of Fuel, clearances and other uncontrollable factors which are not attributable to developer should be allowed.
   - In case of exit/relinquishment of connectivity, stranded capacity on account of exit should be found out scientifically and the bank guarantee should be revoked proportional to the stranded capacity. A detailed procedure for the same should be formulated
   - Delay in commissioning on genuine accounts after prudence check from Implementation Agency should be acknowledged.

Till development of GNA concept and its realization the following Issues should be addressed immediately:

1) Till there is certainty on development of project and identification of beneficiary, connectivity with nearby pooling station should be provided. In this way risk of generation and transmission licensee (for building capacity which may not be required) can be avoided.
2) Through detailed and scientific study, a stranded capacity or alternate use of capacity can be identified. If a generation project is delayed for significant period, charges should be levied on generator only proportional to the stranded capacity as on date or at future instances. A detailed procedure for the same may be developed.
3) Payment obligation :
   - Capacity booked under LTA should be adjusted against other transmission charges (for both injection and drawl) paid under MTOA/STOA or in DAM.
   - Currently only generators are required to book the capacity. Similarly, beneficiary should also be asked to book the capacity and take the liability of drawl charges. Generator should be responsible only for injection charges.
   - If any generator is paying drawl charges and in target region if any beneficiary is buying power under STOA/MTOA or DAM more than its commitment under LTA then the liability of all those generator who are paying drawl charges in target region should be reduced accordingly.