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Date : 03/11/2014

To,
Secretary
Central Electricity Regulatory Commission
3rd & 4th Floor, Chanderlok Building,
36 Janpath, New Delhi 110 001

BY FAX: 011-23753923


**Sub: Comments / Suggestions on staff paper on Transmission Planning,
Connectivity, Long / Medium Term Open Access and other related matters.**

Sir,

On the above cited subject, please find attached herewith the Views / Comments / Reply to the specific questions posed in the Staff Paper at Annexure A.

Thanking you.

Yours faithfully,



(N.A. Patel)

Chief Finance Manager (Trading)

Annexure A

Question 1 Whether Connectivity should be retained as a separate product?

Reply: Yes, Connectivity should be provided as a separate product.

Question 2 (a) If yes, what are in your opinion the advantages of connectivity as a separate product?

Reply: Connectivity enables Generator to know in advance the connection point where his generator would be allowed to get connected. It will help Generator in achieving the financial closure. Connectivity is a reliability support and enables Generator to draw start up power and helpful in taking the Test run of the Units.

(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?

Reply The connectivity should not be free of cost. The applicant applying for the connectivity should pay the shallow connection charges. The cost associated with connecting the grid and installing the necessary measuring devices for recording the energy transmission shall be borne by the applicant.

(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?

Reply The charges should be corresponding to the connectivity. Moreover, the charges based on usage of transmission system should also be legitimate if the person after getting connectivity is using the transmission facility in addition to connectivity facility. However, blanket charging of 25% of Grid transmission charges without gauging the usage of transmission facility is not tenable.

Question 3 If no, what are in your opinion, the disadvantages of Connectivity as a separate product?

Question 4 Bank Guarantee – What should be sufficient Construction Bank Guarantee to safeguard against the risk of stranded asset in case generating project fails to get commissioned?

Reply: In case generating project fails to get commissioned, the evacuation system/strengthening of system carried out for such purpose will become redundant for the time being, unless the load sets in. Moreover, the Users of the transmission system have to share the burden of such redundancy occurred in transmission pool. In order to avoid the extra transmission charges on existing system users. There should be adequate Construction Bank Guarantee to safeguard against this risk. The bank Guarantee should be atleast 50% of the Transmission Project cost or equivalent to NPV of 12 years charges

which can be invoked and appropriated towards reduction of the transmission charges (redundancy portion), so that burden of the same should not fall on existing transmission users.

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

Reply: No, Construction Bank Guarantee should be stipulated at adequate level to safeguard the risk of Generator abandoning the project or to cover the eventuality of failure to commission the project. Amount equivalent to atleast 50% of the Transmission Project cost should be stipulated for Construction Bank Guarantee.

(b) Is proposed bank guarantees equivalent to cost of transmission line is sufficient? (c) Is proposed bank guarantee are very high?

Reply: When Generator is investing Rs 5 Crores per MW on building the Generation capacity there should not be hesitation on part of Generator to commit to Construction bank Guarantee ultimately when the Evacuation system/ Transmission system enforcement will help in gaining him access to the market. However, in Power Deficit scenario the transmission charges are to be borne by Power Procurer. Looking to above, well balance approach is needed for acceptable solution. It is suggested that an amount equivalent to atleast 50% of the Transmission Project cost should be stipulated for Construction Bank Guarantee.

Question 5 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 (Please give justification for your views)?

- (a) NPV equivalent to 12 years transmission charges
- (b) NPV equivalent to 7 years transmission charges
- (c) X Rs per MW of installed capacity – One time Charges
- (d) Five Years Average injection and withdrawl charges
- (e) Five Years Average injection charges only

Reply: Transmission project usage life is 35 years approximately. Generator is interested in developing evacuation system/ system enforcement so as to enable him to gain access to the market/grid. When generator wants to exit/ downscale LTA after commissioning of Generating Plant his Bank Guarantee should be invoked atleast to recover 50% of Transmission Project cost or NPV of 12 years transmission charges, for the LTA capacity he is relinquishing/foregoing. The transmission system so build/strengthen on his behest shall be allotted and used for the purpose of Grid usage through any type of access. Thus, recovery of NPV Equivalent to 12 years transmission charges seems to be in order.

Question 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: The date of LTA should be firm. Applicant should consider all the eventualities associated with the Project (MOEF, PCB, ROW, FSA etc) and plan for Long Term Access accordingly. Generator shall not be allowed to excuse and make the other Grid users suffer for his poor decision making/ self benefit. Besides, Transmission Project to be developed under Competitive bidding process, there is no leeway of allowing the relaxation period. Once the transmission system is ready, someone should start paying for the same towards transmission cost and to avoid unnecessary burden on other users.

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

Reply: No relief shall be granted in a manner that it will hamper the cost recovery and put the unnecessary burden on rest of the users

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

Reply: Transmission system developed under cost plus approach, there is possibility of fine tuning the time, activity and pace of progress of generating stations vis a vis transmission project. The synchronization between two projects can be achievable under this system where generating company and transmission licensee can mutually decide in such way that no burden is transferred to other users. However, Transmission system developed through competitive bidding process have the time line / mile stones to be adhered where even mutual understanding between Generator & Transmission licensee will not help. The only option is Generator should start paying transmission charges from the date of LTA irrespective of delay in commissioning of Generating Units / Project.

Question 7 Shallow Connection vs Deep Connection

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

Reply: It is worldwide used international practice of providing connectivity and access to the grid user as a separate product and charged accordingly, which our country should accept and adapt to fit our kind of requirement.

Shallow Connection should be provided for Renewable Energy Generating Units / Projects whereas for Conventional Projects, Deep Connection should be provided.

(b) Shallow connection should be permitted to only Renewable Generator or to both Renewable and Conventional.

Reply: As stated above, shallow connection should be permitted to only RE Generation.

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

Reply: Since Shallow Connection system is allowed only to RE Generators, the transmission planning will be done by CEA & CTU looking into RE potential and expected capacity addition. The cost of upgrades and reinforcements shall be incurred by Grid Operators and to be recovered from all the beneficiaries including RE beneficiaries.

Question 8 Whether you are an injecting entity or Drawee entity or both?

Reply: Both

Question 9 (a) What is your opinion on General Network Access (GNA) proposed by CEA?

Reply: It is imperative that transmission system should be developed in a manner considering the peak power capacity. It should also be build considering the proliferation of Renewable energy Wind and Solar capable of bringing wide swing in generation. Moreover, transmission system should also be such to take care of upcoming generation capacity to avoid the bottleneck of power. General Network Access is the building of transmission system on 360° basis on the basis of data of Generator GNA and Drawl GNA. However, in reality the actualization of the forecasted scenario is difficult in wake of power sector issues like delay clearances, fuel issues, liquidity problem, behavior of open access consumers, captive generators, DISCOMs financial health etc. Again under declaration of GNA is also an issue. The presence of contract/agreement (PPA) in any form long or short will be comforting for execution and payment of transmission charges. Transmission system developed on 360° basis may have consequences in form of excess transmission capacity build, redundancy, burden of transmission charges without actual usage etc.

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

Reply: The transmission system and the transmission access should be developed based on Installed capacity. The transmission charges should be worked out accordingly and shared in a fair manner to avoid the issue of cross subsidization.

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

Reply: Bank Guarantees and Exit charges should be Total Transmission Project Cost. Any difference in forecasted GNA and actualization has heavy impact on Grid users.

Moreover, the delay in commission, abandonment and relinquishment also has heavy impact on Grid users.

Question 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 transmission planning could be done in synchronization with various authorities and in consideration of upcoming SEZ, Industrial Areas, Parks, load centers, Potential Generation sites like coastal, pit head, Renewable sinks etc to gauge the growing demand, capacity requirement, load flow studies. The proactive and reliable information sharing from inception is *imperative* to build up robust transmission system. Transmission planning should be forward looking factoring the best, average and worst scenario.

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

Reply: IEGC -Planning code provides the guidelines to be adopted for planning and development of Bulk Power Transfer (ISTS). Planning Code lays out the detailed information exchange requirement between planning agencies and various participations of power system for load forecasting, generation availability etc Further, CERC is approving transmission tariff of ISTS and methodology of sharing of transmission charges from time to time. Moreover, network expansion may be undertaken involving POSOCO, SLDCs, NLDS, various authorities etc after identifying the requirement in consultation with stakeholders and take up execution work, if need be with Regulatory Approvals. One doesn't need Regulation for planning.

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

Reply: In addition to base load requirement, the electricity users also have seasonal, daily, hourly variation in power requirement. Sometime uncertainty also crop up on generation side. DISCOMs inter se may also have varying power requirement at different time. Therefore exchange of power from surplus to deficit is essential. Short term market will help in exigencies and for requirement mitigation. In view of above, margins in transmission system will facilitate the real time adjustments through short term power market. The margin should facilitate 15% of power requirement through short term market.

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

Reply: Yes, stakeholders should know the cost-benefit of transmission system.

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

Reply: No, since information relating to transmission planning is based on forecast and entailing many variables. Actual data/scenario may vary. Therefore it is indicative and most likely but cannot be made sacrosanct.

Question 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?

Reply: Congestion charges are not part of transmission charges. It is collected in addition to the transmission charges and routed to PSDF. It should be appropriated towards reduction of Long term ISTS transmission charges.

Question 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?

Reply: The sellers and buyers are utilizing the platform of power exchange to mitigate their emergent requirement of power. The transaction of power keeps varying from day to day therefore keeping certain quantum of corridor reserved for Power Exchange will not be an optimal solution. It will be like paying transmission charges without utilizing it for just keeping corridor reserved. Hence, the Power Exchange participants should be allowed to participate in the e-bidding for transmission corridor.