

October 20, 2014

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

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

Madam,

This is with reference to the Public Notice Ref: Engg./DP-Transmission/2014-CERC dtd. 19.09.2014 seeking comments/ suggestions on the subject mentioned staff paper. We would like to complement the Commission Staff for covering various issues/ problem areas quite comprehensively. While we are enclosing herewith some observations, we feel that it would be helpful if a Workshop could be organized for all stakeholders (especially the generation developers) for proper understanding/ discussion of the proposed alternatives.

Thanking you,

Yours faithfully,

For and on behalf of **Jindal Power Ltd.**



(T.K.PRASAD)
Executive Director (Engg.)

Encl: As above

COMMENTS/OBSERVATIONS OF JINDAL POWER LIMITED ON CERC STAFF PAPER ON TRANSMISSION

It is suggested that a workshop may be conducted for all the stakeholders (especially generation developers) for proper understanding/discussion of the proposed alternatives. However, some of our major observations are given below.

S.No.	Clause ref	Description	JPL Observations
1	6.5.3(k)	Network data in suitable format shall also be published by CTU & POSOCO for the All India transmission network. The access to this data to authorised entities shall be based on 'credential control through username/password.	Reason for restriction of this data to is not understood. This data is required for all the users of transmission system including potential investors and new generation developers.
2	6.5.3(l)-lines 1-4	For every transmission system planned and proposed three possible scenarios of expected load and generation (Normal, optimistic and pessimistic) shall be given. The transmission system shall also be proposed for three possible scenarios and consequences of opting for any particular transmission system shall be elaborated.	Additional scenarios like Summer peak, winter peak etc. may also be considered.
3	7.1.2	 construction bank guarantee to be furnished by applicant would be equivalent for capital investment to be made in transmission system.	Construction bank guarantee equivalent to capital investment is not justified. This amount will be very huge and prohibitive for generation developers.
4		In case no transmission system augmentation is required then Bank Guarantee corresponding to seven year zonal transmission charges needs to be submitted to avoid unnecessary holding of access.	Asking BG corresponding to seven year zonal transmission charges when no transmission system augmentation is required does not appear reasonable. However, BG corresponding to a nominal period, say one or two years zonal transmission charges may be mandated.
5	7.1.3	TYPE A: Generator to pay advance in form of sufficient (100%) bank guarantee for cost of Transmission system both for Connectivity (Shallow connection) and Network expansion (deep connection).	(i)100% bank guarantee for Connectivity (Shallow connection) is justified. However, option to be given for generation developer to construct shallow connection by themselves. (ii) 100% bank guarantee for cost of Network expansion (deep connection) is very prohibitive and also not justified.

6		Exit after commissioning for TYPE A: 12 year NPV of transmission tariff for New assets	12 years NPV will be very huge and unjustified. Also, as per example given at clause no. 7.1.13.6, the 12 year NPV (120.59 cr.) works out more than the total capital cost (100 cr.). Also, these assets are likely to be utilised after some time with new users of transmission system over a period of time due to normal development. At present, cost of Generation for 100MW is approx. Rs. 600 cr. and cost of transmission @ Rs. 1 cr./MW works out to Rs. 100 cr.. Thus, the estimated Exit charges as per the given example will be Rs. 120 cr. which itself is 20% of the Total Generation project cost. It means, 100% risk of the Transmission network is to be borne by Generator which is 20% of the generation cost whereas no risk has been proposed to be shared by the Transmission system developer which is unjustified.
	7.1.5	TYPE C:	
7		Connectivity plus Injection Access: A mix of both wherein Generator to pay in advance for connectivity line and 50% of the cost of Network expansion.	(i) 100% bank guarantee for Connectivity (Shallow connection) is justified. However, option to be given for generation developer to construct shallow connection by themselves. (ii) 50% bank guarantee for cost of Network expansion (deep connection) is prohibitive and also not justified.
8		Outcome will be only assured connectivity to the grid. Assured evacuation to target region but no assurance of point to point evacuation.	This may not serve desired purpose as it is similar to present arrangement of LTA to target regions wherein many generators are facing stranding of their generation capacity.
9		Exit after commissioning for TYPE C: 12 year NPV of transmission tariff for New assets	12 years NPV will be very huge and unjustified. Also, as per example given at clause no. 7.1.13.6, the 12 year NPV (120.59 cr.) works out more than the total capital cost (100 cr.). Also, these assets are likely to be utilised after some time with new users of transmission system over a period of time due to normal development and there is no justification to recover entire capital cost plus addl. amount.
10	7.1.10	An important point is that in treatment all these cases capacity corresponding to installed capacity plus overload capacity shall be considered for access i.e. no part LTA concept shall be applicable.	The LTA capacity to be taken as installed capacity after reducing auxiliary consumption. Overload capacity should not be considered for LTA capacity. Further, if there are any agreements/ MoU with home state for supply of power the same should also be accounted for.

11	7.1.12	Charging generation stations for connectivity portion is not to be considered as discrimination with CPSU generation stations because liability of payment is only in case when generator has no identified beneficiary(ies). Once generating station has beneficiary, its payment liability gets shift to beneficiaries as in case of CPSU projects.	Charging generation stations for connectivity is discrimination with CPSU generation stations. Tariff for Cost of Connectivity line to be included for CPSU as well as IPPs in the Transmission charges. Also, metering for IPPs shall be considered at the generation bus-bar similar to CPSU generation projects. This is necessary to provide a level playing field for all generators (IPP or CPSU).
12	7.1.13.6	Sample calculation of BG for construction of Connectivity line	From the calculation, it is seen that the NPV for 12 years is more than the cost of construction of the asset.
13	General	-	Sample calculations giving cost of Shallow connection and deep connection alongwith calculations of exit charges may be given to understand the cost implication.
14	7.2.1	To provide equal treatment to generation projects implemented by CPSUs and IPPs, it is proposed that after a grace period of three month during which Generator shall be responsible for IDC liability, staggered payment system for 25%, 50% and 100% transmission charge shall be applied for deep connection(network expansion) for delay in each quarter. For connectivity portion, no grace period shall be allowed	As per this clause, 100% transmission charges will be applicable beyond delay of three quarters. The grace period may be kept as 1(one) year i.e. 100% transmission charges to be applicable after 4 quarters. D25
15	7.3.1.1	A prudent decision needs to be taken by the Generator regarding timing of exit. During inception stage of transmission system, 'Exit' may be permissible but once it is posed for bidding, it shall not be allowed as it affects other stakeholders. It is proposed that if generating station is not commissioned at all, it shall bear NPV of transmission charges of new assets for 12 years depending upon type of access A, B or C it sought.	NPV of transmission charges for Network expansion of new assets for 12 years under exit option is very high. However, recovering of the cost of dedicated line in case of Exit option is justified.
	7.4	ALTERNATIVE 2 (GNA concept)	

16	7.4.1	 Whenever a Generator or Drawal customer wants to connectivity and access to ISTS, it will declare its GNA requirement. For Generator it shall correspond to its Net installed Capacity (i.e. Installed capacity - Auxiliary consumption). It shall also consider its overload capacity and that shall be considered as its GNA.	Overload capacity should not be considered in the GNA of Generator.
17	7.4.9	It shall be agreed by the transmission customer(s) on whose request the transmission system is being developed that non availability of fuel and clearances shall not be considered as force majeure event and they shall pay transmission charges for the system as per prevailing Regulations.	Non availability of Fuel and major Statutory clearances should be considered as force majeure event.
18	7.4.5	Scenario when Drawal GNA is less than Injection GNA.	These provisions are not clear. Regarding mismatch of drawl and injection GNA declarations, in our opinion this is a non-issue as practically the two will never exactly match. Also such an approach may give rise to problems as indicated at Para 7.5.1 of the Staff Paper.
	7.4.10.2	Change of region	
	7.4.10.3	Exit or relinquishment charges	
	7.5	TRANSMISSION COST ALLOCATION	We agree with the view that if payment liability is based on LTA or GNA quantum, this may lead to misdeclarations, however, the proposed transmission charges philosophy is not clear from the staff paper. It is suggested that the new methodology should be purely based on actual usage.
19	7.5.1		
20	4.6	Utilization of HCPTC Transmission Assets	The concerns of generation developers with regard to constraints in Transmission corridor for evacuation is not broughtout in detail. While major concern indicated by CTU/CEA/POSOCO are regarding Connectivity without LTA and slippage in the commissioning schedule of many generating stations, however, issue of delayed commissioning of Transmission system(s)/critical transmission lines is not broughtout which leads to power evacuation constraints. This also needs to be considered in detail while finalising the amendments.

21	11	STAKEHOLDERS(JPL) COMMENTS on the Questionaire	
		Question no.1:	
		Whether Connectivity should be retained as a separate product: (A) Yes (B) No	YES
		Question no.2(a):	
		If Yes, what are in your opinion are the advantages of Connectivity as a separate product?	Useful during testing & commissioning till COD of the generator
		Question no.2(b):	
		If connectivity is retained as a separate product, then what whether is should be free or transmission charges should be borne by generator or drawee entity which is applying for connectivity?	The question is not clear. However, transmission charges for connectivity line should be applicable both for CPSU and IPPs without any discrimination.
		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 be charged?	For power transmission, charges should be based on actual usage.
		Question no.3:	
		If no, what is in your opinion are the dis-advantages of Connectivity as a separate product?	N.A.
		Question no.4: Bank Guarantee	
		What should be amount of sufficient construction bank guarantee to safeguard against 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?	Yes.
		(b) Is proposed bank guarantees equivalent to cost of transmission line is sufficient?	These are prohibitively high.
		(c) Is proposed bank guarantees are very high?	Yes, Very high.
		Question no.5: Bank Guarantee	

		What should be amount of sufficient construction bank guarantee to safeguard against risk of stranded asset or transfer liability to other consumer in case generating project wants to exit/downscale LTA after commissioning (Please give justification for your views)	These assets will get utilised over a period of time (3-5 years considering the present growth in economy) with new users of transmission system.
		(a) NPV equivalent to 12 year transmission charges	-
		(b) NPV equivalent to 7 year transmission charges	-
		(c) Rs per MW of installed capacity - one time charge	-
		(d) Five years Average Injection and withdrawal charges	-
		(e) Five years Average injection charges only	-
		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	Yes;
		(c) Issue should be decided mutually between generating company and transmission licensee subject to condition that no burden is transferred to other users	-
		Question no.7: Shallow Connection Vs Deep Connection	
		(a) What is your view on shallow connection vs deep connection	Shallow connection is preferable and deep connection i.e. Network expansion shall be based on Transmission planning and the transmission charges shall be usage based.
		(b) Shallow connection should be permitted to only Renewable generation or to both Renewable and Conventional generators	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	Usage basis by all entities
		Question no.8:	

	Whether you are a injecting entity or Drawee entity or both?	Injecting entity.
	Question no.9: GNA	
	(a) What is your opinion on General Network Access(GNA) proposed by CEA?	GNA appears to be a better option.
	(b) Whether it should be adopted for transmission access and transmission charges?	Yes
	(c) What should be bank guarantees and Exit Charges under GNA mechanism?	BG corresponding to a nominal amount, say 10-15% cost of Network expansion may be collected.
	(d) Whether it would be possible to plan transmission system to give assured access in all directions?	Achieving this would be ultimate objective but it may take some time and therefore has to be done in a phased manner.
	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?	Transmission planning should be based on proposed addition of generating capacities and projected load growth.
	(b) Whether there is need for a separate Regulation for transmission planning to make it more proactive?	Yes
	(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?	Not necessarily but the planning should be based on pre- defined criteria.
	(e) Is there requirement of making submission of information related to transmission planning legally binding?	No, however the planning information should be transparently available to all stake-holders.
	Question no.11: Utilization of congestion charges	
	(a) Whether proposal of using congestion charges to reduce the long term ISTS charges acceptable? Or	No. Instead this may be refunded to exchange participants.
	(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?	No.

		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	No
		(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.	No.