



M.P. POORV KSHETRA VIDYUT VITRAN CO. LTD.
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No. EZ/Comml/PP&R/

1217

Jabalpur, Dtd 10/10/2014

To

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

Registered/ AD
FAX 01123753923

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

This has reference to public notice dated 19th Sep 14 vide which comments have been sought on the "Staff Paper on Transmission Planning, Connectivity, Long/ Medium Term Open Access and Other related issues".

2. At the outset, we would like to appreciate the efforts put forth by the staff of the Hon'ble Commission in consolidating all the aspects/ regulations/ views of the concerned entities comprehensively in a single document and presenting the concerns of all the stake holders in proper planning of interstate transmission system and recovery of charges. All the related regulations and issues have been linked appropriately in the staff paper.

3. We have studied the staff paper and would like to submit that concept mooted by CEA for introduction of General Network Access has its own advantages as for as ISTS planning is concerned but it also lack in clarity as for as real time operations are concerned and on allocation/ recovery of transmission charges as pointed out by the staff of CERC in the staff paper. Till the clarity on all the operational issues and recovery of charges issues are not resolved, we are inclined to support the alternative-I proposed in the staff paper for recovery of transmission charges and connectivity of Generators/ ISTS development.

4. We are also offering our comments on the specific questionnaire included in the staff paper as under:-

Question No. 1:

Whether Connectivity should be retained as a separate product: (A) Yes (B) No

Ans: (A) Yes

Question No. 2(a)

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

Ans: In case of certain force majeure conditions, if the project of the Generating Company does not materialize, the Generating Company would not be burdened with the cost of transmission charges for the evacuation system which could have been created in a bundled product. This would also ensure that stranded capacity is not created in ISTS.

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1.5 Company Secretary in Practice

A member of the Institute may also practice independently as a professional after obtaining a certificate of practice from the Institute as provided in the Company Secretaries Act, 1980. The scope of work of a Company Secretary in practice has been greatly enhanced by the Companies (Amendment) Act, 1988. Under section 161 of the Companies Act, 1956, the annual return of a listed company is compulsorily required to be signed by a whole-time practicing Company Secretary. A Company Secretary in practice who is engaged in the formation of the company can also sign a declaration under section 33(2) that all the requirements of the Companies Act and the rules made thereunder have been complied with in respect of registration of the company. A Company Secretary in practice is also authorized to give a verified declaration under section 149. Again under the guidelines laid down in Schedule XIII for appointment of managerial personnel and payment of managerial remuneration, a Company Secretary in whole-time practice can also certify that the requirements of Schedule XIII have been complied with.

The enactment of the Companies (Amendment) Act, 2000, has further expanded the scope of work of a Company Secretary in practice with the insertion of the proviso to sub-section (1) of Section 383A. This proviso provides that every company not required to employ a whole-time secretary and having a paid-up share capital of rupees ten lakhs or more shall file with the Registrar a certificate from a secretary in whole-time practice as to whether the company has complied with all the provisions of the Companies Act and that a copy of such certificate shall be attached with the Board's report.

For a detailed list of recognitions secured so far for company secretaries in practice, and in employment please refer to Annexure VIII.

1.6 Further Academic Pursuits

1.6.1 The company secretaryship qualification has been recognised for admission to the Ph.D course by 55 universities so far. The list of universities, which have recognised CS qualification as equivalent to post graduate for the purposes of doing Ph.D. is given at Annexure XI.

1.6.2 The persons who pass the Professional Programme examination of the ICSI and wish to pursue the Cost Accountancy Course, are entitled to certain paper wise exemptions in the Institute of Cost Accountant of India (ICAI-CMA) examinations as under:

Foundation Examination – Full Exemption

Intermediate Examination

1. Group 1, Paper 8: Cost Accounting and Financial Management
2. Group 1, Paper 7: Direct Taxation
3. Group 2, Paper 12: Company Accounts and Audit

Final Examination

1. Group 3, Paper 13: Corporate Laws and Compliance
2. Group 3, Paper 14: Advanced Financial Management
3. Group 3, Paper 16: Tax Management and Practice

1.7 The Company Secretaries Regulations, 1982

All the students registered with the Institute are governed by the Company Secretaries Regulations, 1982, as amended, and shall pay the fees as applicable from time to time.

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Question No. 2(b)

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

Ans: Since the connectivity in case of generator is also used for drawing of start-up power and for testing activities pre COD, the Generator should pay for the product. The drawee only comes into picture after COD of the generating station. After PPA with the Generating Company, the burden of LTA transfers to drawee entity. The charges prior to COD should be paid by Generating Company.

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: Connectivity as well as part transmission charges should be charged.

Question No. 3:

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

Ans: No dis-advantage of connectivity as a separate product as the exit/ delay in generating project commissioning would be protected by adequate bank guarantee proposed in alternative-I.

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?

Ans: It is definitely not sufficient to mitigate the risk.

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

Ans: Bank Guarantee equivalent to cost of transmission line should be obtained.

- (c) Is proposed bank guarantees are very high?

Ans: - Guarantee should be matching the risk involve. Therefore, it should be equivalent to cost of transmission line.

Question No. 5: Bank Guarantee

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adequately and promptly met. The rapid corporatisation, which began in the wake of the liberalization of the economy, has brought about a sea change in the role and profile of a Company Secretary.

The job of a Company Secretary now involves diverse responsibilities such as formulating long-term and short-term corporate policies and programmes, accounting and finance functions.

Company secretaries are being seen as corporate development planners who explore the expansion opportunities such as arranging various collaborations, amalgamations, acquisitions, and setting up of subsidiaries and joint ventures within and outside India. The Company Secretaries have made forays into the capital market and financial services industry. The Company Secretaries are also taking care of tax planning and tax management for the company and advising the management on the tax concessions, incentives and reliefs.

1.3 Career prospects for Company Secretaries

Detailed and thorough study of the legal, secretarial, accounting, managerial and administrative functions of a company on the way to attain the company secretaryship qualification makes the person competent for taking up a wide range of responsible positions in the secretarial, legal, finance, accounts, personnel and administrative departments of companies and other organisations in the private as well as public sector.

1.4 Company Secretary in Employment

Pursuant to Section 483A of the Companies Act, 1956, companies having a paid-up share capital of ₹ 5 crores or more, as prescribed by the Central Government, are statutorily required to appoint a whole-time Company Secretary. Membership of the Institute is the only prescribed qualification, which a person must possess for appointment as a Company Secretary in such a company. Pass in Executive Programme examination of the Institute is one of the alternative qualifications prescribed for appointment of Company Secretary in companies having paid-up share capital of less than ₹ 5 crores. Also, all companies seeking listing on stock exchanges are required to have a whole-time qualified Company Secretary.

Membership of the Institute has been recognized by the Ministry of Education, Government of India, for appointment in superior posts and services under the Central Government. It is also one of the essential qualifications for recruitment to Grades I to IV in the Accounts Branch of the Central Government. WRTMPL had conducted final testing of the line and handed over the line for energisation to POWERGRID at 11 p.m. on 1.12.2013. The line was energised and put to operation on 5.1.2014.

Almost every kind of organization whose affairs are controlled by boards, councils and other corporate structures be it a co-operative, trust, society, association, federation, statutory authority, commission, board or the like, finds it useful to appoint a person who holds the qualifications of Company Secretaryship in key administrative positions. Professional Institutes and educational bodies also consider utilization of the services of Company Secretaries on full or part-time basis for academic or research assignments in the fields of accountancy, law or management. Besides, Department of Personnel and Administrative Reforms of the Central Government empanels Company Secretaries as professionals for assignment of Indian experts to the developing countries of Asia, Africa and Latin America.

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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: The discount rate for working NPV is not indicated in question, therefore no conclusion can be drawn on charges based on NPV. In case of exit without any transfer to other party or downscaling LTA, X Rs per MW of transmission charges per year could be recovered till transfer of capacity to other party. However, if there is no likelihood of transfer, then one time charge could be recovered. This would ensure that a generating company would be burdened to the extent it has affected the recovery of transmission charges.

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

Ans: Under force majeure conditions, LTA date may be relaxed.

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

Ans: Yes

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

Ans: Based on the circumstances in part (a) and (b), it would be appropriate that matter 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?

Ans: As described in the staff paper, shallow connection would only provide connectivity to a generator with the ISTS and facilitate drawal of start-up power

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whereas deep connection includes connectivity as well as system strengthening for injection as well as drawl at identified location. As already answered earlier, we are of the view that both products should be available.

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

Ans: - To both with the condition to pay some part of transmission charges.

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

Ans: Even with the shallow connection, transmission planning needs to be done on the basis of injection capacity of the generator, otherwise on COD, congestion will occur. The Generator should borne the Grid level transmission charges till COD.

Question No. 8:

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

Ans: Drawee entity

Question No. 9: GNA

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

Ans: There is lack of clarity in GNA on various issues and a more detailed paper needs to be published by CEA addressing all the concerned raised by the entities as already pointed out in staff paper itself.

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

Ans: - Not till full clarity on various issues.

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

Ans: Bank guarantee for exit or scaled down GNA could be obtained for the full stranded capacity with the condition that in case of effective transfer to other party, the en-cashed amount shall be appropriated till the date of transfer and balance would be refunded to the defaulting entity.

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

Ans: At the cost of stranded capacity, it is possible. However, with matching load generation scenario, it is not possible due to variation in load/ generation on account of unforeseen situations.

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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?

Ans: correct declaration of drawal capacity by drawee entities and adhering to COD by generating Company would be the basis of robust planning. The present proposal of declaration of drawal capacity and injection capacity 5 years in advance on yearly rolling basis would pave roadmap for proper transmission planning.

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

Ans: Instead of regulation, guidelines can be issued by CEA for transmission planning by CTU and STUs.

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

Ans: No, STOA should continue to be managed through the available margin. This would ensure optimum utilisation of transmission network.

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

Ans: Yes but not only on the cost benefit point of view but also from the point of grid security also.

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

Ans: Not at present

Question No. 11: Utilization of Congestion charges

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

Ans: Yes

- 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: Not required in view of the answer to (a). This would only complicate the matter. The approach in (a) is simple and effective.

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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

Ans: - Yes

- 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: Not required in view of the answer to part (a).

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