

Comments on Draft Conduct of Business Rules of the Designated Authority for facilitating Cross-Border Trade of Electricity

#	Section/ Article	Comment
1.	3.	<p>Following proviso may be added to the said clause:</p> <p><i>"Provided that Indian Generating Stations supplying electricity exclusively to neighbouring country(ies) under Article 8.2 of the Guidelines shall not be subjected to this CBR."</i></p>
2.	3.	<p>Following proviso may be added to the said clause:</p> <p><i>"Provided that HVDC Transmission lines originating from a HVDC pooling station in India to a HVDC pooling station in a neighbouring country shall not be subjected to this CBR"</i></p>
3.	4.1.2	<p>Following proviso may be added to the said clause:</p> <p><i>"Provided that a seller or buyer having a confirmed Power Purchase Agreement for minimum 15 years or any other binding agreement shall be eligible to approach the Designated Authority for planning and development of a cross-border transmission link."</i></p>
4.	4.2.2	<p>Following proviso may be added to the said clause:</p> <p><i>"Provided that the Tariff Policy shall not be required to be followed for any independent transmission system as envisaged under Section 8.2 of the Guidelines."</i></p>
5.	6.1.2	<p>As per Clause no. 6.1.2, distribution licensees/Public Sector Undertakings (PSUs) are eligible for export of electricity, on availability of surplus capacity and after self-certification by the concerned distribution licensee or the PSU. This clause is in sharp contrast to Clause no. 6.1.3 whereby approval for Import/Export of electricity to/by other Indian Entities is required to be given on case to case basis. Such classification may not augur well for competition to thrive in the power market.</p> <p>The Central Government notified the Tariff Policy on 6.1.2006. The Tariff Policy through its various provisions seeks to promote competition in the electricity industry, to ensure financial viability of the sector and attract investment in the electricity sector. It exempted the public sector projects from competitive bidding for a period of five years, that is, up to 5.1.2011. But after 2011 they are required to follow the competitive bidding route. The relevant extract of policy is as under:</p> <p style="text-align: center;">"5.1 ...</p>

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		<p><i>Even for the Public Sector projects, tariff of all new generation and transmission projects should be decided on the basis of competitive bidding after a period of five years or when the Regulatory Commission is satisfied that the situation is ripe to introduce such competition"</i></p> <p>Even the amended Tariff Policy 2016 promotes competition and transparency as can be observed in the below mentioned extract:</p> <p>"4.</p> <p>...</p> <p><i>(c) Promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimise perceptions of regulatory risks;</i></p> <p><i>(d) Promote competition, efficiency in operations and improvement in quality of supply;"</i></p> <p>Further Clause 5.3 of the Tariff Policy 2016 promotes competition in the market</p> <p><i>"5.3 The tariff of all new generation and transmission projects of company owned or controlled by the Central Government shall continue to be determined on the basis of competitive bidding as per the Tariff Policy notified on 6th January, 2006 unless otherwise specified by the Central Government on case to case basis.</i></p> <p><i>Further, intra-state transmission projects shall be developed by State Government through competitive bidding process for projects costing above a threshold limit which shall be decided by the SERCs."</i></p> <p>It is a widely known fact that the levelised tariffs obtained through competitive bidding were lower than the levelised tariff under the cost-plus regime.</p> <p>Therefore, it is recommended that the power plants which can supply power at a cheaper rate are preferred for cross border trade. This would in turn require that the differentiation between PSU and independent power producers are removed to create a competitive market with a level playing field in the country.</p> <p>In respect of Distribution licensees, it is a common knowledge that many a times they do load shedding and sell this available power in more profitable markets like Power Exchanges. CEA may like to deploy a robust process to ascertain surplus power of Discoms instead of self-certification. This would put in appropriate checks and balances in the system.</p>

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		<p>The above is in line with the Hon'ble Power Minister's announcement (and intention) to amend the Electricity Act to penalise voluntary load shedding.</p> <p>Presently, few Discoms and PSUs are supplying power across the border and they may not be in compliance with the proposed Clause 6.1.2.</p> <p>It is submitted that no entity should be favoured for cross border trade. Instead entities should be selected on the basis of merit. Further, the objective of transparency as outlined at 4(c) of the Tariff Policy 2016 can be followed by listing definite criteria for selection and rejection of any entity for cross border trade.</p>
6.	6.1.3	<p>Clause no. 6.1.3(i) allows participating entities other than Discoms and PSUs to engage in cross border trade on case to case basis. The referred clause is as under:</p> <p style="text-align: center;"><i>"(i) Any entity other than those listed under clause 5.2.1 of the Guidelines and intend to participate in CBTE may be permitted by the Designated Authority on case to case basis."</i></p> <p>As mentioned earlier, Cross Border Trade should be open for all entities on equitable basis, and subjective discretion of Designate Authority should be removed by prescribing objective criteria for selection.</p>
7.	7.2 (ii)(c)	<p>Exportable surplus capacity (MW): $C_{stn} - \{C_{ppa} + C_{med} + C_{short}\}$</p> <p>It is suggested that Short Term commitments should not be taken into account when computing exportable surplus capacity for Medium Term and Long Term contracts.</p>
8.	Annex-II 11	<p>Following points may be added to the said clause:</p> <p>In case of Discom,</p> <p>...</p> <p><i>e. Details of power sale arrangement by Discom with the concerned authority in the neighbouring country, either directly or through a licenced power trader.</i></p> <p><i>f. Details of monthly statistics of power purchased and sold on Power Exchange in various time blocks, including prices, for the past 1 year.</i></p> <p><i>g. Declaration by exporter on the quantum of concessional fuel to be used to generate power for export.</i></p>
9.	Annex-III 8(viii)	<p>(viii) Cost of generation (Indian Rupees / kWh)</p> <p><i>We suggest that this point may be removed.</i></p>