

Comments¹ on CERC's "Draft Amendment on Open Access Regulations"

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1. [6 (iii)]
“In case of inter-regional transactions, reservation of transmission capacity to the short-term customer may be reduced or cancelled by the Regional Load Despatch Centre, if Government of India allocates power from [its share in] the Central Generating Station or Stations in a region to a person in another region and such allocation, in the opinion of the Regional Load Despatch Centre, cannot otherwise be effected due to congestion in the inter-regional link.”
2. (6 (iv))
“The long-term customers, who are sharing the transmission charges of one inter-regional link[,] shall have the first right to use transmission capacity of such link pro rata to their payment obligation in accordance with Regulation 59 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 for long-term transactions, without any additional payment of transmission charges for the link.”

Does this mean to suggest that existing long-term customers would have the ‘first right’ over the spare transmission capacity which was not previously allocated to long-term customers. I presume that ‘first right’ would not be applicable if the spare capacity has been reserved for short-term customers (except in the case of congestion). Otherwise, the regulation would be highly discriminative against short term customers. This should not result in revocation of reserved capacity to short-term customers if an existing long-term customer requests for spare capacity for his additional requirement for long-term transactions.

Such spare capacity should be allocated to an existing long-term customer after short-term access period expires, or if short-term access capacity is surrendered, cancelled, reduced or revoked. Such capacity can then be set aside to meet pre-requisitioned additional long-term requirement of the long-term customer and not be made available for short-term access customers.

3. Option to withdraw application for short-term Access : The applicant seeking short-term transmission access should also be allowed to withdraw its application within a specified but differentiated period depending on period of access requested. This would help avoid idle capacities being blocked for such periods and help ease potential system congestion. Though, the regulations provide for

¹ Each comment begins with the regulation number in square parentheses []. Regulations have been reproduced in quotes “ “ wherever required. Appropriate suggestions for deletion has been made by striking through the text, and additions have been placed in square parentheses [].

surrendering, reduction or cancellation of un-utilised or underutilized transmission capacity, provision for withdrawal of application would reduce monitoring cost for the RLDCs. In all such cases however, processing fee should remain non-refundable.

4. [14] - Non-utilisation of reserved transmission capacity by Short-term Customer –

This may emerge as one of the avenues for potential gaming and hoarding of transmission capacity in the short-term. If left unmonitored, This may severely undermine competition in power markets. While strict provisions are required to check such practices, regulations can clarify such regulations as discussed below.

There is a need to define “under-utilisation” in terms of what would constitute “substantial” capacity. It is also necessary to specify period of “non-utilisation” and “under-utilisation” with appropriate chance given to the licensee to explain reasons for the same. Existing provisions leave a room for subjectivity on part of RLDCs.

Would the short-term customer would be liable to surrender its reserved capacity even though he is unable to utilize it “full” reserved capacity for few hours or days of his reserved capacity for allocated for though he has been using it and plans to use it substantially for a sufficient duration.

Such time dimension may be difficult to implement uniformly especially when in case of short-term access for few hours or a couple of days. The Commission may consider introducing differentiated period for under-utilisation or un-utilisation of such capacity and differentiated time of response by RLDCs to revoke the same.

5. [14 (i)] Surrendering un-utilised or underutilized transmission capacity -

Since short-term customers would have to bear transmission charges (14 (iii)) on surrendered reserved transmission capacity, there would be less incentive *ex ante* to hoard short-term capacity that may have been reserved in anticipation of a transaction yet to materialize or to preempt a competitors short-term access.

Short-term customers would have to bear transmission charges (14 (iii)) on surrendered reserved transmission capacity. Hence, there would be less incentive *ex post* to surrender un-utilised or underutilized transmission capacity though subject to its revocation by RLDCs..

6. [14 (i)] Hence,

“(i) In case a short-term customer is unable to utilise, full or substantial part of the reserved transmission capacity [*], he shall inform the nodal Regional Load Despatch Centre along with reasons for his inability to utilise the reserved transmission capacity and ~~may~~ [shall] surrender the reserved transmission capacity he is unable to utilize [**].”

* - Commission may specify such period.

** - Commission may specify such period.

Subjectivity also creeps in case of regulations providing for voluntary surrender of un-utilised or underutilized capacity. It is left to the judgement of RLDCs to 'understand' reasons for his inability to utilise the reserved transmission capacity and do not seek surrender of such capacities.

7. [14 (ii)] - Reduction or Cancellation of Reserved Transmission Capacity -

“Notwithstanding any thing contained in these regulations, the nodal Regional Load Despatch Centre may on its own reduce or cancel the reserved transmission capacity of a short-term customer when such a short-term customer is not utilising or is under-utilising the reserved transmission capacity [*]:”

* - Commission may specify such period.

Time limit for response by the RLDCs for cancellation or reduction of reserved transmission capacity be specified to preempt subjectivity on the part of RLDCs..

8. [14 (iv)] Mechanism for 'utilisation' of surrendered, cancelled or reduced reserved transmission capacity should be clarified.

In case the original allocation of short-term access was made on the basis of a bidding process, would this capacity be allocated on pro rata basis to such customers who were not allocated transmission capacity to their full reservation requirement? Or, this would be considered a part of 'available' capacity for upcoming requirements for short-term access.

How would transmission charges collected from short-term customers on account surrendered, cancelled or reduced reserved transmission capacity be utilized? Would this be guided by regulation 15 (vi) of Draft Amendment? The Commission may like to specify a differentiated treatment with higher proportion being utilised to reduce transmission charges for short-term access customers itself. This would be justified more in case when short-term access charges were arrived through a process of bidding.

9. [16 (ii)] – Calculation of transmission charges for short-term customer –Draft amendment proposes this to be linked to annual transmission charges of the previous year. For e.g. If transmission charges for short-term customers are to be calculated for the month of March 2005, the underlying annual charges would belong to that calculated for 2003-04. Even in the case of short-term access applications for the month of April 2005, the available data would correspond to 2003.04. Clearly, such a lag is undesirable and can be avoided if transmission charges for short-term customers are calculated on monthly basis.

10. [16 (vi)] Utilisation of transmission charges collected from short-term customers - “25% of the transmission charges collected from the short-term customer[s] [in a year] shall be retained by the transmission licensee granted license for interstate transmission of electricity and the remaining 75% of these charges shall be adjusted towards the transmission charges payable by the long-term customers [in that year].”

11. [23A] Transmission Charges on Curtailment – Ideally, in case of curtailment on account of congestion, customers should not be liable to pay for capacities that they are no longer able to utilize. As per draft amendment, even if capacity allocated to a customer is curtailed by 50 %, he is liable to pay for transmission charges for curtailed transmission capacity as well. This places undesirable burden on short-term customers for reasons beyond their control.

12. [24 (ii)]

“(ii) Advance payment [in lieu of transmission and service charges] for fifteen days or period of access, whichever period is shorter, shall be made within three days of grant of access or one day before commencement of transaction, whichever is earlier; Provided that in case of request for short-term access on the day of the application for reason of emergency, advance payment may not be insisted upon.”

The regulation would not cover a case when short-term access application would be provided on the day of application or a day in advance as such applications and potential transactions would have taken place in a period of one day or less.

13. Need for Analysis of Behaviour of Long-term and Short-term Customers – The Commission should undertake systematic analysis of requisition and utilization of transmission capacity by long-term and short-term customers. This would not only help finetune the regulations but would also help identify scope for potential misuse, which may hurt competition in power markets.