



Industry Presentation of Key Issues with Solar Power Sector

Jan 07, 2021

AGENDA

1. Request update on EA amendment and Electricity Rules.
2. Request for status update regarding Minutes from meeting held on 15.12.2020 to discuss issues raised by EPTA
3. Alignment of LTA start date in line with revised SCOD in case of extension granted by SECI/NTPC/Discom.
4. Permission to change the location of project and connectivity without any penalty.
5. Frequency of meetings of Regional Standing Committee / National Committee meetings.
6. Flexibility in the operationalisation of LTA
7. Penalty in terms of Rs/ unit instead of Rs/ MW basis in POC charge in case of delay in SCOD of RE Projects.
8. Exemption from the penalty in case of relinquishment of LTA in case unforeseen circumstance
9. Change in conditions for release of Bank Guarantee.
10. Flexibility in LTA Capacity for innovative tenders like Hybrid / RTC.
11. Rationalization of Bank Guarantees (BG) against Connectivity (R-CONN BG) and LTA (CON BG – Construction Phase BG) and exemptions from the opening of LC against ISTS Losses & Charges
12. The discrepancy between equity lock-in clause between Bidding Guidelines and CERC Regulation on transmission connectivity.
13. Concerns over additional 6 GW Fatehgarh-III PS (Expansion) Scheme.

Request update on EA amendment and Electricity Rules



- **Section 3: (3A) National Renewable Energy Policy.**

- **Section 14: Franchisee and Sub-licensee:**

Difference between Franchisee and sub-distribution licensee must be spelled out. Renewable Energy Generators should be considered as deemed distribution licensee.

- **Section 42 – 2: Duties of distribution licensee and open access:**

Surcharge and cross-subsidy to be reduced by state commission as specified in tariff policy

Reducing discretion of SERC in deciding cross subsidy reduction trajectory is a welcome step. However, implementation of clause needs to be ensured

Request update on EA amendment and Electricity Rules (continued..)



- **Section 63 – Adoption of delay in tariff approval which is pending with CERC / SERC.**
Request for ensuring that appropriate commission shall adopt tariff within 60 days of submission of petition. While passage in Act would be desirable, in the interim, it is requested if Ministry can issue a directive to that effect
 - **Sec 82 - SERC constitution and appointment of members in CERC & APTEL.**
 - **General: Captive /Group Captive rules :** Necessary for mandatory open access to captive / group captive / third party consumer upon satisfaction of meeting of conditions by CERC must be incorporated
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Request for status update regarding Minutes from meeting held on 15.12.2020 to discuss issues raised by EPTA

- **Mismatch on account of delayed and mismatched commissioning of the upstream/ downstream generation/ transmission projects**

On the issue of penal consequence for mismatch due to Force Majeure events or transmission licensee , it was informed that a draft order is under advanced stage of finalization for no penal consequences for either party getting delayed.

- **Clarity on ISTS waiver charges for delayed projects beyond the deadline should be considered and be informed to SPDs in the form of order or directive.**
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Alignment of LTA start date in line with revised SCOD in case of extension granted by SECI/NTPC/Discom

Issue	<ul style="list-style-type: none">▪ Due to the pandemic, several solar projects have been delayed. A blanket extension of 5 months was provided to solar power developer by respective procurement agencies to provide relief.
Bottleneck	<ul style="list-style-type: none">▪ However, a separate agreement exists between the Transmission service provider and solar power developer, which does not offer an extension and delay beyond the LTA operationalization date. It will attract penal charges that are quite substantial.
Suggestion	<ul style="list-style-type: none">▪ It is requested that the matter be taken up by the Ministry so that SPDs are not penalized unnecessarily.▪ Further, an extension of Stage-II Connectivity (24 months) timeline should also be in line with the extended PPA SCD given under PPA by the intermediary/ end procurer

Permission to change the location of project and connectivity without any penalty

Issue	<ul style="list-style-type: none">▪ In some cases, due to unforeseen circumstances like mismatch in project commissioning timeline and ISTS Substation readiness or non-availability of required land for setting up the project, the IPP is forced to change location. However, the Bidding Guidelines of the Ministry of Power, Government of India allows such changes in location and connectivity only up to 12 months from signing PPA, i.e., up to Financial Closure of the project.
Suggestion	<ul style="list-style-type: none">▪ Provisions in the existing connectivity and LTA regulations are required for change/transfer of connectivity & associated LTA in terms of allocation priority. The IPP (Connectivity / LTA Grantee) should not be penalized and▪ The security/fees submitted can be transferred to a new location. Evacuation capacity planned or created can be allocated to another Applicant

Frequency of meetings of Regional Standing Committee / National Committee meetings

Issue

- ISTS Planning and technical & financial approvals are done in Regional Standing Committee / National Committee meetings. For IPPs that requires more ISTS bays, system enhancement and additional ISTS bays needs approval from the committees.
- The Committee meetings are held once in 3 months, and the approval generally takes about 6-9 months, which does not fit RE projects' schedule.

Suggestions

- Regional Standing Committee / National Committee meetings should be held every month to expedite approvals of ISTS bay extensions on priority routes with more flexibility in changes in schemes within the approved cost.
- RE projects have a maximum of 18 months to commission the projects, and bay allocation needs to be taken within first 3 months to ensure timely completion.

Frequency of meetings of Regional Standing Committee / National Committee meetings (contd..)

Suggestions

- Any time extension of Connectivity & LTA Timelines system should be in consultation with associated generating projects.
- In case CTU cannot give Connectivity/LTOA at a particular substation or as per the timeline as required by Generator, the Application fees and BG submitted should either be returned or adjusted to other applications.
- CTU should publish the list of substations with balance No. of bays available and LTA capacity with the feasibility of expansion, and more transparency should be brought in.
- With most of the future expansion going to happen only in the RE sector, CTU planning and execution should be done on a fast-track mode.

Issue

- Unlike conventional power projects, RE projects are commissioned on a modular basis. The commissioning for RE plants starts on day small capacity on Day -1 and may take up to months to achieve full load, based on the plant's capacity.

Suggestions

- Flexibility is gradually requested for LTA's operationalization since the commissioning is done in parts for a RE plant, unlike a thermal plant.
- IPP should be allowed some priority because of their COD schedule, and CTU should expedite commissioning of the transmission system to match with the COD of the project if possible.

Penalty in terms of Rs/ unit instead of Rs/ MW basis in POC charge in case of delay in SCOD of RE Projects.

Issue	<ul style="list-style-type: none">▪ In comparison to thermal power plants, the RE projects work on a very low PLF basis. Therefore, the POC charges in case payable by the Generator due to project delay are significant and may be reviewed.
Suggestions	<ul style="list-style-type: none">▪ The long-term and medium-term transmission charges, i.e., POC, can be levied on per unit produced basis, rather than the plant capacity (if chargeable). The example for the State of Madhya Pradesh can be studied as a reference for this purpose.▪ As per CERC Sharing ISTS Charges & Losses Regulations, 2020, for LTA granted with existing margins in the system requiring no additional ATS, the generating station for which COD is delayed shall pay at the rate of 10% of transmission charge for the State where such generating station is located. We request the 10% transmission charge to be extended to all RE Generating stations, irrespective of LTA's grant with existing or additional margins.

Exemption from the penalty in case of relinquishment of LTA in case unforeseen circumstances

Issue

- As per the Bidding Guidelines of Ministry of Power, Gol in case of unforeseen circumstances such as default by the procurer of power (DISCOM) / Intermediary Procurer of RE Power (such as SECI/NTPC/NHPC, etc.) and also due to change in the ultimate beneficiary of power (DISCOM) by such Intermediary Procurer, the Connectivity / LTA Grantee may have to terminate/amend the PPA which would translate into termination/relinquishment the existing LTA for reasons which are beyond his control.

Suggestions

- Therefore, existing provisions must be amended in LTA regulations in a manner that, if LTA Grantee is forced to surrender/terminate/relinquish the existing LTA due to default by the Procurer / Intermediary Procurer or due to change in the ultimate beneficiary of power (DISCOM) by such Intermediary Procurer or similar unforeseen circumstances which are beyond the control of LTA Grantee, the Grantee should be allowed to **relinquish the associated LTA** linked to such capacity **without any financial implication.**

Change in conditions for release of Bank Guarantee

Issue

- Based on the existing Connectivity and LTA regulations, CTU is discharging the Construction Phase Bank Guarantee to the LTA Grantee, only upon operationalisation of LTA, which may require operationalisation of entire Associated Transmission System (ATS) being undertaken by CTU.

Suggestions

- The Bank Guarantee should be released immediately on commissioning and should not be held up to operationalize the entire ATS, beyond the LTA Grantee's control.
- Moreover, as per the CERC order, Construction Phase BG to be released once PPA/Back-to-back PSA is signed, and LTA is firmed up. However, CTU has held up the BGs, and Construction Phase BGs are not discharged yet to the LTA Grantees.

Flexibility in LTA Capacity for innovative tenders like Hybrid / RTC

Issue	<ul style="list-style-type: none">As per the existing procedure, CTU is granting connectivity & LTA, maximum up to PPA Capacity (MW Capacity). However, Hybrid RE Generating power stations with or without Energy Storage Systems (ESS), which are not co-located and are obligated to supply power on an RTC basis or on higher CUF required to deliver from all its underlying RE generating assets simultaneously.
Bottleneck	<ul style="list-style-type: none">Therefore, the maximum Connectivity & LTA quantum granted become a bottleneck to the Generator as RLDC/SLDC does not permit the Generator to inject any extra power over and above the LTA Capacity / PPA Capacity (MW Capacity).
Suggestions	<ul style="list-style-type: none">To enable the RE generator to supply from all the underlying RE stations that are not co-located on RTC basis or on higher CUF basis, the Connectivity & LTA quantum must be granted based on the declaration of RE Generator on the designed capacity of each RE component.

Rationalization of Bank Guarantees (BG) against Connectivity (R-CONN BG) and LTA (CON BG – Construction Phase BG)

Issue

- Developer are required to two submit 2 BGs – one with RE Implementation agency and another one with CTU which are significantly high

Suggestion

- We propose unification of all the Bank Guarantees being submitted by RE Generator to the Bid Implementing Agency (REIA), the procurer of power (Buyer), to CTU against Connectivity & LTA.

The discrepancy between equity lock-in clause between Bidding Guidelines and CERC Regulation on transmission connectivity

Issue

- There is a discrepancy between bidding guidelines/PPA and CERC Regulation on equity lock-in issue, a source of confusion.
- The SBG allows dilution of equity to an extent 51% within one year.
- However, the CERC grant of connectivity guidelines doesn't allow any dilution in the SPV executing the project till one year

Suggestion

- It is requested that same be aligned to avoid any discrepancy.

Concerns over additional 6 GW Fatehgarh-III PS (Expansion) Scheme

Issue

- As a result of the planning of the Ministry and the CTU, an additional 20 GW (Phase-III) transmission system scheme was planned at Fatehgarh-III with a commissioning schedule of Dec '21. Under the above scheme, an additional augmentation of 6 GW at Fatehgarh-III SS was prepared.
- Based on this additional capacity, IPPs participated in the central bids and offered the record tariff. It is to be noted that the 6 GW expansion plan has already received a request for 5.8 GW firm Stage-II connectivity.

Bottleneck

- However, the expansion scheme is stuck at the NRPC-TC approval level, and there is no clarity on the timelines for the approval and bidding process.
- Even with an aggressive execution timeline, the system may not get commissioned before Dec '22 (a year later than the original plan).

Concerns over additional 6 GW Fatehgarh-III PS (Expansion) Scheme

Details of Connectivity and LTA applications at Fatehgarh-III PS

Suggestions

The MNRE requested the MoP to expedite the NRPC-TC and NCT approvals of the above scheme in Dec '20

In addition, it is also recommended to build at least the 6 GW Fatehgarh-III expansion plan and associated transmission lines under the RTM with a compressed schedule of 15 months to meet the commissioning scheduled and capacity addition goals.

Connectivity and LTA applied at Fatehgarh-III SS (in MW)

S. No	IPPs	Bids	Stage-II	LTA	CoD
1	Azure- M	Manufacturing	500		Oct'24
2	ReNew Surya	SECI Solar VIII	200	200	Jan'22
3	ReNew RTC	RTC-I	400	400	Aug'22
4	Altra Xergi	NHPC-I	380	380	Feb'22
5	SBG	NHPC-I	600	600	Mar'22
6	ReNew Surya	SECI-Solar -IX	300	300	Apr'22
7	ReNew Surya	SECI-Solar -IX	100	100	Apr'22
8	IB VOGT	SECI-Solar -IX	300		Apr'22
9	Adani M(GS)	Manufacturing	1500		Jun'22
10	Brookfield	NHPC-I	400		Jan'22
11	ReNew Surya Jyoti	Land Based	210		Mar'22
12	ReNew Surya	Land Based	210		Mar'22
13	Azure- M(GS)	Manufacturing	500		Jan'24
14	Azure- M(GS)	Manufacturing	500		Jan'24
15	Azure- M(GS)	Manufacturing	500		Jan'25
16	Azure- M(GS)	Manufacturing	500		Jan'26
17	XL Xergi	Land Based	400		May'22
18	Energizent	Land Based	205		Sep'22
Total			7705	1980	

*M: Manufacturing Bid, M(GS), Manufacturing Bid (Green shoes option)

Issue	<ul style="list-style-type: none">▪ Under Rs. 90,000 Cr liquidity scheme to Discom, PFC / REC had extended loan facility to states to pay for generator payments.▪ However, despite prolonged delay, several Discoms have released the payments
Suggestion	<ul style="list-style-type: none">▪ Request for a review of the issue so that payments can be expedited

Thank You