



Draft CERC (Connectivity and General Network Access to the inter-State Transmission System) (Second Amendment) Regulations, 2024

The CERC notified “**CERC (Connectivity and General Network Access to the inter-State Transmission System) (Second Amendment) Regulations, 2024**” on **16th February, 2024** applicable for interstate entities for transmission of power. The key highlights of this draft is mentioned below:

Objective: The draft notification proposes significant amendments to the existing regulations governing the connectivity and general network access to the inter-State transmission system in the electricity sector. The changes aim to address various aspects related to renewable energy, application processing timelines, minimum capacity requirements, financial closure, possession of land, and bank guarantees. These amendments are crucial for ensuring a streamlined and effective regulatory framework that caters to the evolving needs of the electricity transmission sector, particularly in the context of renewable energy integration and infrastructure development. The proposed amendments reflect the regulatory commission's proactive approach to adapting to industry requirements and ensuring a conducive environment for sustainable energy development and transmission. It is essential for stakeholders to review and provide feedback on these proposed changes to facilitate informed decision-making and contribute to the development of a robust regulatory framework for the electricity transmission sector.

The document can be accessed [here](#).

CER Opinions

- 1. Definition of Renewable Energy Implementing Agency:** The proposed new Clause 2.1.(ag-i) states that “*Renewable Energy Implementing Agency*” means and includes an entity designated by the Central Government or the State Government to act as Intermediary Procurer to select and buy power from Renewable energy generating station(s) and sell the same **to one or more distribution licensees or any other entity** in accordance with the Guidelines issued from time to time by the Ministry of Power, Government of India or the Ministry of New and Renewable Energy, Government of India or the State Government” (emphasis added). It is suggested that it may be clarified that whether the “Renewable Energy Implementing Agency” can participate in market for selling part capacity as a merchant power plant? It may also be clarified that whether these regulations will be applicable if such entity is supplying power to more than one DISCOM within a (single) State.
It is further suggested that proposed Clause may be rephrased as “Renewable Energy Implementing Agency” means and includes an entity designated by the Central Government or the State Government to act as Intermediary Procurer to select and buy power from Renewable energy generating station(s) and sell the same **to one or more distribution licensees or any other entity across different States** in accordance with the Guidelines



issued from time to time by the Ministry of Power, Government of India or the Ministry of New and Renewable Energy, Government of India or the State Government” (emphasis added).

- 2. Document submission for bank guarantee:** It is suggested that the sub- clause (c) clause (vii) of the principal Regulations *“Clause (vii) of Regulation 5.8 of the Principal Regulations shall be substituted as under: (vii) In case of Renewable Power Park Developer, the documents shall be submitted in combination of clauses (a) and (b) or combination of clauses (a) and (c) as specified hereunder:”* may be rephrased as *“(vii) In case of Renewable Power Park Developer, the documents shall be submitted in combination of clauses (a), (b) and (d) or combination of clauses (a), (b) and (c) or clauses (a), (c) and (d) as specified hereunder”* to incorporate the proposed amendment.
- 3. Clarification of connectivity for Hybrid System:** The proposed regulation 5.8 clause (xi) sub-clause (c) states that *“For a capacity up to 1000MW - Bank Guarantee of Rs. 10 lakh/ MW and for a capacity more than 1000MW - Bank Guarantee of Rs. 100 Crore plus Rs. 5 lakh/ MW for capacity over and above 1000MW, in lieu of ownership or lease rights or land use rights of land for 50% of the land required for the capacity for which Connectivity is sought subject to provisions of Regulations 11A and 11B of these regulations; or”*. It is suggested that the proposed Clause may further be clarified to include hybrid systems (REGS plus ESS) for grant of connectivity or GNA.
- 4. Documents related to land:** The proposed sub-clause (d) clause 5.8 states that *“Government Order issued by the concerned Government for allotment of the land along with possession documents for 100% of the land required for the Capacity for which Connectivity is sought”* (emphasis added). It is suggested that the “documents” may be further elaborated to include the exact list of land related documents to be submitted for submission of bank guarantee.
- 5. The bank guarantee:** The proposed sub-Clause (c) of Clause (vii) states that *“The Bank Guarantee submitted under sub-clause (c) of Clause (vii) of Regulation 5.8 of these regulations shall be returned within 7 days of submission of stipulated Documents as proof of Ownership or lease rights or land use rights”* (emphasis added). It is suggested that the term “Bank Guarantee” may be substituted with **“irrevocable bank guarantee”**.
It is further suggested that the bank guarantee to be released post submission of documents related to land subjected to the verification for the documents by the Nodal Agency.
- 6. Equity Infusion :** The proposed sub-clause (a) of Clause (vii) of Regulation 11A states *“Provided that in case of REGS (other than Hydro generating station) or ESS (excluding PSP) who have been granted Connectivity under sub-clause (a) of Clause (xi) of Regulation 5.8 or are subsequently covered under sub-clause (a) of Clause (xi) of Regulation 5.8, the scheduled date of commercial operation for the purpose of Clause (2) of Regulation 11A shall be considered as SCOD, as extended by REIA or a distribution licensee or an authorized agency on behalf of distribution licensee from time to time, subject to the condition that any extension*

*in the timeline to release **10% equity infusion** due to extension in SCOD shall not be allowed more than **12 months** from the original timeline as per initial SCOD” (emphasis added).*

It is suggested that proposed release of 10% equity infusion is very less and the REIA may not be affected from the same. This will expose to the transmission utilities to significant risk. (For e.g., for a project cost of Rs. 1000 Cr., the equity of the developer/ REIA will be 30% i.e. Rs. 300 Cr. 10% of the equity infusion will be Rs. 30 Cr. to be released in (up to) 12 months, which is very less.) Thus, it is suggested that the equity infusion to be released in the event of extension in timeline of the project implementation should be expressed in terms of the overall project cost and should be **minimum 15-20% of the project cost** and should be maintained throughout the period.

It is further suggested that following proviso may be added to the proposed Clause (xi) to the Regulation 5.8 -

“Provided that at this stage the equity diluted after 10 Months the particular GNA may be revoked. Amount of equity infused in such project should exceed or should be equal to the total equity contribution in a project or at least 20% of project or land cost and it has to be maintained that level also post project completion.”

- 7. Land use rights:** Sub-clause (c) of Clause (xi) of Regulation 5.8 states “*Bank Guarantee of Rs. 10 lakh/MW in lieu of ownership or lease rights or land use rights of land for 50% of the land required for the capacity for which Connectivity is sought subject to provisions of Regulations 11A and 11B of these regulations*”. It is suggested that the equity in the Regulations 11A and 11B should be maintained **throughout the project period**.

It is further suggested the minimum equity may be expressed in terms of the overall project cost and be kept as 15-20% of the total project cost and to be maintained throughout the project period.

Also, the financial closure should be achieved at earliest, otherwise the transmission sector may witness significant rise in stranded asset. To safeguard the transmission licensee from the above mentioned risk of stranded assets, financial closure of the project may be mandated to be achieved within the **first three months of the signing of CGNA**.

Alternatively, a mechanism may be developed for recovery of the fixed charges of stranded assets from such transmission users rather than the same being borne by rest of the beneficiaries.