

**MINUTES OF 92nd MEETING OF FORUM OF
REGULATORS (FOR)**

Venue : **Hyderabad**
Date /Day : **29th July 2024; Monday**
Time : **10 am**
List of Participants : **Appendix-I**

At the outset, Chairperson, TSERC warmly welcomed all the Members to the historic city of Hyderabad. He stated that TSERC was honoured to host the meeting of the Forum where the esteemed group of Regulators and Professionals have gathered to share their wisdom for the advancement of electricity regulation in the country. He also apprised the Forum about the comprehensive Consumer Awareness Program "Prajala Vaddhaku Vidyut Nyantrana Mandali," which has been conducted across all districts of Telangana to educate and empower consumers about their rights and responsibilities which is helping discom officials in resolving many ground-level issues on the spot.

2. Subsequently, a short presentation / film was made on the power sector status in the State of Telangana and the various initiatives taken by all the discoms in Telangana to ensure reliable, affordable, and sustainable electricity for all, including the agricultural sector. This included key initiatives such as the establishment of the first Net Zero Platinum-rated building in Hyderabad, the promotion of renewable energy, the adoption of smart grid technologies, the introduction of innovative regulatory measures, comprehensive training programs for staff in regulatory practices, technological advancements, and consumer engagement.

3. Thereafter, the Chairperson, FOR/CERC thanked the Chairperson, TSERC, for hosting the meeting in Hyderabad with such generous hospitality. He also welcomed Mr. Chandan Kumar Mondol, who has taken charge as Chairperson of Meghalaya SERC, and Mr. Mohd Rafi Andrabi, who has taken charge as Chairperson, JERC Jammu, Kashmir & Ladakh and were attending their first FOR meeting. Thereafter, the Chairperson, FOR /CERC, informed the Forum of the agenda items, which included various references from SERCs, such as accounting matters, smart metering, and technical issues related to LT connections, Solar Connectivity, and Trading Margin etc, as also updates on the progress of the FOR Working Groups.

4. Chairperson FOR also acknowledged the contributions of outgoing Members of the Forum - Mr. D. Radhakrishna, Chairperson of Tripura ERC, Mr. M. Chandrasekar, Chairperson of Tamil Nadu ERC, Dr. B.N. Sharma, Chairperson of Rajasthan ERC and Mr. Arun Goyal, Member, CERC. Thereafter, the Chair of the Forum directed the FOR Secretariat to take up the agenda items for discussion.

AGENDA ITEM 1: CONFIRMATION OF MINUTES OF THE 91ST FOR MEETING HELD ON 8TH JUNE 2024

5. JC(RA), CERC apprised the Forum of the action taken at the previous meeting held on 8th June 2024, after which the minutes of the meeting were confirmed by the Forum.

AGENDA ITEM 2: REFERENCE FROM SERCS

A) DIFFICULTIES IN IMPLEMENTATION OF ELECTRICITY (AMENDMENT) RULES, 2022, ISSUED ON 29/12/2022 WITH REGARD TO TRUING UP OF FUEL AND POWER PURCHASE ADJUSTMENT SURCHARGE (FPPAS) - REFERENCE FROM MPERC

6. Chairperson, MPERC informed the Forum that the Ministry of Power (MoP), Government of India, notified the Electricity (Amendment) Rules, 2022, on December 29, 2022, in which Rule 14 deals with the timely recovery of power purchase costs by Distribution Licensees which includes annual true up by June 30th of the next financial year.

7. He added that there was a challenge in implementing these rules due to the lack of availability of audited accounts of Distribution Companies (Discoms) by June 30th of the next financial year as such accounts are typically available only by September, as per the Companies Act, 2013 and its amendments thereof. Therefore, the true-up process may need to rely on provisional data until the audited accounts are available for reconciliation.

8. After detailed deliberation, the Forum noted the issue raised. Given that the audited accounts are available only by September, the process of preparing and filing the petition, followed by the time required by the commission to issue the order, cannot realistically be

completed by the June 30 deadline stipulated by the rules. Therefore, the Forum recommended that the true-up process be allowed until 30th November to accommodate the actual timelines, thereby ensuring that all financial data is accurate and that the regulatory process is thorough and fair. Accordingly, MoP may be recommended to make suitable modifications in the Rules pertaining to the said provision.

B) REMOVAL OF DIFFICULTIES IN COMPLYING WITH CENTRAL GOVT NOTIFICATION DATED 23.05.2022 FOR INSTALLATION OF SMART METERS WITH PREPAYMENT FEATURES. - REFERENCE FROM MPERC

9. Chairperson, MPERC informed that CEA issued the CEA (Installation and Operation of Meters) (Amendment) Regulations, 2022, in which Regulation 4(1)(b) mandates that all consumers in areas with a communication network must be supplied with smart meters in prepayment mode within timelines set by the Central Government. Additionally, areas without communication networks must use prepayment meters approved by the respective State Electricity Regulatory Commission. He added that the Central Government has also specified timelines for replacing existing meters with smart meters with prepayment features by December 31, 2023, and smart Distribution Transformer (DT) metering by March 31, 2023.

10. The second proviso to Section 55(1) of the Electricity Act, 2003 empowers the Commission to extend the requirement of providing meters for power supply. However, as per the MoP Rules dated 23.5.2022, SERCs can extend the implementation period twice, for not more than six months each time, for specific consumer classes or areas. Thus, there is a potential conflict between the provisions of the Ministry of Power's Rules and notifications and the Commission's authority under the second proviso to Section 55(1) of the Electricity Act, 2003.

11. Chairperson, GEREC informed the Forum that the issue had already been addressed by the WG on Harmonisation of Rules, and the WG had submitted its report in the last FOR meeting, with the recommendation that the proviso in the MoP's notification dated 23.05.2022, specifying the timelines for the supply of electricity with pre-paid Smart Meters, needs to be aligned with the second proviso of Section 55 of the EA 2003. The Forum had accepted the recommendation of the WG and had decided to send the recommendation to MoP for suitable modification in the Rules.

12. After deliberation, the Forum decided that, as decided in the previous meeting, FOR sect. may send the recommendations to MoP in this regard.

C) ISSUE RELATED TO LT CONNECTION UP TO 150 KW. - REFERENCE FROM CSERC

13. Chairperson, CSERC informed the Forum about the issues related to LT connections upto 150 MW. He updated the Forum on the compliance status with the key performance indicators from the 3rd National Conference of Chief Secretaries and that the compliance aligns with the Electricity Amendment Rules except for the issue concerning LT connections up to 150 MW, which has technical feasibility challenges.

14. The Forum noted the deliberations made by the concerned SERCs regarding the non-alignment between the Ministry of Power (MOP) Rules and SERC's Regulations related to Connection Charges and the specified limits for LT & HT connections.

15. The forum was informed that the MoP is following up with Secretaries of SERCs on various compliance issues regarding the Rules. After discussion, it was agreed that during the meeting of the Secretaries of SERCs with MoP, the technical feasibility challenges for allowing LT connection up to 150 kW can be highlighted, with prior approval of the respective Commissions.

16. Further, the issue may be taken up by the FOR WG on Harmonisation of Rules for making recommendations to MoP for suitable modification in the Rules.

D) APPLICABLE TRADING MARGIN IN LONG TERM CONTRACTS WHERE THE COST OF PROVIDING PSM IS MET BY GENERATORS -REFERENCE FROM KSERC

17. Member, KSERC apprised the Forum regarding applicable Trading Margin in long term contracts where the cost of providing Payment Security Mechanism (PSM) is met by generators.

He informed that, as per CERC Regulations, for transactions under short-term contracts and contracts through power exchanges up to one year, the upper limit for the trading margin is 7 paise/unit if PSM is provided by the trader and the trading margin is 2 paise/unit if PSM is not provided by the trader. For transactions under long term contracts, the maximum permissible

trading margin is 2 paisa/unit if the Payment Security Mechanism (PSM) is not provided by the trading licensee. Whereas, the bidding guidelines under Section 63 of the Act for the procurement of renewable energy (RE) power state that the trading margin shall be 7 paisa/unit. Furthermore, the developer must pay 2 paisa/unit to the intermediary for providing PSM. Therefore, there is a discrepancy in the standard bidding guidelines, which warrants an additional payment of 2 paisa/unit by the developer to the trader.

18. The members further highlighted that since Discoms generally open LCs in favour of the trader, the traders are already indemnified. In such cases, a trading margin of 7 paisa/unit appears to be too high for Discoms. Since CERC has set a ceiling of 7 paisa/unit in its Regulations, the same might act as a benchmark for incorporation in the SBGs being notified by MoP/MNRE. Hence, there is a need to revisit these Regulations by CERC.

19. After detailed deliberation, the FOR decided that the issue, as highlighted by KSERC, may be brought to the notice of the Ministry of Power to make suitable amendments in their Standard Bidding documents. The Forum also suggested that CERC may consider reviewing their Regulations to make suitable modifications. To this effect, CERC may also undertake a study.

E) DEEMED TECHNICAL FEASIBILITY FOR ROOFTOP SOLAR UP-TO 10 KW - ISSUES INVOLVED IN PLACES WITH HIGH CONCENTRATION OF ROOFTOP SOLAR PLANTS – REFERENCE FROM KSERC

20. Member, KSERC apprised the Forum about some concerns around the consideration of deemed technical feasibility report for solar rooftop solar (RTS) up to 10 kW as suggested in the Rule 7A of the Electricity (Right of Consumers) Amendment Rules, 2024. He informed that in areas with high penetration of solar rooftops, deemed connectivity up to 10kW without any technical feasibility reports could be counterproductive, as such areas are facing issues of high voltage during solar hours due to low load on distribution transformers (DTR) on the day, causing tripping of solar inverters and public dissatisfaction. It was suggested that deemed approval may be restricted up to 3 kW instead of 10kW, and deemed approval for RTS may be provided with conditions of providing dynamic reactive power support.

21. It was informed that the capacity of the distribution transformer is built based on the diversity factor of the consumer load and not the cumulative capacity of a sanctioned load of the consumers downstream of the transformer. Hence, some areas with high penetration of RTS may require a technical feasibility study before approving RTS systems up to 10kW. It was also suggested that this issue might be resolved to an extent by installing hybrid type inverters, and having a battery storage system in the prosumer's installation. Such storage would improve the loading under the DTR and help to mitigate the high voltage issues.

22. The Forum deliberated that the FOR-Model Regulations on Distributed Energy Resources (DRE) have recommended the cumulative capacity of distributed renewable energy systems allowed to be interconnected with the distribution network (feeder or distribution transformer) should not exceed 100% of the feeder or distribution transformer capacity, as the case may be. It was also suggested that the requirement of technical standards for inverters used for such RTS systems may be updated if required. Accordingly, it was decided that the issue may be taken up with the Central Electricity Authority to suggest effective solutions to the issues raised above.

AGENDA ITEM 3: FOR WORKING GROUP REPORT ON MODEL SUPPLY CODE

23. Chairperson, TERC and Chair of the WG informed the members that the WG has finalized the Model Supply Code after detailed deliberations by examining various Supply Codes and with inputs from the technical expert group. Thereafter, the Model Supply Code was taken up for discussion.

24. Chief (Regulatory Affairs), CERC informed the members that the draft had been developed in-house based on the 2011 FOR Model Supply Code, the Supply Code notified by various SERCS, and the Rules published by MoP.

25. The members, after deliberation, appreciated the efforts of the WG and the elaborate Draft Code which has covered all details. They opined that SERCs while adopting the said Code, can also consider the following additional issues:

- i. The issues pertaining to the issuance of single-point connection/multi-point connection to the consumers located in a society
- ii. Issues pertaining to insufficient transformation capacity or faulty transformer, etc., if a developer develops a society.

26. Thereafter, the FOR adopted the Model Supply Code and appreciated the hard work of the WG, the Technical Experts Group, and the FOR Secretariat in the development of the Model Supply Code.

AGENDA ITEM 4: STATUS UPDATE OF FOR WORKING GROUPS (WG):

a) WG TO EXPLORE MEASURES FOR ENCOURAGING HYDROPOWER DEVELOPMENT AND SUGGEST WAYS AND MEANS TO ACCELERATE HARNESSING HYDRO POTENTIAL (INCLUDING PUMPED STORAGE), IN THE COUNTRY.”

27. Chairperson, HPERC, and Chair of the WG briefed the Forum about the meetings held by the WG on the status of hydroelectric and pumped storage projects, as well as the scope of surveys and investigations required for implementing these projects. He highlighted the need for feedback from the generating companies and the Independent Power Producers (IPPs) to prepare a detailed report on interventions needed to improve the implementation of hydropower and pumped storage projects.

28. The consultant assisting the WG made a presentation (Annexure I) on the questionnaire designed by the Working Group to elicit inputs on identifying and analyzing the key issues faced by hydro developers throughout the project lifecycle, right from obtaining clearances to execution of the project.

29. Chairperson, HPERC informed the Forum that the insights from the questionnaire will help policymakers devise targeted strategies to overcome these challenges and enhance the efficiency and successful development of hydropower and pumped storage projects.

30. The Forum appreciated the initiative of the WG and suggested that inputs received and the insights gained may be compiled and shared in the next meeting of the FOR.

b) WG ON HARMONIZATION OF RULES AND REGULATIONS

31. Chairperson, GERC, and Chair of the WG informed the Forum that the WG has so far deliberated on various Rules, such as Rights of Consumer Rules and Electricity Amendment

Rules, and the provisions of such Rules, which need harmonisation.

32. The consultant assisting the WG made a presentation (Annexure – II) detailing the recommendations of the WG on various aspects pertaining to:

- i. Rights of Consumer Rules: Formulation of Revised Clauses pertaining to the establishment of CGRF for modification in the Rules.
- ii. Electricity (Amendment) Rules, 2024 pertaining to Additional Surcharge.
- iii. Electricity (Second Amendment) Rules, 2023- FOR Model MYT Regulations.

33. After discussion, the Forum accepted the recommendations made by the WG and decided on the following action points:

- i. Recommendations to MoP for modifications in the Rights of Consumer Rules pertaining to the establishment of CGRF - an additional proviso, as provided below, may be added to Clause (1) of Rule 15 of the Rules:

“Provided that the Appropriate Commission may specify formation of a cluster of CGRF at District or Circle level catering to multiple subdivisions or divisions.”

- ii. Recommendations to MoP for modifications in Rule (3) of the Electricity Amendment Rules 2024 pertaining to additional surcharge:

- a. In the first proviso to Rule (3), the term “get eliminated” be modified to “gradually reduced” to align with the provisions of the Electricity Act 2003 and Tariff Policy 2016.
- b. The provision on the exemption of open access consumers from paying additional surcharge based on contract demand maintained by them be deleted as this could lead to under- recovery of fixed charges by Discoms.
- c. The third proviso to Rule (3) regarding exemption to new open access consumers from paying additional surcharge should be deleted as differentiating between consumers could lead to potential gaming risks, where an old consumer might get disconnected and then re-apply for open access as a new consumer to receive a waiver on the additional surcharge.

iii. Recommendations to SERCs:

- a. A common methodology for calculating additional surcharge is proposed as under:

$$\text{Additional Surcharge} = (\text{Cost of stranded power}) / (\text{Estimated Open Access Units})$$

*where, Cost of stranded power = Lower of (Quantum of power backed down/surrendered and Quantum of open access power in the previous year) * Per Unit Fixed Cost of Power Purchase*

In case of power shortage in any State, there would be no stranded capacity, and hence, no additional surcharge will be levied.

b. SERCs to comply with the provision of the Tariff Policy 2016, which specifies that the tariff for any consumer category should be within $\pm 20\%$ of the average cost of supply while fixing tariffs for different consumer categories.

c) WG ON RE RELATED POLICY & REGULATORY MATTERS

34. Chairperson, KERC, and Chair of the WG informed the Forum that the current key activities being undertaken by the WG included the development of Model Regulations on Distributed Energy Resources (DERs), Renewable Purchase Obligation (RPO) study for select States and the formulation of State Model General Network Access (GNA) Regulations.

35. The consultant assisting the WG made a presentation on the activities of the WG and requested respective State Commissions to share data in the required format for the RPO analysis to enable timely compilation of the study. The Forum also accepted the recommendation of the WG on establishing a Regulatory Framework/Model Regulations for the States for the minimum turndown level of thermal generating stations and the corresponding compensation.

CONCLUSION:

36. Chairperson, Madhya Pradesh ERC, had offered to host the next FOR meeting in Indore, Madhya Pradesh, dates of which would be communicated in consultation with the FOR Secretariat. Thereafter, Chairperson, Assam ERC offered to host the meeting in Assam in January 2025.

37. The Forum felicitated Dr B N Sharma, Chairperson, Rajasthan ERC; Shri D Radhakrishna, Chairperson, Tripura ERC; Shri M Chandrasekhar, Chairperson, TNERC and

Shri Arun Goyal, Member CERC who would be demitting office after a successful stint in their respective Commissions in July/ August 2024

38. All Chairpersons thanked the Forum for a fruitful association by way of interactions in the Forum meetings and the Working Group meetings. They thanked the Forum for the highly interactive discussion on crucial issues in the power sector and wished the Forum the very best in its future activities.

39. Secretary, CERC/FOR, in his concluding remarks, extended a heartfelt thanks to all Members of the Forum. Special gratitude was extended to Shri T. Sriranga Rao, Chairperson of TSERC, and his team for their exceptional hospitality. The progress made by the Working Groups, particularly the successful in-house development of the Model Supply Code, was highlighted as a significant achievement. He also acknowledged the efforts of the officers and staff of the FOR-Secretariat to ensure a smooth and successful meeting.

40. The meeting ended with a Vote of thanks to the Chair.

LIST OF PARTICIPANTS

S. No.	NAME	ERC
01.	Shri Jishnu Barua Chairperson	CERC/FOR – in Chair.
02.	Justice (Shri) C.V. Nagarjuna Reddy Chairperson	APERC
03.	Shri Kumar Sanjay Krishna Chairperson	AERC
04.	Shri Amir Subhani Chairperson	BERC
05.	Shri Hemant Verma Chairperson	CSERC
06	Justice Jayant Nath Chairperson	DERC
07.	Shri Anil Mukim Chairperson	GERC
08.	Shri D.K. Sharma Chairperson	HPERC
9	Shri Alok Tandon Chairperson	JERC for State of Goa & UTs
10	Shri M Rafi Andrabi Chairperson	JERC for UTs of J&K and Ladakh
11	Shri Nand Lal Sharma Chairperson	HERC
12.	Shri P. Ravi Kumar Chairperson	KERC
13	Shri S.P.S. Parihar Chairperson	MPERC
14	Shri Sanjay Kumar Chairperson	MERC
15	Shri C.K. Mondal chairperson	MSERC
16	Shri Khose Sale Chairperson	NERC
17.	Shri Viswajeet Khanna Chairperson	PSERC
18	Dr B N Sharma, Chairperson	RERC
19.	Shri K.B. Kunwar Chairperson	SSERC
20	Shri M. Chandrasekar Chairperson	TNERC

21.	Shri T. Sriranga Rao Chairperson	TSERC
22.	Shri D. Radhakrishna Chairperson	TERC
23.	Shri Arvind Kumar Chairperson	UPERC
24.	Dr. M.V. Rao Chairperson	WBERC
25.	Shri Gajendra Mohapatra Chairperson In-charge	OERC
26.	Shri Mahendra Prasad Member	JSERC
27.	Shri B. Pradeep Member	KSERC
28.	Shri Harpreet Singh Pruthi Secretary	FOR/CERC
29.	Dr. Sushanta Kumar Chatterjee Chief (Regulatory Affairs)	CERC
SPECIAL INVITEES		
30.	Shri Arun Goyal Member	CERC
31.	Shri Ramesh Babu V Member	CERC
32.	M D Manohar Raju Member (Technical)	TSERC
33.	B Krishnaiah Member	TSERC
34.	V Ramchander Secretary	TSERC
FOR SECRETARIAT		
35.	Ms. Rashmi Somasekharan Nair Joint. Chief (RA)	CERC
36.	Shri Ravindra Kadam Sr. Adv. (RE)	CERC
OTHERS / GUESTS		
37.	Shri Ajit Pandit Consultant	Idam Infra-USAID- SAREP
38.	Shivali Dwivedi Consultant	Idam Infra-USAID- SAREP

92nd Meeting of the Forum of Regulators

*Status Update of FOR Working Group
on
“Accelerating the Development of
Hydropower, particularly Pumped
Storage for Grid Stability”*

July 29, 2024

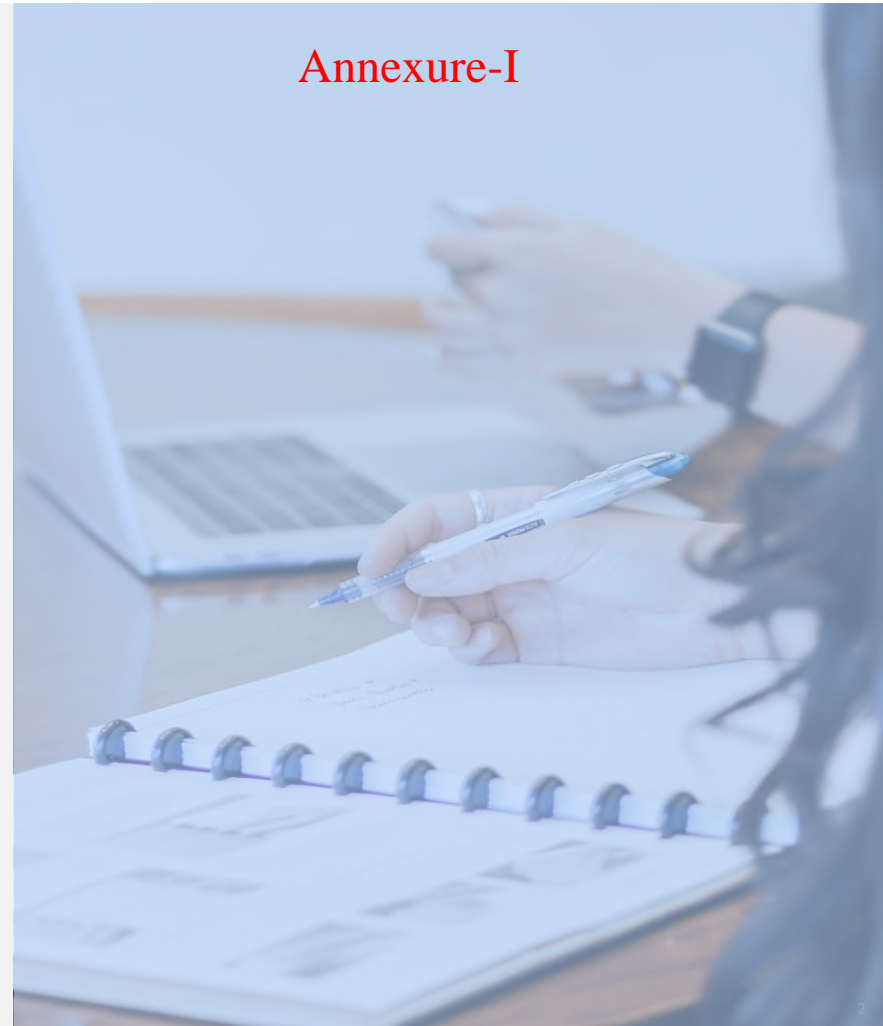
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Presentation Outline

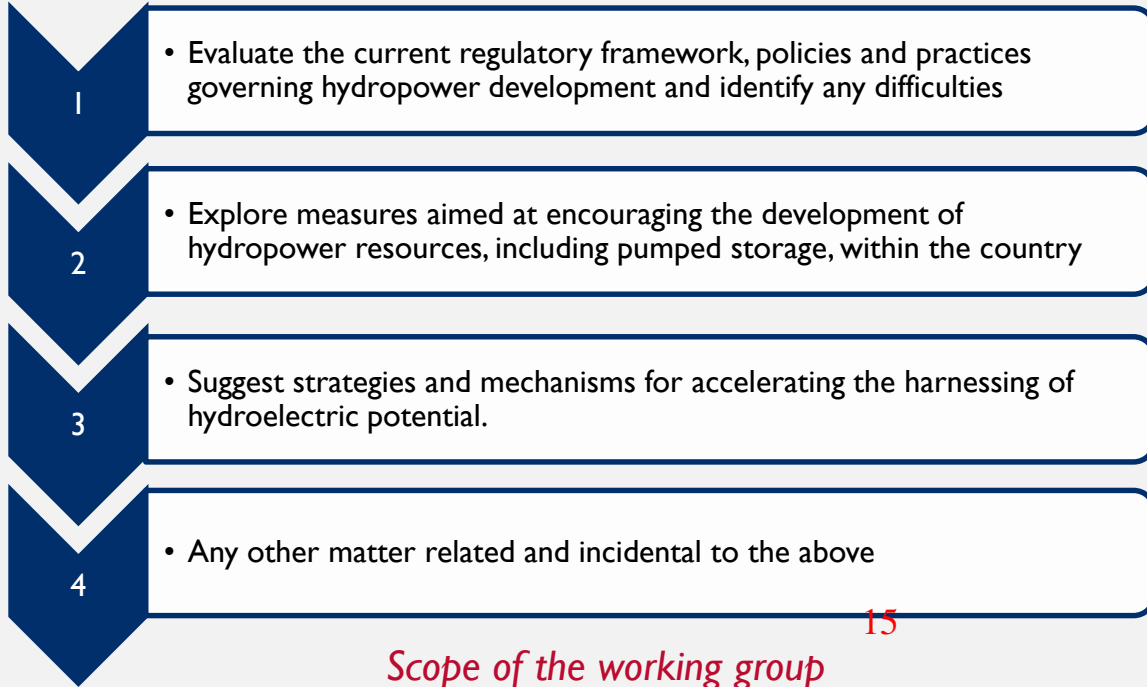
- Context
- Progress so far
- Highlights of the WG meetings

Annexure-I



Context

Objective of WG: To identify and mitigate emerging issues that hinder the development of hydropower resources, including pumped storage, within India



15

Constitution of FOR Working Group

Chairperson, HPERC - Chairperson of the Working Group

Chairperson, AERC - Member

Chairperson, APSERC - Member

Chairperson, CSERC – Member

Chairperson, KERC - Member

Chairperson, MERC – Member

Chairperson, PSERC - Member

Chairperson, SSERC - Member

Chairperson, UERC - Member

Chief (Regulatory Affairs), CERC – Member
Member Convenor

Progress so far...

1st WG Meeting



May 9, 2024

At CERC, New Delhi

2nd WG Meeting



June 28-29, 2024

In Himachal Pradesh

Status Update: Highlights of 1st WG Meeting (1/3)

DISCUSSION ON ACCELERATING THE GROWTH OF HYDRO POWER IN INDIA:

- Overview of the status of Large Hydro, Small Hydro, and PSP in India
- Barriers, risks, and mitigation strategies associated with hydropower development

Barriers	Potential Mitigation Strategy
Delays in obtaining clearances from multiple authorities (MOEFCC, CEA, CWC, etc.)	Need for coordinated efforts among various central authorities
Delays in surveys and investigations	Establishing SPVs for hydro and specially pump storage sites, to obtain all necessary clearances.
Lack of renovation and modernization (R&M) of plants	Allotment period of hydro and PSP plants may be increased so that R&M can also be carried by the developers.
How to carry out tariff determination	<ol style="list-style-type: none">a) Tariff policy provides for the determination of tariff of Hydro Projects under Section 62b) Can bids can be called to quote minimum capital cost, followed by determination of tariff under Section 62 for the project with lowest capital cost,c) How to deal with risks and uncertainties leading to cost

Status Update: Highlights of 1st WG Meeting (2/3)

DISCUSSION ON ACCELERATING THE GROWTH OF HYDRO POWER IN INDIA:

- Measures taken by CERC to promote hydroelectricity under the Tariff Regulations, 2024:
 - Higher ROE at the base rate of 17.00% for new projects for a storage type hydro generating projects, pumped storage hydro generating stations and run-of-river generating station with pondage .
 - Run-of-River (ROR) storage projects generating more energy during peak hours by using storage, will be incentivized.
 - Expenses incurred on developing local infrastructure near the power plant (in the initial stage) up to Rs. 10 lakh per MW would be considered as part of the capital cost
 - Land, excluding leased land and land designated for hydro reservoirs, not be considered a depreciable asset. Depreciation charges can be applied in future years to maintain an initially low tariff.

Status Update: Highlights of 1st WG Meeting (3/3)

ACTION ITEMS IDENTIFIED:

1. Status of development of hydroelectric and PSP projects in other countries.
2. Overruns in both cost and time that would make the tariff unviable for hydro and PSP projects.
3. Detailing of SPV for allotment of hydro and PSP sites after preparing bankable DPR and obtaining the required clearances.
4. Expediting environmental clearances of hydro with pondage and pump storage projects.
5. Providing 'national status' to hydro and PSP projects, for doing away with need of lengthy approval/clearance processes.

Status Update: Highlights of 2nd WG Meeting (1/2)

Agenda items	Presenter
Development of hydro power and means to accelerate harnessing hydro potential (including pump storage), in India	Presentation by SJVNL officials
Purulia pumped storage project	Presentation by Chairperson, WBERC
Status of development of hydroelectric and PSP projects in other countries	Presentation by Consultants, SAREP
Discussion on time and cost overrun of various hydro plants	Presentation by CERC

Status Update: Highlights of 2nd WG Meeting (2/2)

Next Step: Preparation of a questionnaire to identify and analyze the key issues faced by hydro developers in India

Questionnaire Structure:

- Policy Issues
- Issues related to Clearances and preparation of DPR (Pre-planning phase)
- Process for allotment of the Site - Selection of Developer
- Determination of Tariff
- Development of Project- Selection of contractors
- Execution of Project- Quantum of land required for project
- Outlook and Recommendations

Thank you

92nd meeting of FOR Update on FOR Working Groups

Harmonization of Rules and
Regulations
AND
RE Policy and related matters

29 July 2024

23



*by the Consultant supported through USAID/SAREP

Constitution of FOR Working Group for Harmonisation of Rules

The Forum of Regulators (FOR) in its 87th meeting dated 25 August 2023, decided to constitute a Working Group on, “Harmonisation of Rules and Regulations” for addressing the several issues that are cropping up in implementing various Rules being issued by the Gol from time to time

The Composition of WG:

- a. Chairperson, Gujarat ERC- Chairperson of the WG
- b. Chairperson Chhattisgarh State ERC- Member
- c. Chairperson, Himachal Pradesh ERC-Member
- d. Chairperson, Karnataka ERC-Member
- e. Chairperson, Madhya Pradesh ERC-Member
- f. Chairperson, Maharashtra ERC-Member
- g. Chairperson, Orissa ERC-Member
- h. Chairperson, Rajasthan ERC-Member
- i. Chairperson, Tripura ERC-Member

TOR of FOR WG are:

- a. Examine and analyse the issues around the implementation of various Rules and Policies being issued by the Government of India from time to time;
- b. Identify areas of divergence and potential conflicts between the Rules and Policies issued by the Government of India and the Regulations issued by the ERCs;
- c. Make recommendations for harmonizing Rules, Policies, and Regulations;
- 24 d. Any other matter related and incidental to the above.

FOR WG meetings on Harmonisation of Rules and Regulations

First Meeting: 1st December 2023 and Second Meeting: 9th May 2024

Following MoP Rules were considered for discussion by WG:

1. Electricity (Rights of Consumers) Rules, 2020;
2. MOP Electricity Amendment Rules (Captive Power Plants)
3. Electricity (Late Payment Surcharge and Related Matters) Rules, 2022. and its Amendments

Analysis of implementation aspects of following items were also undertaken:

1. Analysis on legal and techno commercial aspects of smart pre-payment meter or pre-payment meter
2. Best practices of the monitoring of Reliability Indices in States

91st FOR meeting was held in Pune on 8th June 2024

- ✓ A detailed presentation covering deliberations and recommendations on Consumer Rules (Smart Metering, Reliability Indices, CGRF rules), LPS Rules, CPP Amendment for verification, were presented.
- ✓ In addition, the action points for advocacy/rule amendment by FOR to MoP, actions by SERCs for their MYT/Supply Code and further work on WIP items were also highlighted.

FOR WG meetings on Harmonisation of Rules and Regulations

Third Meeting: 12th July 2024 (Vadodara)

Following action points were considered for discussion by WG:

1. Confirmation of Minutes of 2nd meeting of the WG held on 9th May 2024
2. Rights of Consumer Rules: Formulation of Revised Clauses pertaining to establishment of CGRF for modification in the Rules
3. Electricity (Amendment) Rules, 2024 pertaining to Additional Surcharge
4. Electricity (Second Amendment) Rules, 2023- FOR Model MYT Regulations; MoP Rules, MoP Issues
5. Electricity (Amendment) Rules, 2023 pertaining to Captive generation (WIP)

- Rights of Consumer Rules: Formulation of Revised Clauses pertaining to establishment of CGRF for modification in the Rules

Electricity (Rights of Consumer) Rules, 2020: Flexibility of Establishment of CGRF by DLs

- **Clause under Rule 15 (1) of MoP Rules**

The distribution licensee shall establish Consumer Grievance Redressal Forum (CGRF) under sub-section (5) of section 42 of the Act at different levels to cater to the needs of the sub- division, division, circle, zone, company level.

- **Discussion point**

- Whether flexibility of establishment of CGRF should be given to Distribution Licensees?

- **Recommendations**

- The Appropriate Commission should take decisions regarding clustering of CGRF in consultation with appropriate stakeholders.
- Suggested additional proviso to Clause (1) of Rule 15 of MoP Rules is modified as under:

“Provided that the Appropriate Commission may specify formation of a cluster of CGRF at District or Circle level catering to multiple subdivisions or divisions.”

28

- Electricity (Amendment) Rules, 2024 pertaining to Additional Surcharge

Electricity (Amendments) Rules, 2024

Particulars	Key Provision
<p>22. Open Access Charges (3) Additional Surcharge</p>	<p>The additional surcharge levied on any Open Access Consumer shall not be more than the per unit fixed cost of power purchase of the distribution licensee concerned:</p> <p>Provided that for a person availing General Network Access or Open Access, the additional surcharge shall be linearly reduced from the value in the year in which General Network Access or Open Access was granted so that, if it is continued to be availed by this person, the additional surcharge shall get eliminated within four years from the date of grant of General Network Access or Open Access:</p> <p>Provided further that the additional surcharge shall not be applicable for Open Access Consumer to the extent of contract demand being maintained with the distribution licensees:</p> <p>Provided also that the additional surcharge shall be applicable only for the Open Access Consumers who are or have been consumers of the concerned Distribution licensee.</p> <p style="text-align: center;">30</p>

Electricity (Amendment) Rules 2024, (Additional Surcharge) : Key Issues & Recommendations

Elimination of Additional Surcharge

- **Discussion Point**
 - Whether elimination of the additional surcharge within four years from the date of grant of GNA or OA is appropriate?
- **Recommendations:**
 - The EA 2003 and Tariff Policy mentioned gradual reduction in additional surcharge.
 - Replace the elimination of additional surcharge in MOP Electricity (Amendment) Rules, 2024 with the gradual reduction of Additional Surcharge.

Ceiling of Additional Surcharge linked to Fixed Cost of Power Purchase

- **Discussion Point**
 - Whether ceiling of additional surcharge on the per unit fixed cost of power purchase of the distribution licensee concerned is appropriate?
- **Recommendations**
 - Additional surcharge should be levied subject to the ceiling of fixed cost component of power purchase cost as per MOP Electricity (Amendment) Rules, 2024.

Recovery of Fixed Cost of Stranded capacity through Contract Demand

- **Discussion Point**
 - Whether contract demand being charged by the concerned distribution licensees to open access consumers covers all fixed charges and the costs associated with stranded capacity?
- **Recommendations:**
 - Contract demand doesn't cover all fixed charges and the costs associated with stranded capacity, as some part of fixed costs are recovered through Energy Charges.
 - OA Consumer maintaining contract demand with the DL shall also be levied Additional Surcharge.

Applicability of Additional Surcharge to New Open Access Consumers

- **Discussion Point**
 - Whether the additional surcharge shall be applicable to new Open Access Consumers who are or have not been consumers of the concerned Distribution licensee?
- **Recommendations**
 - May not be applicable to new OA consumers as they are not responsible for any stranded capacity.
 - However, differentiation of consumers based on new or existing is not correct.
 - Additional Surcharge shall be applicable to both new and existing OA users.

Need to Harmonise Formula of Additional Surcharge

- **Discussion point**
 - Whether there is need to harmonize the Additional Surcharge Formula across the States?
- **Recommendations**
 - Need to appropriately account for the power shortage while formulating the additional surcharge formula.
 - Need to harmonize the Additional Surcharge formula across the States on per unit fixed charges of power purchase basis

-Electricity (Second Amendment) Rules, 2023- FOR Model MYT Regulations; MoP Rules, MoP Issues

Background

The First meeting of FOR Working Group on “Harmonisation of Rules and Regulations” was held on 1st December 2023 where, it was decided that Model Regulations are to be studied w.r.t MoP communications.

MoP communication vide letter dated 22nd May 2023

A meeting was held on 22nd May 2023 by Secretary, Power, MOP in order to identify issues pertaining to FOR Model Regulations for Multi Year Distribution Tariff. Based on discussions, following action points were highlighted by MoP:

- Month-Wise Sales Plan
- Timelines for True-up Petition
- FPPCA
- Return on Equity
- Charging of Full Cost of Tariff
- Charging of Subsidy
- Cross Subsidy Surcharge
- Tariff Design

MoP communication vide letter dated 7th July 2023

A meeting was held on 7th July 2024, in continuation to the meeting held on 22nd May 2023 and following action points were highlighted by MoP:

- Specific Trajectory of certain variables
- No regulatory assets should be permitted
- Adoption of MYT Framework with true-up every year

FOR Model MYT Regulations: Key Issues & Recommendations (1/3)

MYT & Timelines for Filling of True-up on Annual Basis

•Discussion Point

- Need for issuance of Multi Year Tariff instead of Annual tariff determination for the entire control period and adjustment of every year True-up with adjustments to pass on the impact of gap/surplus?

•Recommendations

- Decided to implement MYT for the Control Period of five years.
- Verification of performance for true-up whether annually or Mid-term should be decided by Appropriate Commission.

Power Procurement Planning

•Discussion Point

- Power purchase planning of DLs should be as per CEA Resource adequacy guidelines/regulations framed by SERCs.
- Whether the requirement of Business Plan can be done away with under Model MYT Regulations?

•Recommendations

- Power purchase should be aligned with Rule 16 (Resource Adequacy) of Electricity Amendment Rules, 2022, where it is mentioned that power procurement plan must adhere to resource adequacy guidelines prepared by CEA/Regulations prepared by SERCs.
- There is no separate requirement of Business Plan, considering that Sales and power purchase plan being covered under RA plan.

Specific Trajectory of Certain Variables

•Discussion Point

- Implications of variation in trajectory for controllable parameters stipulated by SERCs and that agreed by State Govt /approved by Central Govt. on realistic basis
- Trajectory for controllable parameters as approved by SERCs is based on capex and O&M expenses to achieve such trajectory which has already been allowed?

•Recommendations:

- All SERCs are required to conduct a study by which they can fix the baseline for the controllable parameters and must adhere to the trajectory provided based on that baseline parameters.

FOR Model MYT Regulations: Key Issues & Recommendations (2/3)

Month-wise Sales Forecast

•Discussion Point

- Month-wise/Category-wise sales forecast may be aligned with Demand/Sales forecasts submitted and approved under Resource Adequacy plans.

-Recommendations

- Month-wise sales forecast of all distribution licensees should be based on sales forecast approved under Resource Adequacy plan.

Return on Equity

•Discussion Point

- Base RoE and linkage to performance parameters to be decided for State entities

•Recommendations

- RoE needs to be uniform for all the states.
- RoE (Base RoE & performance linked RoE) must be aligned with CERC Tariff Regulations, 2024 in line with Rule 20 (8) of MoP Rules.
- RoE for Distribution should be at premium over and above what is provided for G&T as decided by the Appropriate Commission.
- There would be RoE linked to performance parameters (incr/decr) such as (ramp rate, FGMO for G), (availability for T) and (collection efficiency, assessed billing, wire availability, for D).
- The upper limit or ceiling for performance linkage of RoE (incr/decr) may be set at 2%
- Provision related to reduction of the equity base with depreciation over and above debt repayment is not required.

Subsidy by State Government

•Discussion Point

- Subsidy related clauses may need to be revised as per Rule 15 (Subsidy Accounting & Payment) of MoP Rules.

•Recommendations:

- Subsidy clauses need to be aligned with Rule 15 (Subsidy Accounting & Payment) of Electricity (Second Amendment) Rules, 2005.

FOR Model MYT Regulations: Key Issues & Recommendations (3/3)

Charging of Full Cost of Tariff

• Discussion Point

- FOR Model Regulations does not specify the date of charging of full cost of tariff to consumers in case subsidy is not paid in advance by State Government.

• Recommendations

- Provisions regarding date of charging of full cost of tariff to consumers in case subsidy is not paid in advance by State Government, should be included in the FOR-Model Regulations.

Cross Subsidy Surcharge

• Discussion Point

- CSS provisions is not in line with Rule 13 (Surcharge Payable by Open Access Consumers) where, surcharge shall not exceed by 20% of Average Cost of Supply.

• Recommendations

- As per Tariff Policy, CSS shall not exceed 20% of tariff applicable to the category of the consumers seeking open access, while in Rule 13 of MoP Rules the surcharge shall not exceed 20% of the ACoS
- Need to conduct an analysis regarding cross subsidies across the states, whether it is within $\pm 20\%$ of ACoS

Regulatory Assets

• Discussion Point

- No Regulatory assets is to be permitted in accordance with Rule 23 (Gap Between Approved ARR and Estimated Annual Revenue from Approved Tariff) of MoP Rules.

• Recommendations:

- No Regulatory Assets related provision is required in the Model Regulations as the same is not expected under business-as-usual conditions as per Tariff Policy 2016 and Rule 23 of Electricity Amendment Rules, 2024

FPPCA

• Discussion point

- FPPCA is not as per Rule 14 (Timely Recovery of Power Purchase Costs) of MoP Rules and may be revised.

• Recommendations

- States which don't have their own FPPCA formula may use the MoP formula as per Rule 14 of MoP Rules until they are able to create of their own.
- FPPCA recovery must be aligned with Rule 14 of MoP Rules where it computes on monthly basis.
- Need to include an additional element to account for variations in uncontrollable factors, similar to MERC
- Discuss the formulation of FPPCA in next WG meeting.

- Status update of Activities under FOR RE Working Group

37

Status update of Activities under FOR WG on RE Policies and related matters

FOR Model DRE Regulations – Draft amendments:

Objective: To recommend suitable amendments to the existing FOR Model DRE Regulations 2019, based on current best practices, requirement of stakeholders and policy level developments.

Key activities carried out:

- Existing FOR Model Net Metering/DRE Regulations and regulations for grid interactive RE systems introduced by various SERCs were studied.
- MoP Consumer Rules and amendments were referred to align the amended model regulations as per the Rules.
- During 4th working group meeting, WG deliberated on Electricity (Rights of Consumer) Rules 2020 and its subsequent amendments issued by Ministry of Power, model DRE regulations issued by FOR and the regulations notified by the ERCs of the WG member states.
- During the 5th meeting, WG reviewed the Model regulations and deliberated on the key aspects to be considered while updating model regulations in view of the recent development at the policy level.
- WG also presented the key aspects to be considered while updating model DRE Regulations during 91st meeting of FOR.

Status:

- Amendments and design issues for Net Metering, VNM, GNM finalized and presented during 91st FOR Meeting at Pune.
- Contours for Model DRE Regulations finalized.
- draft Model DRE Regulations will be shared by for adoption in the subsequent meeting .

FOR RPO Study

Objective: To undertake a detailed study for stipulating the norms with regards to RPO trajectory for non-RE rich states based on the market reality and state specific issues

Status of activities:

- Preliminary analysis of status of RPO across 12 selected states is completed.
- Data collection templates are shared with respective state agencies through FOR Secretariat. Data from Assam and Himachal Pradesh is received but data shared by respective states is incomplete.
- Cost benefit analysis and identification of implementation challenges for RPO based on data available in public domain is work in progress.

Status:

- Contours of RPO study formulated and data templates shared with State agencies.
- Awaiting data from states to conduct cost benefit analysis.

Status update of Activities under FOR RE Working Group (2/2)

Development of Model GNA framework at State level:

Objective: To Support FOR in preparation of Model State GNA Regulations under RE WG

Key activities carried out:

- Review of Central GNA Regulation, connectivity and Open Access Regulations issued by selected States
- Support to FOR team during subcommittee meetings for data collection, inputs and identification of upcoming challenges
- Develop recommendations to address identify gaps
- Preparing presentation for WG on identified gaps and possible mitigation measures
- Preparation of Draft Model State GNA Regulations
- Discussion with Stakeholders on draft model State GNA Regulation
- Preparing presentation for the WG on draft Model State GNA Regulations
- Finalisation of Updated Regulations addressing comments/suggestions of FOR working group

Status:

- Task force of SERC nodal officers formed to gather state specific inputs.
- Multiple Interactions with nodal officers to identify gaps, state specific challenges.
- Working on development of draft Model State GNA Regulations.

Flexibility Operation for RE integration – Minimum Turn Down Level for State Thermal Generators and Compensation

- FOR in 91st Meeting decided that the WG on RE Policy to examine the status of minimum turn down level of intra-state generating stations in various states, commensurate compensation for such flexible operation and make recommendations to the FOR for consideration
- 7th Meeting of the WG held at Chennai on 15th July 2024 for the State of Tamil Nadu
- TN-SLDC gave detailed presentation on flexibility aspects for the State of Tamil Nadu

Status:

- The WG will have State specific visits to examine the State specific flexibility challenges.
- Will recommend based on the inputs/suggestions received from the States .



THANK YOU

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