

Prayas (Energy Group)'s comments on Draft APERC (Threshold Limit for the Development of Intra-State Transmission Projects under the Tariff Based Competitive Bidding) Regulation, 2023

Andhra Pradesh Electricity Regulatory Commission issued [draft Andhra Pradesh Electricity Regulatory Commission \(Threshold Limit for the Development of Intra-State Transmission Projects under the Tariff Based Competitive Bidding\) Regulation, 2023](#) on 8th September, 2023 and invited comments from the public by 29th September.

As per the proposed regulation, *'the Commission has conducted a thorough assessment of the investment approvals granted to APTRANSCO, the State Transmission Utility (STU), over the past four fiscal years, spanning from FY 2020-21 to FY 2023-24. This examination has revealed that among the 23 approved projects, approximately 43.5% or 10 projects have been executed, each entailing an investment exceeding Rs. 100 crores. In terms of monetary value, these 10 projects account for Rs. 3,354 crores of the total investment of Rs. 3,949 crores across all 23 projects, representing a significant 84.9% share of the total investment. Furthermore, when looking at the broader perspective of the 5th and 6th control periods, encompassing a total of 496 projects, it is noteworthy that all 28 of the identified projects required investments exceeding Rs. 100 crores each. However, in terms of cumulative investment in crores, these 28 projects amount to Rs. 9,085 crores out of the overall investment of Rs. 15,729 crores for the entire set of 496 projects, constituting approximately 57.8% of the total investment'*.

The proposed regulation will be effective from 1st April, 2024, i.e., from the date of commencement of the 5th control period.

Our comments on the proposal are detailed below:

1. Appropriate threshold (Rs 100 cr.) proposed

Given that TBCB is being implemented at ISTS Transmission network for more than a decade and many states have recently adopted TBCB for their InSTS network, determination of threshold limit for InSTS by the commission is welcome step. It should be noted that many states have already determined threshold limit, information of those can be found [here](#)¹ on the India Transmission Portal. Determining the threshold TBCB limit for InSTS projects will promote competition in transmission sector and thus reduce the burden on consumers due to cost escalations and time delays seen in RTM projects. This has been evident from the experience with ISTS projects developed under TBCB and RTM.

The commission has proposed a broader TBCB framework for transmission projects in the state through this regulation, which include threshold of Rs. 100 crores (in sync with the threshold limit for ISTS projects), effective date, approval process and empanelled committee for recommending the mode of implementation of transmission projects (under Regulated Tariff mechanism or TBCB).

2. Applicability of the regulation

The Commission has proposed to implement the regulation from 1st April, 2024 (Regulation 1(ii)).

Similarly, the regulation excludes any project for which application for in-principle approval is already submitted to the Commission and is under consideration by the Commission (Regulation 3.2).

This timeline may incentivize the STU to apply for larger RTM based projects before the Commission in

¹ <https://indiatransmission.org/Commercial/TBCB%20Threshold%20in%20states>

this duration. In order to disincentivize any such possibility, we suggest that the Commission implements the regulation on the date of notification of the regulation and any new proposals for RTM based transmission projects shall only be admitted before the Commission only after this regulation is notified by the Commission. In addition to this, in case of projects under consideration for in-principle approval and not yet approved, the Commission can ask STU to approach empowered committee created under the regulation.

3. Avoid Project Fragmentation

Avoiding project fragmentation is important without which few projects would be implemented under TBCB. The commission has itself noted that *“Commission has conducted a thorough assessment of the investment approvals granted to APTRANSCO, the State Transmission Utility (STU), over the past four fiscal years, spanning from FY 2020-21 to FY 2023-24. This examination has revealed that among the 23 approved projects, approximately 43.5% or 10 projects have been executed, each entailing an investment exceeding Rs. 100 crores. In terms of monetary value, these 10 projects account for Rs. 3,354 crores of the total investment of Rs. 3,949 crores across all 23 projects, representing a significant 84.9% share of the total investment. Furthermore, when looking at the broader perspective of the 5th and 6th control periods, encompassing a total of 496 projects, it is noteworthy that all 28 of the identified projects required investments exceeding Rs. 100 crores each. However, in terms of cumulative investment in crores, these 28 projects amount to Rs. 9,085 crores out of the overall investment of Rs. 15,729 crores for the entire set of 496 projects, constituting approximately 57.8% of the total investment.”*

The data provided by the Commission indicate that there will be many small projects being implemented in 5th and 6th control period. Understanding the scope of such projects and any relation with other existing or proposed projects will be vital to ensure no project fragmentation and promote confidence amongst private players about the TBCB framework proposed under this regulation. While the draft regulation has made a provision *“Regulation 3.3. The entire Intra-State independent transmission projects including any upstream/downstream project shall be designed as a single project for inviting bids for the development of the project through TBCB.”*, the Commission should put in place an explicit mechanism, possibly under Empowered Committee to pro-actively check for project splitting before projects are sanctioned/awarded.

4. Enhanced reporting and monitoring of transmission projects

Establishing empowered committee for deciding mode of implementation of transmission projects is a very welcome and progressive step. However, the commission should mandate public reporting of decisions taken in each meeting held by empowered committee which clearly mentions of reason of mode of implementation (TBCB or RTM) for each project along with the scope and estimated cost of the transmission project. The minutes of meetings should be posted on the website of STU regularly. Furthermore, we suggest that the Commission should frame a mechanism for monitoring and reporting of progress of InSTS projects (both under TBCB and regulated tariff mechanism). In this regard, we suggest that an annual reporting is done by STU to the Commission about the number of projects being implemented under TBCB and RTM and progress and timelines of each project (along with scope of the project). In addition, the STU can report estimated cost and approved transmission charges (by the commission) for such projects. Similar progress reporting should be done by STU to the empowered committee on quarterly basis. These reports should be made publicly accessible on the website of the commission and STU. This will allow for better understanding of the benefits of moving to TBCB.

The above proposed mechanism can be helpful to identify any bottlenecks or challenges for transmission projects in the state. It will allow the empowered committee to take corrective actions on time for timely completion of the projects and maintain confidence for private investment in the

sector. It is worth to point out here that the similar process is being followed at central level by CEA^{2,3,4} and National Committee on Transmission, which ensures transparency and accountability of the stakeholders.

² https://cea.nic.in/wp-content/uploads/transmission/2023/07/202307Completed_TBCBReport.pdf

³ https://cea.nic.in/wp-content/uploads/transmission/2023/07/UnderConstruction_TBCBReportJuly23R1.pdf

⁴ These reports can be found on the CEA's website. <https://cea.nic.in/transmission-reports/?lang=en>