

Comments and Suggestions on

Draft Guidelines for Selection of Transmission Projects to be executed under Tariff Based Competitive Bidding Framework within State of Maharashtra

Prayas (Energy Group), 6th January, 2025

MSETCL as STU for the state of Maharashtra has prepared draft guidelines for selection of Transmission Projects to be executed under Tariff Based Competitive Bidding Framework (TBCB), considering the provisions of Section 63 of the EA 2003 and other conditions laid out by Maharashtra Electricity Regulatory Commission in MERC MYT Regulations, 2024 for development of Intra-State Transmission System through TBCB.

Under the MERC MYT Regulations, 2024 all new Intra-State transmission systems (excluding projects involving the upgradation or augmentation of existing transmission assets or those already covered under the transmission licensee's scope) exceeding the specified threshold limit of Rs. 200 crores (excluding land cost and Reinstatement (RI) Charges) and meeting the other conditions set forth in the MERC MYT Regulations, 2024, must be developed through TBCB.

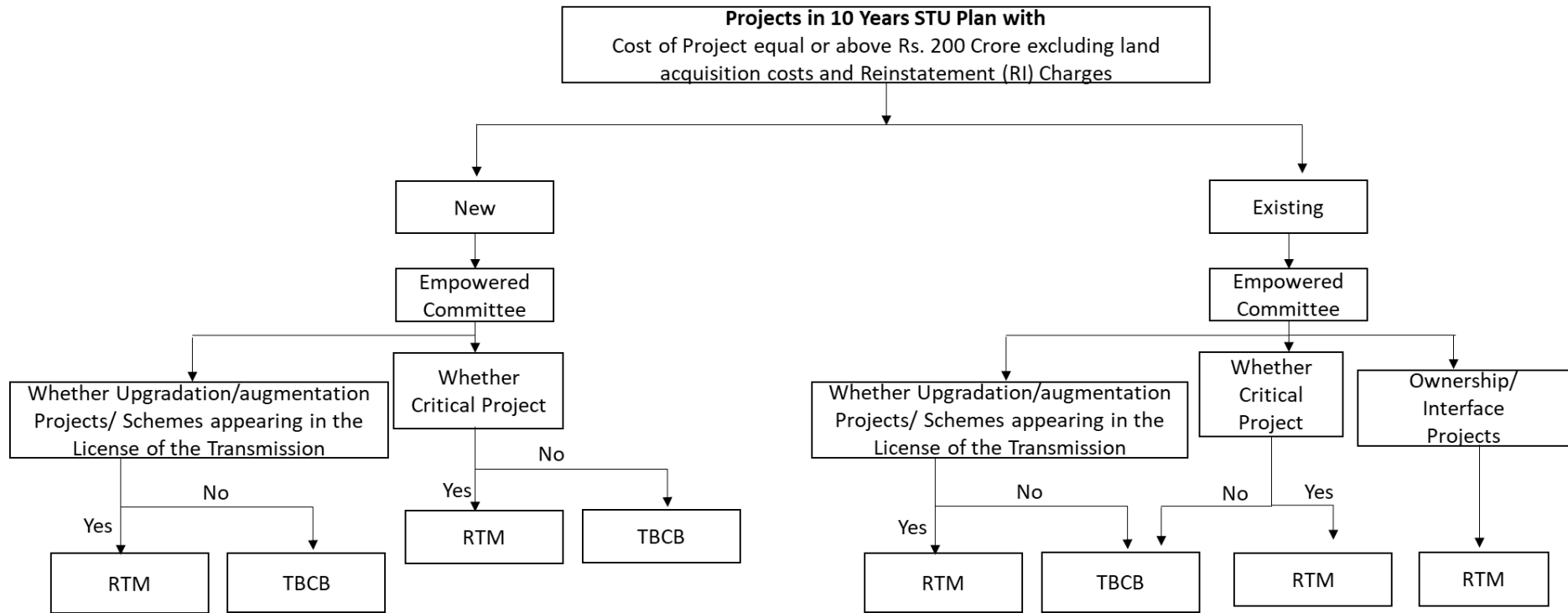
However, if the STU wishes to implement any Intra-State transmission system above the threshold limit using a cost-plus approach under Section 62 of the Act due to special circumstances (e.g., projects critical for Defence, Railways, Airports, or those that may involve ownership or interface complexities with existing transmission assets), prior approval from MERC is required. Similarly, if the STU intends to implement an Intra-State transmission system below the threshold limit through TBCB for specific reasons, it may do so, but must seek prior approval from the MERC along with valid justification.

We have few comments and suggestions in this regard as detailed below.

1. Clarifying the decision-making role of Empowered committee and Checklist for selection of mode of projects

We suggest that for any project with a cost exceeding 200 crores, it must undergo review by the empowered committee. The committee should determine the mode of implementation, considering the comparative gestation periods and cost savings of the different approaches. While considering such projects, the empowered committee meeting minutes should document in detail the progress of past projects and provide guidance for future ones. Additionally, the empowered committee should assess whether any upgradation or augmentation is part of any existing Transmission Licensee project and decide on the mode of implementation for these projects. Furthermore, the committee should evaluate the project's criticality and then determine if such project should be pursued under TBCB or RTM based on past experience of gestation and costs. The checklist for selection of mode of projects is shown in figure 1.

Figure 1: Step wise checklist for selection of projects to be implemented under TBCB



2. Monitoring the transmission Services/Projects:

Clause 2.3 states that “..... select the bidder who will acquire SPV for a new Intra-State Transmission System and to build, own, operate and transfer the specified transmission system elements.”

Also, Clause 2.6 states that “Providing transmission services would include all activities related to survey, detailed project report formulation, arranging finance, project management, obtaining transmission license, obtaining right of way, forest clearance, environment clearance, statutory and other necessary clearances.....”

As the winning bidder will be acquiring an SPV and will be responsible for all activities related to providing transmission services, such as obtaining right of way, forest clearance, environmental clearance, statutory, and other necessary approvals, we recommend that the state empowered committee/ STU establish an effective mechanism to monitor all project-related activities and share it in the public domain. This mechanism should track the status of clearances from all departments on a quarterly basis to prevent delays in the timely completion of projects. Additionally, the empowered committee/ STU should monitor key aspects such as the scheduled date of commercial operation, time over-runs, and cost over-runs, in order to assess the performance of projects under both TBCB and RTM. Such analysis can be used by Commission to assess the impact of implementation of TBCB for transmission projects in the state. Further, such monitoring and public reporting will enhance transparency in the process and encourage sharing of best practices by project developers amongst themselves. The process of project monitoring publicly will also provide a signal to RE project developers in the state for better project planning.

3. Threshold limit for TBCB projects

TBCB has been implemented in the ISTS Transmission network for over a decade, and several states have recently adopted TBCB for their InSTS networks as well. The commission's specification of a threshold limit for InSTS, along with the guidelines issued by MSETCL, is a welcome step. Establishing a threshold TBCB limit for InSTS projects will promote competition in the transmission sector, helping to reduce consumer costs associated with cost escalations and delays typically seen in RTM projects. This is supported by the experience with ISTS projects developed under both TBCB and RTM models. Currently, the TBCB threshold for ISTS projects is set at Rs 100 crore. It is suggested that after a few years, the state-empowered committee, in consultation with MERC, may review the performance of projects under both TBCB and RTM, based on learnings and the benefits from transitioning to TBCB. This can be supported by the analysis we have suggested in the previous section. Following this evaluation and a public consultation process, the commission may consider further lowering the threshold limit.
