

## Prayas (Energy Group)'s comments on TNERC's Consultative paper on Development of Intra-State Transmission System through Tariff Based Competitive Bidding

Tamil Nadu Electricity Regulatory Commission issued [Consultative paper on Development of Intra-State Transmission System through Tariff Based Competitive Bidding](#) on 4<sup>th</sup> September, 2023 and invited comments from public by 20<sup>th</sup> September.

The concept paper has proposed the following TBCB framework for transmission projects in state:

*"The development of Intra State Transmission system in Tamil Nadu involves development of various types of Sub-Stations including GIS and AIS Sub-Stations, laying of Over Head Transmission Lines and underground cables at 400 kV/230 kV/110 kV level. It is proposed that bulk ordering and bunching of Projects similar in nature should be exercised to encourage participation from maximum bidders and achieve benefits of economies of scale."*

*"In the approval of the Capital Investment Plan of the TANTRANSCO's Transmission Projects in the Commission's Transmission tariff order No 08 of 2022 in T.P.No.2 of 2022, dated 09-09-2022, it is seen that project cost of the most of the major projects is more than **Rs.200 Crores.**"*

*"In view of the above, in exercise of powers conferred under Sections 181 read with sections 61, 66 & 86 of the Electricity Act, 2003 and in pursuance to Clause 5.3 of the Tariff Policy 2016, the commission has proposed to fix the threshold limit of INR 200 Cr for Intra State transmission projects. Above this threshold limit, all new and augmentation of Intra-State Transmission projects shall be developed through Tariff Based Competitive Bidding (TBCB) in accordance with the guidelines to be issued by the State Transmission Utility (STU).*

*Provided that the mode of execution of transmission projects (TBCB or cost plus basis) of 400 kV and above voltage level may be decided by the STU in consultation with the Government of Tamil Nadu on case to case basis.*

*Provided further that transmission projects of strategic importance, as identified by STU in consultation with Government of Tamil Nadu may be executed on cost plus basis.*

*The Commission may revise the threshold limit through special order, as and when required, based on suggestions from STU/Government of Tamil Nadu through a consultative process."*

*"The STU in consultation with the Government of Tamil Nadu may take steps for bundling/packageing of projects to be executed under TBCB, creation of payment security mechanism, development of single window clearing mechanism, formulation of Standard Bidding Document (SBD) and selection of Bid Process Coordinator (BPC) in line with the SBD & guidelines issued by the Ministry of Power, Government of India from time to time. STU shall frame guidelines in this regard and notify the same in this regard within two months from the issue of final Order on this Suo Motu proceedings after approval of the Commission."*

Our comments on the proposal are detailed below.

1. **Lower threshold to Rs 100 crore:** 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. As noted in the consultation paper, many states have already determined threshold limit, however more information about the same and few other states can be found [here](#)<sup>1</sup> 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 TBCB threshold for ISTS projects is set at Rs 100 crore. Thus, the threshold of Rs. 200 crores as proposed by TNERC could be lowered and set at Rs 100 crore so that most projects could be awarded under the TBCB route to maximise the benefits of cost saving. If needed, this can be revisited after two-three years based on the experience gained and the benefits accrued from shifting to TBCB after following public consultation process.
2. The consultation paper is silent on the date on which this TBCB threshold will be applicable in the state. We suggest that it is made effective from the date of notification of the order.
3. With regard to TBCB guidelines, at one place, the paper proposes that STU will develop TBCB guidelines for state, which maybe contrary to developing the TBCB guidelines in line with the guidelines and SBD issued by Ministry of Power. It would be good to have clarity on this issue.
4. **Avoid Project Fragmentation:** Avoiding project fragmentation is important without which few projects would be implemented under TBCB. While the paper has mentioned about “bulk ordering” and “bunching of projects similar in nature”, it will be good to mention in the framework that *“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.”*

Similarly, explicit provisions aiming to prevent project splitting are also there in the MERC Capex Regulations:

*“4.25 The Generating Business/Company, Transmission Business/Licensees or Distribution Business/Licensees or SLDC shall not split the scope of work into small parts to qualify as Non-DPR Schemes.”*

It would be necessary for the Commission to put in place an explicit mechanism, possibly under the Empowered Committee to pro-actively check for project splitting before projects are sanctioned/awarded.

5. **Establish Empowered Committee:** One of the first steps in this whole framework is the cost estimation of the project. Considering the present framework of TBCB for ISTS, we suggest that an empowered committee (appointed by the state government) be created, which will be entrusted to assess the cost of transmission projects and decide the mode of implementation (TBCB or RTM). [APERC](#)<sup>2</sup> has recently proposed creation of empowered committee for this purpose, similar to National Committee on Transmission (at central level). Such a body in the state will promote better implementation and

---

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

<sup>2</sup> <https://aperc.gov.in/admin/upload/DraftRegulationforfixationofthresholdlimitforintrastatetransmissionprojects080923.pdf>

transparency of the TBCB framework. The empowered committee can also provide a broader platform to discuss the issues and challenges faced in development of transmission projects in the state.

6. **Enhanced Reporting and Monitoring:** In addition to this, the commission should ask for 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.

The above proposed mechanism can be helpful to identify any bottlenecks or challenges for transmission projects in the state. It will empower 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<sup>3,4,5</sup> and National Committee on Transmission, which ensures transparency and accountability of the stakeholders.

\* \* \* \* \*

---

<sup>3</sup> [https://cea.nic.in/wp-content/uploads/transmission/2023/07/202307Completed\\_TBCBReport.pdf](https://cea.nic.in/wp-content/uploads/transmission/2023/07/202307Completed_TBCBReport.pdf)

<sup>4</sup> [https://cea.nic.in/wp-content/uploads/transmission/2023/07/UnderConstruction\\_TBCBReportJuly23R1.pdf](https://cea.nic.in/wp-content/uploads/transmission/2023/07/UnderConstruction_TBCBReportJuly23R1.pdf)

<sup>5</sup> These reports can be found on the CEA's website. <https://cea.nic.in/transmission-reports/?lang=en>