

Comments and Suggestions on the TSERC Draft Intra-state Open Access Regulation (Terms and Conditions of Open Access), Regulation, 2023

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Telangana State Electricity Regulatory Commission (TSERC) have proposed new regulations for implementation of Open Access (OA) in the state. This is a welcome initiative, to promote competition in the state's power sector and promote the uptake of green energy, and will greatly benefit Telangana's economy. The Green Energy Open Access (GEOA) Rules, 2022 released by Ministry of Power (MoP) lower the eligibility limit for open access from 1 MW to 100 kW and provide the option of captive consumption to all electricity consumers. A centralised mechanism for processing applications has also been instituted under the Rules.

TSERC has released a comprehensive set of regulations, covering both green and non-green open access – which is a proactive step towards establishing clear processes. For the implementation to remain smooth, it requires the development of clear procedures, robust energy accounting and billing practices and a balanced framework for determination of applicable charges. Considering this, Prayas (Energy Group)'s or PEG's comments and suggestions in the matter highlight areas where more clarity is needed, and observes some additional changes that can be made for better implementation of the GEOA Rules.

1. Eligibility criteria for Green Open Access

1.1 Lack of clarity on eligibility for green and non-green open access

Provision 9.1 specifies an eligibility limit of 1 MW or above of contracted capacity for Open Access, and further goes on to specify an eligibility limit of 100 kW of contracted demand or sanctioned load for Green Energy Open Access. The framing of the said provision remains unclear as it is not clear if open access includes or explicitly excludes green open access. In case a distinction is sought to be made between the eligibility limits of GEOA and non-GEOA consumers – that should be explicitly stated.

1.2 Green Open access to be restricted to consumers on HT network

With the lowering of eligibility limit to 100 kW as well as the lack of eligibility limit for captive users, there could be several operational issues related to scheduling, safety and energy accounting. It is suggested that Green Open Access be only given to consumers with load greater than 100 kW connected to the HT network.

LT Consumers with 100 kW load who wish to apply for green open access should essentially apply for HT connections to avail this option.

1.3 Treatment of captive with contracted demand below 100 kW

Captive consumers with contract demand below 100 kW are eligible for open access as per the rules. However, there are serious concerns regarding safety, metering, scheduling for those with contracted demand below 100 kW which are not addressed in the regulations. Separate provisions, procedures and formats are required to streamline these processes.

This should include specific criteria and agreements that the captive consumer should quality before being permitted as captive consumer under these regulations. These criteria and a model agreement should be specified as part of these regulations.

1.4 Provision for multiple connections

Provision 9.1 allows for a consumer having multiple connections aggregating to 100 kW or more in the in the same electricity division of a distribution licensee to avail open access. For such an arrangement, the processes around registration, metering and energy accounting, treatment of banking, standby, scheduling will certainly need to be specified separately. However, these are not clear in the draft regulations.

2. Duration of Open Access consumers

Short-term duration should not be for less than one month at a time. Repeated applications for short-term OA, for the benefit of the distribution licensee, can be discouraged.

In regulation 4, it should be clarified that consumers under green OA can also avail open access for long-term, medium -term and short term for the same periods as other consumers.

3. Connectivity to Transmission and Distribution system

For all OA applications, the regulations mention the submission of documentary evidence for completion of the connectivity showing that the same shall be completed before intending date of OA.

As per Regulation 11 in TSERC Grid Code Regulations, 2018 – “users connected to or seeking connection to In-STS shall comply with CEA Regulations..until TSERC frames regulations regarding grant of connectivity, open access to intra state transmission and distribution networks, notified from time to time.” However, no such specific regulation, with a clear timeline for this process – has been incorporated in this draft regulation. This will invariably impact the overall timeline of receiving an approval for open access for a new generator.

4. Procedure for STOA applications with duration less than a week

As per draft regulation 5.2, for STOA with duration less than one week, SLDC may not consult transmission or distribution licensees for permitting transactions. Open access irrespective of duration will be based on network constraints and technical criteria. It is not clear why this consultation is to be foregone based on duration. Ideally short-term applications itself. Instead, short-term durations should not be less than one month at a time so as to ensure compliance with necessary procedures. Such consumers can trade on day ahead basis or in the real time market within that one month duration.

5. Metering requirements

Draft Regulation 17 and Article 7 for wheeling and banking for captive stipulate that SEMs are required for open access and to avail banking. It should be clarified that all green open access consumers especially those that avail banking would require to have special energy meters to avail open access. Given the energy accounting requirements for DISCOMs to effectively provide banking, scheduling and standby services the requirement is appropriate. However, SEM costs may be prohibitive for below many 1 MW consumers seeking to avail open access. To effectively provide these services, it is suggested that DISCOMs entail efforts to ensure the following within a time-frame (say 1 year) stipulated by the Commission:

- 100% AMI (with capability of 30 minute energy accounting) for all HT consumers
- Meters with ToD capability for all consumers with loads 20 kW and above

Subsequent to this, the regulations can be amended to provide banking and scheduling services based on 30 minute and ToD slot-wise data.

6. Open Access Charges

4.1 Cross Subsidy Surcharge (CSS)

Provision 21.1 (iii) states that for a GEOA consumer purchasing green energy, from a generating plant using renewable energy sources, the CSS shall not be increased, during twelve years from the date of operating of the generating plant using renewable energy sources, by more than fifty percent of the surcharge fixed for the year in which open access is granted. This provision is in line with the GEOA Rules released by MoP. It is possible that such a ceiling limit has been incorporated in the rules to promote investor certainty. However, such a provision will extremely challenging and complex to monitor and implement.

At the same time, longer term open access could be encouraged via a simpler-to-operate CSS mechanism. For example, CSS could be fixed at a rate adequate to compensate DISCOMs in the year in which OA is availed, however, it should not increase by more than 50% for 12 years from the beginning of OA. Thus, as short-term open access consumers will apply for open access each year, they will have to pay CSS which is in force at the time of the application, but long-term consumers can benefit from the clarity of a 50% ceiling. This will an effective way of operationalizing the ceiling proposed on CSS in the Rules without the added operational challenge of linking it to the commissioning date of the generator.

4.2 Additional Surcharge

Provision 21.1 (iv) states that additional surcharge shall not be applicable for Green Energy Open Access consumer, if fixed charges are being paid by such a consumer – as per the Rules. Given the reduction in back-down thermal capacity with time, additional surcharge should be phased out for all OA consumers. Alternatively, additional surcharge can be levied for other services. For example, it can be a Rs/kVA charge for RE capacity contracted beyond the contract demand as is being done in Gujarat.

4.3 Standby charges

Provision 21.1 (viii) talks about the applicability of standby charges and states that the charges should be reflective of the costs incurred the distribution licensee. The Rules specify a ceiling of 25% of the energy charges. While such a ceiling may not necessarily reflect costs, to provide clarity, the ERC can perhaps come up with a mechanism for levying standby charge, which is cost-reflective and sufficiently compensatory for the distribution licensees. Maharashtra ERC, for example, levies a three-tier standby charge¹ for Captive users (25% of applicable demand charges when standby capacity not utilised, 100% of applicable demand charges when standby capacity is not used under planned or un-planned shutdown, 150% of applicable demand charges on excess demand, and 200% of applicable demand charges for those who do not opt for standby arrangement).

5. Banking

Provision 33 of the regulations specify provisions for banking of renewable energy generation. Just like standby service, banking is also an essential service provided by the DISCOMS, that needs compensation which is reflective of the costs of providing the service. The charge specified in the draft – 8% in kind from energy banked – remains highly concessional in nature. Instead, we suggest that the banking charge be levied at **8% in kind on the entire energy wheeled (not energy banked)**. This would translate to about Rs. 0.40/ kWh on the energy wheeled for the consumer. Based on data from 120 consumers and 68 PSS for wind and solar, Prayas (Energy Group)² had estimated the cost of banking for the state of Karnataka and recommended a banking charge to 10-12% of wheeled energy or 0.3-0.4 Rs/kWh of wheeled energy to adequately compensate DISCOMs.³ The suggested rate is also inline with the findings based on the study.

Further, in provision 33.4 of the regulation – the ERC should clarify whether the limit of “thirty percent of total monthly consumption” for energy banking is ‘at least’ or ‘up to’ as done in Punjab, where it has been specified as “up to thirty percent”.

7. Data and Information requirements

Draft provision 23.2 elaborates on “Information requirements” to be available on the websites of the licensees and SLDC. Here, this data should remain transparently available in the public domain (and not behind a ‘login’ mechanism). The SLDC, along with the status report, should release a monthly report on green and non-green open access consumption (in MUs), categorised as per their term (short, medium, long).

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¹ As notified in MERC Order 322 of 2019

² Over the last few years, there have been quite a few regulatory and judicial processes on the issue of appropriate banking framework and charges for the same. As part of these, KERC directed that a detailed study has to be carried out by a third party to assess the impact on the finances of KPTCL/ESCOMs due to concessional wheeling and banking charges. In compliance with these directions, Prayas (Energy Group) was appointed to conduct this study by PCKL. This study examines this issue.

³https://energy.prayas.pune.org/images/pdf/Estimating_impact_of_RE_wheeling_and_banking_arrngmnt_on_Karnataka_ESCOMs.pdf