

**Before the**  
**MAHARASHTRA ELECTRICITY REGULATORY COMMISSION**  
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**Case No. 34 of 2007**

**In the matter of**  
**In principle approval to Maharashtra State Electricity Transmission Company Limited for development of infrastructure facilities to enable evacuation of power under Clause 45 and 85 of MERC (Terms & Conditions of Tariff) Regulations, 2005**

**Dr. Pramod Deo, Chairman**  
**Shri. A. Velayutham, Member**  
**Shri. S. B. Kulkarni, Member**

**ORDER**

**Dated: November 13, 2007**

Maharashtra State Electricity Transmission Company Limited (MSETCL) filed a Petition under affidavit, before the Commission on July 24, 2007, seeking In-Principle approval for development of infrastructure facilities to enable the evacuation facilities of power from the upcoming generation projects in the State of Maharashtra, including the dedicated transmission lines and other associated facilities as detailed therein, under Regulations 45 and 85 of the Maharashtra Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulation, 2005.

2. MSETCL, vide its Petition, submitted as under:
- a) Maharashtra State has been facing unprecedented severe power shortage. In order to overcome the supply shortages and augment the power supply in the State, significant generation capacity addition has been planned by the Maharashtra State Power Generation Company Limited (MSPGCL) and by Maharashtra State Electricity Distribution Company Limited (MSEDCL) through Private sector participation under Competitive Bidding Guidelines (CBG) issued by Ministry of Power (MoP).
  - b) To fulfill the duties as vested under Section 39 (2)(c) of the Electricity Act, 2003 (EA 2003), MSETCL needs to implement large capital expenditure schemes to ensure proper evacuation of the power generated by the upcoming generation stations in the State. Besides, MSETCL will also have to strengthen the existing Transmission Infrastructure to transmit the said power efficiently to the load centers.



- c) In order to carry out such large investment program in timely and efficient manner and considering that significant time, effort and money that need to be spent on preparatory work for development of schemes, MSETCL requires assurance that the cost of such schemes would be allowed as a part of MSETCL's Annual Revenue Requirement (ARR).
3. The following are the main prayers of MSETCL:
- a) to examine the concerns expressed by MSETCL for a favourable dispensation;
  - b) to condone any inadvertent omission / errors / shortcomings and permit MSETCL to add / change / modify / alter / this filing and make further submissions as may be required at a future date;
  - c) to accord an In-Principle approval to MSETCL to proceed with the steps required to be taken for the development of the transmission infrastructure facilities to facilitate the evacuation of the power in the State, including dedicated transmission lines and other associated facilities with the presumption that the expenses incurred on the same will be recoverable "In-Principle" through MSETCL's ARR.
4. The Commission, vide its Notice dated August 17, 2007, scheduled the hearing in the matter on September 11, 2007 and directed MSETCL to serve a copy of its Petition to MSEDCL, MSPGCL, M/s Jindal J.S.W. Energy Ltd. and four authorized consumer representatives.
5. At the hearing held in the matter on September 11, 2007, Shri. Shailesh Joshi, M/s. Feedback Ventures, consultant to MSETCL, made a power-point presentation in support of which oral submissions were advanced. Shri. Joshi submitted that MSETCL needs to upgrade the Intra-State Transmission System (In-STS), in view of the large-scale capacity addition projects that are being undertaken all over the State of Maharashtra from three different sectors, viz., (i) MSPGCL; (ii) various private developers under the CBG route; (iii) developers of merchant plants. Reference was drawn in this regard to the provisions under Sections 9 and 10 of EA 2003, under which the generating company is required to establish, operate and maintain captive generating plants and/or generating stations, tie-lines, sub-stations and dedicated transmission lines connected therewith, for sale of power to a licensee. Shri. Joshi further referred to the amendment made to Section 9 of EA 2003 vide the Electricity (Amendment) Act, 2007, and submitted that no transmission license is required for supply of energy generated from a captive generation plant to licensees. It was submitted that a prudent interpretation of the provisions in the said Sections of EA 2003 would hold that development/establishment of transmission infrastructure for evacuation of power is the responsibility of the generating company.
6. Shri. Joshi submitted that in such event, should MSETCL be required to augment transmission infrastructure, a consensus to that effect may first be achieved by all licensees that would be beneficially affected. Further, the same necessitates approval of



the expected financial investment that MSETCL requires to make on the expenditure vis-à-vis re-determination of tariff, under the procedure laid down in MERC (Terms and Conditions of Tariff) Regulations, 2005 (Tariff Regulations). Reference was further drawn to the provisions of Regulation 85 of the Tariff Regulations, wherein, the Commission may, by general or specific Order, remove any difficulty that may arise in the implementation of the said Regulations.

7. Shri. Joshi submitted that prior to the trifurcation of the erstwhile Maharashtra State Electricity Board (MSEB), the transmission arm of MSEB was responsible for the establishment, operation and maintenance of their transmission system. The work force of the said transmission arm of MSEB has been inducted in MSETCL. It is therefore MSETCL, which is vested with required expertise, skill and capability to cause technological augmentation of the transmission network. Further, as the State Transmission Utility (STU) of Maharashtra, MSETCL is further responsible for integration of the transmission network in the State of Maharashtra, in accordance with Section 39(2)(c) of EA 2003.

8. Shri. Joshi referred to the generation augmentation project plans of MSPGCL, MSEDCL and merchant plant developers and submitted that the implementation of the said projects requires technological augmentation in the InSTS. It was submitted that the generation projects of MSPGCL at Paras, Parli, Khaparkheda and Bhusawal and the merchant plant projects of M/s. J.S.W. Energy Ltd., require completion of NIT for evacuation system within FY 2007-08. It was further submitted that in view of the stipulation under the Competitive Bidding Guidelines issued by MoP, Government of India, the transmission link between the generation project and the load centre need to be established 210 days prior to the commissioning of the generation projects. These factors necessitate immediate in-principle approval of the financial investments that are required to be made by MSETCL to establish evacuation lines.

9. Shri. Joshi submitted that prior to MSETCL initiating the present proceedings, various joint discussions were convened by MSETCL, MSPGCL and MSEDCL. In the aforesaid discussions, MSPGCL and MSEDCL were *ad idem* that MSETCL is best equipped to undertake core business activities involved with transmission projects and implement/execute power evacuation schemes. During the hearing, the Commission observed that the assessment of the expertise of MSETCL by MSEDCL and MSPGCL is not the proper justification for MSETCL to implement power evacuation projects. The functions of MSETCL as an STU and a transmission licensee are clearly specified under EA 2003 and the MERC (State Grid Code) Regulations, 2006. MSETCL is required to perform as per the requirements specified therein.

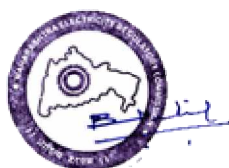
10. The Commission enquired of MSETCL as to whether the present power evacuation schemes, for which in-principle approval is being sought for, are part and parcel of the schemes submitted under approval for the three-year rolling capital investment plan and the five-year Capex plan.



11. Shri. Subrato Ratho, Managing Director, MSETCL, submitted that under Section 39(2)(c) of EA 2003, it is the duty of STU to “ensure the development of an efficient, co-ordinated and economical system of intra-State transmission lines for smooth flow of electricity from generating stations to the load centres”. However, in contradiction, Section 10(1) of EA 2003 vests the duty of establishment of dedicated transmission lines upon a generating company. Referring to the generation augmentation projects undertaken by MSEDCL at Dhopave, and the merchant plants being set up by M/s. J.S.W. Energy Ltd., it was submitted that there is no certainty as to whether the dedicated transmission lines for the said projects need to be established by respective project developers (i.e., either MSEDCL or M/s. J.S.W. Energy Ltd., etc.) or MSETCL.

12. Shri. Subrato Ratho further submitted that the power evacuation schemes, for which in-principle approval is being presently sought for, are part of the schemes submitted under approval for the three-year rolling capital investment plan and the five-year Capex plan, however, the issue that needs to be addressed is whether or not MSETCL is the appropriate authority to establish dedicated transmission lines, between generating stations and load centres, post the trifurcation of MSEB, in view of the apparent disparity in Section 39(2)(c) read with Section 10(1) of EA 2003. It was further submitted that once MSETCL initiates upon causing evacuation of power, no interested party, in a later point of time, should raise objections contending that MSETCL should have employed reasonable due diligence inasmuch as to ascertain whether establishing evacuation facilities is the duty of MSETCL. Further, if it to be concluded that MSETCL is indeed the appropriate authority, prior in-principle approval of the estimated financial investments need to be further obtained. Shri. Subrato Ratho further submitted that MSETCL also needs to be assured of whether establishment of dedicated transmission lines is their sole responsibility, since the same would have an enormous impact in their ARR. In this regard, it was submitted that the position is not clear as to whether expenditures towards establishing evacuation facilities should be separately categorized as expenses undertaken on behalf of generation companies, while submitting the Petition for approval of ARR.

13. The Commission observed that establishment of dedicated transmission lines as referred under Section 9 and 10 of EA 2003 are intended for point to point transmission and typically do not form part of the InSTS but constitute part of the transmission infrastructure that is required to be set up by a generating company, and in this regard, establishment of such dedicated transmission lines for evacuation of power by MSETCL may be considered to be as activities undertaken on behalf of generating companies or developers of merchant plants. However, what is referred to by MSETCL is actually entire ‘evacuation infrastructure including transmission lines’ for evacuation of power from generating station which should form part of InSTS irrespective of ownership of generating station and independent of contracting arrangement for off-take of power from such generating station.



14. Shri. Subrato Ratho referred to the definition of ‘dedicated transmission lines’ as provided under Section 2(16) of EA 2003 and submitted that it cannot be ascertained as to whether a particular dedicated transmission line shall be the transmission infrastructure of a particular generating plant solely, or whether the same may technically constitute a part of the InSTS also. The said statutory definition does not provide adequate clarity on the subject and defines a dedicated transmission line as *any* electric supply-line for point-to-point transmission required for the purpose of connecting electric lines or electric plants of a captive generating plant or generating station to any transmission lines or substations or generating stations, or the load centre. Shri. Subrato Ratho submitted that an innovative approach needs to be adopted in this regard instead of abiding by the strict wording employed in the said statutory definition.

15. The Commission observed that whether a particular dedicated transmission line constitutes technological infrastructure of a particular generating plant, or the InSTS, should need to be technically analyzed on a case-to-case basis. A hard and fast rule in this regard should not be adopted. Only a technical analysis of the actual impact of a particular dedicated transmission line should reveal its effect on the InSTS, or otherwise. The Commission opined that MSETCL should be able to technically define the geographical limits of InSTS as separated from the transmission infrastructure of a generating station. Shri. Subrato Ratho submitted that the difficulty in this regard arises in EA 2003 being silent on the definition of the term ‘network’.

16. The Commission observed that so far as the generation projects of MSPGCL, MSEDCL and private developers under the CBG route are concerned, the approach adopted while determining the transmission pricing framework for Maharashtra in respect of evacuation arrangement and transmission lines for the generation projects of M/s. Reliance Energy Limited (REL) at Dahanu, should be adopted in the present matter. The Commission observed that the evacuation arrangement including transmission lines for such project forms part of InSTS network, the rationale for which has already been elaborated under Commission’s Transmission Pricing Framework Order. In this regard, the Commission further clarified that being part of InSTS, the expenditure incurred for development of such transmission infrastructure shall form part of total transmission system cost of InSTS independent of who develops such transmission infrastructure. The same shall be recovered in accordance with the principles outlined under Transmission Pricing Framework Order of the Commission. Accordingly, in case MSETCL undertakes to develop such evacuation infrastructure, the expenditure made by MSETCL shall form part of its ARR.

17. The Commission further observed that so far as merchant generating plants are concerned, the approach that has been adopted in the case of development of ultra-mega power projects shall be required to be considered. The Commission observed that MSETCL should execute a bulk power transmission agreement (BPTA) with merchant plant developers, and the said BPTA should address the rights and obligations of parties,



in the event a merchant plant developer desires to sell a part of total quantum of power outside Maharashtra, using the transmission lines established by MSETCL.

18. The Commission invited the opinion of Shri. Ajit Pandit, one of the Regulatory Experts advising the Commission. Shri. Pandit submitted that under the Transmission Pricing Framework Order, the Commission has already addressed the concern of MSETCL and the existing transmission pricing framework provides for mechanism for recovery of transmission costs from generators for injection of power if the state transmission network is being used for purposes of wheeling of power outside the State. Shri. Pandit further clarified that the transmission tariff shall be applicable to generators for injection of power to the extent of power wheeled outside the State and the such recovery of transmission cost from Merchant Generators shall be adjusted against Total Transmission System Cost (TTSC) for InSTS to be recovered from Transmission System Users (TSU) within State.

19. Based on deliberations during the hearing and after considering the material placed on record, the Commission observes that the issues raised by MSETCL are more in the nature of seeking clarifications and goes beyond the specific prayers contained under the Petition filed by MSETCL. The Commission also notes that many of the issues /concerns raised by MSETCL has already been addressed under various Orders such as Transmission Pricing Framework Order, MERC (Transmission Open Access) Regulations, 2005 and MERC (State Grid Code) Regulations, 2006 formulated by the Commission from time to time. However, for the sake of abundant clarity amongst all stakeholders, the Commission considers it appropriate to address specific issues raised during these proceedings. The issues raised during the present proceedings can be classified as under:

- a) Whether 'evacuation arrangement' forms part of 'dedicated transmission line' or part of 'intra-State transmission system'?
  - b) Who should develop transmission projects /evaluation arrangement and what is MSETCL's role in development of such projects?
  - c) What is the procedure for approval of Investment Plan and can in-principle approval be sought for Investment Plan?
  - d) Whether transmission/evacuation arrangement for generating stations of State generating company, independent power producers and merchant generator be treated uniformly?
  - e) What should be the nature of commercial arrangement between transmission licensee and generating company?
  - f) Whether MSETCL has freedom to incorporate suitable clauses/commercial conditions such as security requirements under the commercial arrangements with generating companies to safeguard its interests on case-to-case basis?
- a) Whether 'evacuation arrangement' forms part of 'dedicated transmission line' or part of 'intra-State transmission system'?**



20. The Commission would like to highlight that under its Ruling under clause 2.5.7 and clause 2.5.8 of the Transmission Pricing Framework Order (Case 58 of 2005) dated June 27, 2006, the Commission has elaborated on the scope and coverage of 'intra-State transmission system' (InSTS). Further, as per clause (o) of Regulation 2 of MERC (State Grid Code) Regulations 2006, the term Intra-State Transmission System (InSTS) has been elaborated as under -

*(o) "Intra-State Transmission System" (InSTS) means any system for conveyance of electricity by transmission lines within the area of the State and includes all transmission lines, sub-stations and associated equipment of transmission licensees in the State:*

*Provided that the definition of point of separation between a transmission system and distribution system and between a Generating Station and transmission system shall be guided by the provision of the Regulations notified by the Authority under clause (b) of Section 73 of the Act;*

21. Further, as per clause 2.5.8 of the said Order, the Commission also notes that as per Section 2(32) of EA 2003, the term 'Grid' means the high voltage backbone system of inter-connected transmission lines, sub-stations and generating plants. Accordingly, the Commission has classified the 'evacuation arrangement' for evacuation of power from Dahanu Generating station of REL as part of Intra-State transmission system.

22. The Commission observes that establishment of dedicated transmission lines as referred under Section 9 and 10 of EA 2003 are intended for point to point transmission and typically do not form part of the InSTS but constitute part of the transmission infrastructure that is required to be set up by a generating company, and in this regard, establishment of such dedicated transmission lines for evacuation of power by MSETCL may be considered to be as activities undertaken on behalf of generating companies or developers of merchant plants. However, what is referred to by MSETCL is actually entire 'evacuation infrastructure including transmission lines' for evacuation of power from generating station which should form part of InSTS irrespective of ownership of generating station and independent of contracting arrangement for off-take of power from such generating station.

23. Accordingly, the Commission hereby rules that so far as the generation projects of MSPGCL, private developers under the CBG route are concerned, the approach adopted while determining the transmission pricing framework for Maharashtra in respect of evacuation arrangement and transmission lines for existing generation projects should be adopted in the present matter. The Commission thus reiterates that the evacuation arrangement including transmission lines for such project forms part of InSTS network, the rationale for which has already been elaborated under Commission's Transmission Pricing Framework Order. In this regard, the Commission further clarifies that being part of InSTS, the expenditure incurred for development of such transmission infrastructure



shall form part of total transmission system cost of InSTS independent of who develops such transmission infrastructure. The same shall be recovered in accordance with the principles outlined under Transmission Pricing Framework Order of the Commission. Accordingly, in case MSETCL undertakes to develop such evacuation infrastructure, the expenditure made by MSETCL shall form part of its ARR.

**b) Who should develop transmission projects/evaluation arrangement and what is MSETCL's role in development of such projects?**

24. The Commission observes that as per Section 39(2)(b) of EA 2003, MSETCL in its capacity as STU is responsible for development of State-wide Transmission System Plan and ensure co-ordinated development of intra-State transmission system. In fact, the Planning Code and Planning Criteria outlined under Regulation 8 and Regulation 9 of MERC (State Grid Code) Regulations, 2006 shall form the basis for STU to discharge its statutory function of planning. However, Regulations recognize 'investment plan' as distinct activity of transmission licensee, distinct from the 'transmission system planning' activity of State Transmission Utility (STU). Each transmission licensee is required to develop its 'investment plan' and submit the same to Commission for its approval, as per Section 64(1) of the EA 2003.

25. The above aspect has already been clarified under MERC (State Grid Code) Regulations 2006 as well as MERC (Transmission Open Access) Regulation, 2005. The relevant extract of the said Regulations are as under:

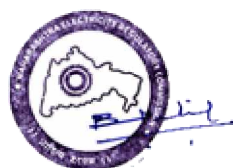
***MERC (State Grid Code) Regulations, 2006***

*"8.7 The State Transmission Utility shall, while submitting its application under subsection (1) of Section 64 of the Act to the Commission for approval, also submit therewith its investment plan based on the identified intra-State transmission schemes and system strengthening schemes projected in the transmission system plan.*

*8.8 The cost of the transmission system planning study undertaken in accordance with this Regulation shall be allowed in the determination of the charges of the State Transmission Utility under clause (b) of sub-section (1) of Section 62 of the Act." (Regulation 8.7 & 8.8 of MERC (State Grid Code) Regulations, 2006.*

***MERC (Transmission Open Access) Regulations, 2005***

*"8.6 The State Transmission Utility shall, while submitting its application under subsection (1) of Section 64 of the Act to the Commission for approval, also submit therewith its investment plan based on the identified intra-State transmission schemes and system strengthening schemes projected in the transmission system plan.*



8.7 Where the investment plan of the State Transmission Utility does not cover all of the identified intra-State transmission schemes or system strengthening schemes comprised in the transmission system plan, the Commission may, at its discretion, issue such orders or directions for the purpose of implementing such schemes not included in the investment plan, which may include any of the following: -

(a) invite any other Transmission Licensee situated in such area of transmission to implement such scheme; or

(b) invite applications for new transmission licensees for the implementation of such schemes on such conditions as the Commission may in its discretion considers appropriate.” (Regulation 8.6 & 8.7 of MERC (Transmission Open Access) Regulations, 2005.

26. In view of above, the Commission would like to clarify that development of ‘Transmission System Plan’ is the statutory responsibility of the MSETCL in its capacity as STU and no approval of the Commission is necessary for the transmission system plan developed by STU in discharge of its statutory function. However, every transmission licensee is required to submit its ‘Investment Plan’, which is formulated in line with ‘Transmission System Plan’ for approval of the Commission in accordance with Regulations formulated for the purposes which are elaborated in the subsequent paragraphs.

**c) What is the procedure for approval of Investment Plan and can in-principle approval be sought for Investment Plan?**

27. The Commission under its Regulations 45.1 to 45.7 of MERC (Terms and Conditions of Tariff) Regulations, 2005 has outlined various aspects regarding regulatory process and procedure for approval of the ‘Investment Plans’ of the transmission licensee.

*45.1 The Transmission Licensee shall submit an investment plan with full details of his proposed capital expenditure projects to the Commission for approval either along with the application for determination of tariff or separately, at such time as may be directed by the Commission:*

*Provided that the investment plan shall be an annual rolling plan and the period covered by the plan shall coincide with the period for which forecasts/ estimates are being submitted as part of such application.*

*45.2 The investment plan shall be a least cost plan for undertaking investments on strengthening and augmentation of the intra-State transmission system of the Transmission Licensee.*



*45.3 The investment plan shall cover all capital expenditure projects of a value exceeding Rs. Ten (10) crores and shall be in such form as may be stipulated by the Commission from time to time.*

*45.4 The investment plan shall be accompanied by such information, particulars and documents as may be required showing the need for the proposed investments, alternatives considered, cost/ benefit analysis and other aspects that may have a bearing on the transmission charges.*

*45.5 The investment plan of the Transmission Licensee shall be consistent with the transmission system plan for the intra-State transmission system developed in accordance with the Transmission Open Access Regulations.*

*45.6 The Commission shall review the investment plan submitted by the Transmission Licensee taking into consideration the prudence of the proposed expenditure and estimated impact on tariff and thereafter, shall either-*

*(a) give an in-principle approval to the investment plan submitted by the Transmission Licensee, with such modifications or conditions as the Commission deems appropriate; or*

*(b) reject the investment plan submitted by the Transmission Licensee and require the Transmission Licensee to submit a fresh investment plan taking into consideration such factors as the Commission may deem necessary.*

*45.7 The Transmission Licensee shall submit, along with the application for determination of tariff or along with the application for annual performance review, as the case may be, details showing the progress of capital expenditure projects, together with such other information, particulars or documents as the Commission may require to assess such progress.*

28. In view of above, the Commission observes that even in case of grant of 'in-principle approval' to the proposed Investment Plan as per Regulation 45.6(a) of Tariff Regulations, the transmission licensee needs to furnish requisite information, supporting documents, cost-benefit analysis, alternatives explored in order to ascertain the need for such transmission schemes and establish that it is the least cost investment plan. The Commission would like to clarify that mere submission of list of schemes with estimated capital expenditure shall not suffice to seek in-principle approval for the proposed 'Investment Plan'.

**d) Whether transmission/evacuation arrangement for generating stations of State generating company, independent power producers and merchant generator be treated uniformly?**



29. As outlined under earlier paragraphs, the Evacuation Arrangement including transmission lines for evacuation of power from generating station forms part of the Intra-State Transmission system. In this regard, the Commission further clarifies that being part of InSTS, the expenditure incurred for development of such transmission infrastructure shall form part of total transmission system cost of InSTS independent of who develops such transmission infrastructure. The same shall be recovered in accordance with the principles outlined under Transmission Pricing Framework Order of the Commission. Thus, question of differential treatment for evacuation arrangement for generating stations depending on ownership of the generating station does not arise, so long as generating station uses state transmission network for wheeling power to distribution licensees or open access users within State.

30. However, in case generating station wishes to use State transmission network for wheeling power outside the State, the Commission has already addressed the concern of MSETCL under the Commission's Transmission Pricing Framework Order (Case 58 of 2005) dated June 27, 2006. As per the said Order, the existing transmission pricing framework provides for mechanism for recovery of transmission costs from generators for injection of power if the state transmission network is being used for purposes of wheeling of power outside the State. The Commission further clarifies that the transmission tariff shall be applicable to generators for injection of power to the extent of power wheeled outside the State and such recovery of transmission cost from Merchant Generators shall be adjusted against Total Transmission System Cost (TTSC) for InSTS to be recovered from Transmission System Users (TSU) within State.

31. The relevant extract (ref. Cl. 2.9.3 and Cl. 2.9.4) of the Commission's Transmission Pricing Framework Order is as under:

*"2.9.3 However, it is envisaged that generating companies located within State would be required to use STU (MahaTransco) network for wheeling power within as well as outside of State under open access regime. Further, as generation capacity within the State is expanded either through State/Private parties in order to exploit available natural resources and wheel power to/ from other States, there would be a requirement for MahaTransco as STU to expand/augment transmission network and provide evacuation facilities to such generating companies. The Commission opines that in case, 'transmission tariff' is devised such that the recovery is linked only to "drawal" within State and not linked to "injection", the Transmission System Users within State would be required to bear cost of transmission facilities (evacuation facilities) created mainly for wheeling power outside the State.*

*2.9.4 Hence, the Commission rules that the generating companies shall bear transmission charges for injection of energy and use of transmission network only if they seek open access for sale to consumers/licensees outside the State." (Cl. 2.9.3 and Cl. 2.9.4 of Transmission Pricing Framework Order).*



e) **What should be the nature of commercial arrangement between transmission licensee and generating company?**

f) **Whether MSETCL has freedom to incorporate suitable clauses/commercial conditions such as security requirements under the commercial arrangements with generating companies to safeguard its interests on case-to-case basis?**

32. Taking up points (E) and (F), the Commission under clause 3.4.1 of Transmission Pricing Framework Order has highlighted the need to devise appropriate commercial arrangements to be in line with proposed transmission pricing framework mechanism. The Commission has observed that - *“The proposed transmission pricing mechanism envisages modifications to the existing commercial arrangements amongst the various licensees and formulation of new rules/contractual framework to enable operationalisation of the ‘intra-State transmission system’ to effectively implement Open Access Regulations in true spirit of the EA 2003”*.

33. The Commission has further observed that the licensees need to enter into appropriate commercial arrangements including Connection Agreement and Bulk Power Transmission Agreement for the said purposes. The relevant extract of the said Order is as under:

*3.4.2 “..... The restructured licensees, pursuant to modification to their license conditions, would have to enter into appropriate contractual arrangements with generating companies/other licensees for transmission/wheeling of power.*

*Further, transmission system users will have to enter into appropriate Connection Agreements and Bulk Power Transmission Agreement (Intra-State) with concerned transmission licensees in line with State Grid Code and Regulation 5.1 and Regulation 5.2 of MERC (Transmission Open Access) Regulations, 2005. Further, connection agreement amongst STU and other transmission licensees, etc. also need to be put in place.*

*3.4.3 The Commission directs all licensees and TSU to confirm compliance of above requirement within one month from date of issue of this Order.”*

34. While the Regulations 14 of MERC (State Grid Code) Regulations, 2006 provides for the outline and contents of the Model Connection Agreement, the same was to be formulated by STU in consultation with Grid Co-ordination Committee and STU was required to submit the same to Commission for its approval. The Commission understands that the Model Connection Agreement is yet to be finalized by STU pending review of the same by Grid Co-ordination Committee. As per Regulations 7.7 of MERC (Transmission Open Access) Regulations, the transmission licensee is required to devise Bulk Power Transmission Agreement. The Commission opines that in order to ensure



uniformity and consistency in terms and conditions across transmission licensees and various transmission system users, it is necessary that a Model Bulk Power Transmission Agreement is developed. The Commission directs MSETCL to develop such Model BPTA in consultation Grid Co-ordination Committee and submit the same to Commission for approval within one month from date of issuance of this Order. The Commission shall separately initiate regulatory process for approval of such Model BPTA upon submission by MSETCL.

35. The Commission recognizes that while Model Connection Agreement and Model BPTA shall essentially cover technical conditions and commercial conditions during operating phase between transmission licensee and various Transmission System Users, the issues related to development/implementation of the evacuation schemes particularly with reference to generating companies and transmission licensees need to be addressed separately through Transmission Development Agreement. Accordingly, the Generating Company and transmission licensees need to devise appropriate commercial agreements such as Transmission Development Agreement in order to safeguard their respective interests. In order to ensure that no discriminatory conditions are imposed on any particular generator and to seek uniformity in process, it is preferred to have Model Development Agreement for Evacuation Schemes. In view of above, the Commission directs MSETCL, in its capacity as STU to develop such Model Development Agreement for Evacuation Scheme in consultation with the Grid Co-ordination Committee and submit the same to Commission for approval within one month from date of issuance of this Order. The Commission shall separately initiate regulatory process for approval of such Model Development Agreement for Evacuation Scheme upon submission by MSETCL. Once approved, Model Transmission Development Agreement shall be used for all new generating stations.

With the above clarifications, Case 34 of 2007 stands disposed of.

Sd/-  
(S.B. Kulkarni)  
Member

Sd/-  
(A. Velayutham)  
Member

Sd/-  
(Dr Pramod Deo)  
Chairman



(P. B. Patil)  
Secretary, MERC