

Before the
MAHARASHTRA ELECTRICITY REGULATORY COMMISSION

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Case No. 155 of 2008

IN THE MATTER OF

**Determination of Transmission Tariff for Intra-State Transmission System (InSTS) for
the third year of the MYT Control Period (i.e., FY 2009-10)**

Shri. V.P. Raja, Chairman

Shri A. Velayutham, Member

Shri S.B. Kulkarni, Member

ORDER

Dated: May 28, 2009

The Commission had issued an Order on June 27, 2006 in the matter of development of Transmission Pricing Framework for the State of Maharashtra and other related matters in Case No. 58 of 2005. As per para 4.2 of the said Order, the Commission is required to determine Transmission Tariff applicable for use of the Intra-State Transmission system (InSTS) in accordance with the principles outlined as under:

- 4.2.1 *“Intra-State transmission system shall comprise composite transmission network of MSETCL, TPC, REL and any other transmission licensee, in future.*
- 4.2.2 *Each transmission licensee including existing transmission licensees (i.e. MSETCL, TPC and REL) shall submit its ARR Petition to the Commission in accordance with the MERC (Terms and conditions of Tariff) Regulations, 2005 and seek its approval thereof.*
- 4.2.3 *Aggregate of Annual Revenue Requirement of all licensees, as approved by the Commission, shall form “Pooled Cost” (or hereinafter termed as “Total Transmission System Cost – TTSC) of the intra-State transmission system, to be recovered from the Transmission System Users (TSUs).*



4.2.4 The 'Base Transmission Capacity Rights' for 'capacity utilisation' shall be denominated in terms of 'kW'. The TTSC shall be shared amongst the TSUs based on the 'contribution to co-incident peak demand' (CPD) by each TSU. However, the Commission recognises that until adequate metering arrangement is put in place, it may not be possible to ascertain 'CPD' by various TSUs. Hence, for FY2006-07, until adequate metering arrangement is put in place, transmission tariff shall be based on share of 'peak demand' of concerned TSU during each month of the previous year. For this purpose, average of such 12-monthly contributions to peak demand by each TSU shall form basis for arriving at 'Base TCR' and overall share/contribution of each TSU thereof. The Commission **directs** the licensees to submit data pertaining to their peak demand for consumption in their area during each month for FY2005-06 within two weeks from date of issue of this Order. Further, the Commission re-iterates that existing TSUs will have to execute Bulk Power Transmission Agreement with concerned transmission licensee in accordance with Regulation 5.1 and Regulation 5.2 of MERC (Transmission Open Access) Regulations, 2005.

4.2.5 Accordingly, 'Base Transmission Tariff' for each financial year shall be derived as 'TTSC' of intra-State transmission system divided by 'Base Transmission Capacity Rights' and denominated in terms of "Rs/kW/month" or "Rs/MW/day"

2. Accordingly, the Commission determined the Transmission Tariff for Intra-State Transmission System (InSTS) in its Order dated September 29, 2006 (Case No. 31 of 2006) for FY 2006-07 which was valid upto March 31, 2007. Subsequently, the Commission determined Transmission Tariff for InSTS for FY 2007-08 (i.e., first year of the Control Period under MYT regime) in its Order dated April 2, 2007 (Case No. 86 of 2006) and for FY 2008-09 (i.e., second year of the Control Period under MYT regime) in its Order dated May 31, 2008 (Case No. 104 of 2007). The said Transmission Tariff Order (Case No. 104 of 2007) was initially valid up to March 31, 2009. The Commission subsequently extended its validity till tariffs are determined for the balance period of FY 2009-10 vide its Order dated May 15, 2009 (Case No. 10 of 2009).

3. Meanwhile, the transmission licensees in the State of Maharashtra, viz., Maharashtra State Electricity Transmission Co. Ltd (MSETCL), The Tata Power Company Ltd (TPC-T) and Reliance Infrastructure Ltd (RInfra-T) filed their Annual Performance Review (APR) Petitions for review of their annual performance for FY 2008-09 (second year of Control Period) and for approval of their annual revenue requirement for FY 2009-10 (third year of the Control Period).



4. The Commission has determined the Annual Revenue Requirement of the above transmission licensees for FY 2009-10 after detailed scrutiny of their APR Petitions and following due regulatory process vide its Orders dated May 28, 2009 in respect of MSETCL (Case No. 114 of 2008), Order dated May 28, 2009 in respect of TPC-T (Case No. 112 of 2008) and Order dated May 28, 2009 in respect of RInfra-T (Case No. 119 of 2008).

5. Accordingly, the Commission hereby determines the Transmission Tariff for Intra-State Transmission System (InSTS) for FY 2009-10 (i.e., third year of the MYT Control Period) as under:

A] Total Transmission System Cost (TTSC) for InSTS for FY 2009-10

6. The Annual Revenue Requirement approved by the Commission for FY 2009-10 for MSETCL, TPC-T and RInfra-T is summarised in the Table below, which amounts to approval of **Total Transmission System Cost (TTSC) of Rs 1736.03 Crore for FY 2009-10** for the Intra-State transmission system (InSTS):

Transmission Licensee	Commission
	FY 2009-10
MSETCL	1491.19
TPC-Transmission	187.82
RInfra-Transmission	57.02
TTSC (InSTS)	1736.03

B] Coincident Peak Demand and Base Transmission Capacity Utilisation

7. The Commission, in its Transmission Pricing Framework Order dated September 29, 2006 (Case No. 58 of 2005) had specified that while base transmission capacity utilisation for FY 2006-07 would be based on 'non-coincident peak demand' of transmission system users (TSUs) in the absence of adequate metering arrangements, such transmission capacity utilisation should actually be based on 12-monthly average of contribution to 'coincident peak demand' by each transmission system user.

8. MSETCL provided month-wise coincident peak demand details for all licensees (TSUs) from October 2007 to September 2008 in its APR Petition. Accordingly, the Commission has considered Base Transmission Capacity of **12948 MW** based on average coincident peak demand of Transmission System Users for use of Intra-State Transmission System by various TSUs (distribution licensees) during FY 2009-10, based on 12-monthly average Coincident Peak Demand from October 2007 to September 2008 as summarized in the following Table:



Months	Contribution to Coincident Peak Demand by each TSU (MW)				
	MSEDCL	TPC-D	RInfra-D	BEST-D	Total
Oct-07	10510	382	1435	703	13030
Nov-07	11441	340	1410	716	13907
Dec-07	10445	371	1297	658	12771
Jan-08	11120	352	1211	636	13319
Feb-08	10126	337	1181	585	12229
Mar-08	10792	343	1281	656	13072
Apr-08	10911	342	1297	645	13195
May-08	11315	357	1345	665	13682
Jun-08	10926	321	1371	613	13231
Jul-08	10038	316	1209	675	12238
Aug-08	10010	333	1317	648	12308
Sep-08	9932	375	1410	674	12391
Average	10631	347	1314	656	12948

C] Determination of Transmission Tariff for FY 2009-10

9. In line with Para 4.2.5 of the Commission's Order on Transmission Pricing Framework and based on approved TTSC (Para 6 of this Order) and approved Base Transmission Capacity Utilisation (Para 8) of this Order, the Commission hereby determines Transmission Tariff for use of Intra-State Transmission System for FY 2009-10 as under:

Item Description	Units	FY 2009-10
TTSC	Rs Cr	1736.03
Average Coincident Peak Demand (CPD)	MW	12948
Transmission Tariff (long term)	Rs/kW/mth	111.73
Transmission Tariff (long term)	Rs/MW/day	3673
Transmission Tariff (short term)	Rs/MW/day	918.25

10. Further, it is clarified that Transmission Tariff in case of short-term open access transactions shall be 25% of that applicable for long-term open access transactions as stipulated under Para 3.2.5.6 of the Commission's Order dated June 27, 2006 in Case No. 58 of 2005. The relevant extract of said Order is as under:



“3.2.5.6 The transmission charge in case of short term transmission open access transactions shall be denominated in Rs/MW/day or Rs/MW/Hr and shall be 25% of that applicable for long term transmission open access transactions. The short term transmission charges shall be payable for minimum 6 hours duration within a day and shall be accordingly 1/4th of short term transmission open access charge per day. The recovery from short term transmission open access charges shall be used to reduce total transmission system charge (TTSC) for the intra-State transmission system and in turn benefit long term transmission system users.”

11. Accordingly, Transmission Tariff for short-term open access transactions for FY 2009-10, shall be **Rs 918.25 per MW per day or Rs 38.26 per MW per hour**. Further, it is clarified that as stipulated under Para 3.2.5.6 reproduced above, the short-term transmission charges shall be payable for minimum 6 hours duration within a day and shall be accordingly 1/4th of short term transmission open access charge per day. The recovery from short term transmission open access charges shall be used to reduce total transmission system charge (TTSC) for the Intra-State Transmission System and in turn benefit long term transmission system users.

D] Sharing of TTSC amongst Transmission System Users (TSUs)

12. The total transmission system cost (TTSC) has to be shared amongst the long-term transmission system users comprising distribution licensees such as MSEDCL, TPC-D, RInfra-D and BEST in accordance with their contribution to coincident peak demand as summarised in the following Table:

Particulars	Share of CPD	% share of CPD	FY 2009-10
TSU - Distribution Licensees	(MW)	(%)	(Rs Cr)
MSEDCL	10631	82.1%	1425.33
TPC-D	347	2.7%	46.58
RInfra-D	1314	10.1%	176.14
BEST	656	5.1%	87.98
TOTAL	12948	100.0%	1736.03

13. As outlined under paragraph 21 below, this Transmission Tariff Order shall be applicable with effect from **June 1, 2009**. The State Transmission Utility (STU), i.e., MSETCL, shall collect Transmission Charges from Transmission System Users on monthly basis at the end of each calendar month, with first monthly period commencing from **June 1, 2009**, in the following manner:



Particulars	FY 2009-10	
	Annual (Rs Cr)	Monthly* (Rs Cr / month)
TSU - Distribution Licensees		
MSEDCL	1425.33	118.78
TPC-Distribution	46.58	3.88
RInfra-Distribution	176.14	14.68
BEST-Distribution	87.98	7.33
TOTAL	1736.03	144.67

(* applicable from June 1, 2009)

14. It is clarified that the above Transmission Charges are payable by all long-term transmission system users irrespective of their actual utilisation (peak demand) recorded during the period of operation. In case, actual utilisation of transmission capacity by any long-term TSU exceeds the allocated transmission capacity then, the same shall be governed as per MERC (Transmission Open Access) Regulations, 2005. Further, it is clarified that the usage, assignment and surrendering of un-utilised transmission capacity by any transmission system user shall be governed by Regulation 9 of MERC (Transmission Open Access Regulations) 2005. The transmission system users shall be entitled to use surplus transmission capacity through short-term open access subject to payment of short term open access charges and governed by MERC (Transmission Open Access) Regulations, 2005 and other Regulations, as applicable. Additional penal charges shall be levied for excess utilisation of transmission capacity in accordance with Regulation 11.4 of MERC (Transmission Open Access) Regulations 2005.

E] Recovery of ARR of Transmission Licensees for FY 2009-10

15. As per Para 4.2.3 and Para 4.2.14 of the Commission's Order on Transmission Pricing Framework in Case No. 58 of 2005, the ARR of transmission licensees is pooled together to form TTSC for Intra-State Transmission System and each transmission licensee is entitled to recover its approved ARR from the transmission charges collected by STU from transmission system users. The relevant extract of said Order is as under:

“4.2.3 Aggregate of Annual Revenue Requirement of all licensees, as approved by the Commission, shall form “Pooled Cost” (or hereinafter termed as “Total Transmission System Cost – TTSC) of the intra-State transmission system, to be recovered from the Transmission System Users (TSUs).

4.2.14 Each transmission licensee shall be entitled to recover its approved ARR from intra-State transmission system charges (InSTS charges) collected by STU.”



16. As outlined in paragraph 21 below, this Transmission Tariff Order shall be applicable with effect from June 1, 2009. The STU shall collect Transmission Tariff from transmission system users on monthly basis at the end of each calendar month with first monthly period commencing from June 1, 2009. Thus, each Transmission licensee, in turn, shall be entitled to recover its approved ARR from Transmission Tariff collected by STU on monthly basis at the end of each calendar month with first monthly period commencing from June 1, 2009, and should claim recovery of its ARR by way of raising monthly bill on STU covering its component of Intra-State Transmission charges in the following manner:

Transmission Licensees	Approved ARR (Rs Cr)	Monthly recovery of ARR (Rs. Crore/month)
	FY 2009-10	FY 2009-10
MSETCL	1491.19	124.27
TPC-Transmission	187.82	15.65
RInfra-Transmission	57.02	4.75
TTSC (InSTS)	1736.03	144.67

The Commission recognises that there would be excess recovery of ARR by transmission licensees to the extent of levy of lower Transmission Charges during initial 2 months (i.e., during April and May 2009) at the rate applicable for FY 2008-09 instead of Transmission Tariff Rate applicable for FY 2009-10 as approved above, due to extension in validity of Transmission Tariff Order of FY 2008-09 till revised Transmission Tariff is determined. The Commission clarifies that surplus revenue earned by transmission licensees on the above count shall be considered at the time of true-up exercise during next year's Annual Performance Review of the transmission licensees.

17. As regards due date for payment of transmission tariff by TSUs, the Commission had earlier ruled in its Order dated October 10, 2007 in Case No. 13 of 2007 that all payments related to transmission charges for a particular calendar month shall be due for payment on the 14th day of the subsequent calendar month. The conditions outlined under the said Order shall continue to be applicable for Transmission Charge related payments during FY 2009-10 as well. The relevant extract of the said Order of the Commission is as under:

“11. The ‘pooling mechanism’ for all payments related to transmission charges is under operation for a period of almost one year since October 2006. The licensees through GCC have agreed for revision in due date of payment to be the 14th day of the month de-linking the same from the date of invoice. As noted in paragraph 7 above, the issue of staggered mode of payment of intra-state transmission tariff was discussed in the 14th GCC meeting held on July 27, 2007, wherein it was agreed by



all the constituents of GCC including the transmission licensees for allowing seven more days for making payment of TSC. In view thereof, while staggered mode of payment of transmission charges as sought for under the present petition cannot be allowed, the Commission is of the view that the position as laid down under the Commission's Orders will require alteration to give effect to the decision taken by all constituents of the GCC for making a change in the due date of payment. Accordingly, paragraph 20 of the Order dated April 2, 2007 (Case 86 of 2006) shall stand modified to the extent that all payments related to transmission charges for a particular calendar month shall be due for payment on the 14th day of the subsequent calendar month.” (emphasis added) (Ref. Clause 11 of Order dt. 10th Oct, 2007 Case 13 of 2007)

18. In view of the above, the Commission hereby rules that the monthly bill for transmission tariff for each calendar month shall be payable on 14th day of subsequent calendar month. All TSUs shall ensure timely payment of Transmission Tariff to STU so as to enable STU to make timely settlement of claims raised by transmission licensees. In case there is delay in payment by any TSU, late payment surcharge at the rate of 1.25% per month or part thereof shall be applicable. The Commission recognises that modalities of 'Pooling' necessitate appropriate payment security arrangement to be put in place and procedure for disbursement to settle claims of various transmission licensees, in case of shortfall in payment by any of the TSU for a particular month. Accordingly, the Commission had earlier opined that the Grid Co-ordination Committee (GCC) should propose a suitable payment security mechanism and procedure for disbursement of payment in case of shortfall in collection in any particular month, after due consultation amongst transmission licensees and TSUs. Accordingly, the Commission notes that the GCC has finalised the 'Procedures and Rules for Settlement of Intra-State Transmission Charges' in its meeting held on June 27, 2008 and the minutes of approved Procedure has been finalised in consultation with all GCC members, which covers the aspect of payment security and modalities/procedure for disbursement to settle claims of various transmission licensees, in case of shortfall in payment by any of the TSU for a particular month.

F] Energy Accounting and Treatment of Transmission Loss

19. The Commission rules that the principles enunciated in the Transmission Pricing Framework Order in Case No. 58 of 2005 for State-wide accounting of energy over InSTS and treatment of transmission loss shall continue to be applicable for FY 2009-10. Further, the mechanism for accounting of transmission loss and modalities for treatment of energy exchange (increment/decrement) amongst TSUs including distribution licensees as elaborated in the Commission's Order dated September 29, 2006 in Case No. 31 of 2006 and Order dated February 13, 2007 in Case Nos. 36 and 41 of 2006, Intra-State ABT Order in Case No.



42 of 2006 dated May 17, 2007, and other related Orders issued from time to time shall continue to be applicable during FY 2009-10 as well, till such time as the Final Balancing and Settlement Mechanism (FBSM) for energy accounting and settlement on 15-minute basis under Intra-State ABT regime is implemented in the State.

20. The Commission recognises the fact that MSLDC and the licensees have achieved significant progress in operationalising the centralised pooling arrangement (i.e., interim balancing and settlement mechanism – IBSM) over the past 2 years. The Commission also notes the fact that institutional framework and governance framework for electricity market operations within the State in the form of Maharashtra State Power Committee (MSPC) has been constituted and is operational for the past two years of the Control Period. However, the Commission observes that even after two years from issuance of earlier Transmission Tariff Order in Case No. 86 of 2006, MSLDC has failed to undertake energy accounting and settlement mechanism on 15-minute basis, partly due to delay in installation of ABT meters at all interconnection points (G\leftrightarrowT and T\leftrightarrowD) and MSLDC is yet to undertake pilot run of the software developed for 'Final Balancing and Settlement Mechanism' (FBSM) for want of energy meter data. The Commission expresses its dismay over the delay in implementing the Final Balancing and Settlement Mechanism (FBSM), which is essential for financial settlement of energy exchange (increment/decrement) amongst distribution licensees on 15-minute basis. The Commission directs MSETCL/MSLDC to submit month-wise action plan for implementation of FBSM mechanism covering milestones such as development of software for FBSM, formulation of balancing and settlement code, data collection and verification, operationalisation of communication facilities, trial operation period, etc., within one month from the date of issuance of this Order.

G] Applicability of Order

21. This Order shall be applicable with effect from June 1, 2009. The above transmission tariff shall be reviewed at the time of Annual Performance Review of transmission licensees based on applications as may be filed by transmission licensees.

Sd/-
(S B Kulkarni)
Member

Sd/-
(A. Velayutham)
Member

Sd/-
(V.P.Raja)
Chairman



(P.B.Patil)
Secretary, MERC