



TAMIL NADU ELECTRICITY REGULATORY COMMISSION
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Public Notice

1. The Commission issued the Tariff Order No.4 dated 15-5-06 on fossil fuel based Captive Generating Plants and Co-generating Plants. In the above said order, the Commission linked the rate of power purchase with the prevailing grid frequency as per the UI charges approved by the CERC subject to the floor rate of Rs.2.10 per unit for the grid frequencies above 49.96 Hz and the maximum rate of Rs.4.08 per unit for the grid frequencies below 49.64 Hz.

2. The Captive Generating plants are installed to generate electricity primarily for the own use of the generators. Only the extra power available with the captive generators are sold to the distribution licensee or third party. Considering the shortage of power prevailing in the state, any power available from the captive generators is important to the distribution licensee.

3. Once the distribution licensee has become self-sufficient in their generation of power, it may not be economical for the distribution licensee to purchase power from the captive generators. Hence, it is preferable to have short term power purchase agreements with captive generators. Considering the above, the above said order specified an EPA period of 3 to 5 years.

4. The Commission during the court hearing held on 11-7-2011 has instructed to issue a revised tariff order in place of order No.4 dated 15-5-2006. As a prelude to the above exercise, it is proposed to invite views/suggestions from the stakeholders on the following issues relating to fossil fuel based Captive Generating plants and Co-generation plants.

- (i) Methodology of tariff fixation,
- (ii) Energy Purchase & Wheeling Agreements and its duration

- (iii) Metering and Communication
- (iv) Power Evacuation
- (v) Transmission and Wheeling Charges
- (vi) Cross subsidy surcharge
- (vii) Reactive power charges
- (viii) Grid availability charges
- (ix) Adjustment of generated energy for captive use
- (x) Open access transaction
- (xi) Scheduling and system operation charges
- (xii) Application and agreement fees
- (xiii) Billing and payment
- (xiv) Payment security and security deposit
- (xv) Implementation of ABT mechanism
- (xvi) Any other issues

5. The stakeholders are requested to refer the order No.4 dated 15-5-2006 which is available in the Commission's website www.tnerc.gov.in. Views/suggestions are also invited from the stake holders on the following specific issues which would have important bearings in the proposed revised tariff order.

i) **Tariff Methodology** - Considering the incongruent nature of the different CGPs/Co-generation plants in the state, the Commission adopted frequency linked real time tariff in the existing tariff order as per section 6 (3) of Tariff Policy. Due to stringent measures and by the CERC in its UI regulations /orders and frequency band (49.5 Hz – 50.2 Hz) and in the Indian Electricity Grid Code, the average frequency of the grid has increased considerably in the recent years. Since frequency linked tariff has been adopted for the CGPs/Co-generation plants in the state, the average realization of the CGPs also would have come down in the recent years. Hence, suggestions are invited on whether the existing frequency linked tariff has to be followed or a suitable alternative methodology has to be adopted to determine the tariff for CGPs/Co-generation power plants in the next tariff order. If a generic tariff is

to be determined, various parameters to be adopted for the same may also be suggested.

ii) As discussed in point No.3, once the distribution licensee has become self-sufficient in generation of power, it may not be economical for the distribution licensee to purchase power from the captive generators. Therefore, as far as distribution licensee is concerned, a short term power purchase agreement with the CGPs will be a better choice. However, for the generators, a long term power purchase agreement will be a better choice for their business plan. The stakeholders are requested to furnish their views on the above issue.

iii) In tariff order No.4 dated 15-5-2006, the Commission adopted the Co-generation policy issued by the Government of India vide resolution A-40/95-IPC-I dated 6th November 1996. No other comprehensive Co-generation policy is available for reference in the public website issued by the competent authority. The stake holders may furnish their suggestions on whether any change is required in the above Co-generation policy.

iv) The Commission has proposed to implement the Intra-State ABT in the state shortly. The stakeholders are requested to furnish their specific views to adopt the ABT to Captive Generating plants.

v) Comments/suggestions are invited from the stake holder on or before 26-08-2011.

(By order of the Commission)

(S.Gunasekaran)
Secretary
Tamil Nadu Electricity Regulatory Commission