



KARNATAKA ELECTRICITY REGULATORY COMMISSION
6th & 7th Floor, Mahalaxmi Chambers
No.9/2, M.G.Road, Bangalore – 560 001.

DISCUSSION PAPER ON 'WHEELING AND BANKING CHARGES' FOR RE GENERATORS

The Commission, under the provisions of the Electricity Act, 2003, has issued KERC (Terms and Conditions for Open Access) Regulations, 2004. Clause-11 of the said Regulations specifies the Open Access Charges which, among other things, include Transmission charge, Wheeling charge and Cross subsidy surcharge. The Commission had determined the Transmission charge, Wheeling charge and Cross subsidy surcharge for Open Access transactions vide its order dated 9th June 2005. In the said Order, the Commission had determined the Wheeling charges for renewable energy sources as 5% and Banking charges [only for Wind and Mini-hydel projects] at 2% of the energy injected. The banking facility in respect of Wind and Mini-hydel projects is to be allowed subject to payment of difference of unscheduled interchange [UI] charges between the time of injection and the time of drawal of power.

The Commission vide its Order dated 11.7.2008 approved the standard 'Wheeling and Banking Agreement' for RE projects. The above order was valid for a period of 5-years from 11.7.2008 i.e. for RE projects commissioned between 11.7.2008 to 10.7.2013. In the said Order, the Commission continued the 5% Wheeling charges and 2% Banking charges for the RE sources (Banking only for Mini-hydel and Wind Projects). The Order also specified that these charges shall be applicable to the Projects for a period of 10 years from the date of commercial operation of projects.

In the meanwhile, the Commission on 20.6.2013 issued a Discussion Paper proposing to:

(a) levy Wheeling and Banking charges on all renewable sources of the State on par with the charges applicable to non-RE generating Companies and

(b) to discontinue annual banking facility and to introduce monthly banking, with the excess energy remaining at the end of the month to be purchased by ESCOMs at 85% of generic tariff or at APPC fixed by the Commission.

The Commission, after receiving the comments from the stake-holders on the above Discussion Paper and also after hearing the stake-holders on 4.9.2013, passed Orders on 9th October 2013, deciding as under:

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- (i) The Wheeling and Banking charges fixed in the Commission's Order dated 9.6.2005 and continued thereafter, including in the Commission's Tariff Order dated 6.5.2013, shall continue till 31.3.2014 in respect of RE generators, except captive generators opting for participation in the REC mechanism.
- (ii) Captive Generators who desire to avail of the benefit of Renewable Energy Certificate mechanism, shall be entitled to exercise an option to that effect. On exercise of such an option, they shall be liable to pay the normal transmission, wheeling and other charges as determined in the Tariff Orders in force. They shall be allowed banking facility, which shall be on a monthly basis instead of annual basis, as set out in the Commission's Discussion Paper referred to above. The excess energy injected at the end of each calendar month shall be deemed to have purchased by the Distribution Licensee of the area where the generator is situated and shall be paid for at the APPC rate determined by the Commission from-time-to-time.”

In the said Order, the Commission had also noted that ESCOMs have not furnished details for the adverse impact of existing Wheeling and Banking charges on their finances and that any change in Wheeling and Banking charges already determined requires deeper examination of the facts, material and circumstances prevailing in the State besides the financial impact of the same both on the Generators and Utilities.

Further, the Commission, vide Order dated 10.7.2013 extended the validity of the Order No.B/01/1 dated 11.7.2008 in the matter of 'Wheeling and Banking Agreement' for a period of three months up to 10.10.2013. The above Order was further extended vide Order dated 10.10.2013, from 11.10.2013 to 31.03.2014.

The Commission, vide Order dated 24.4.2014, extended the validity of the above Order for a further period up to 30.6.2014 or till the date of issue of a revised Order in the matter, whichever is earlier, keeping in view that it would take some time to finalise the revised 'Wheeling and Banking Agreement' in view of the model code of conduct then in force in connection with the general elections to Loksabha held in April – May 2014.

In the meanwhile, ESCOMs in their ERC and tariff filing for FY15 have again stated that they are incurring losses on account of concessional Wheeling and Banking facilities. The ESCOM/s have stated that the present concessional wheeling & banking charges are affecting their distribution business as the system loss is above the charges specified and that the generators are pumping energy when cheaper energy is available and drawing the banked energy when demand is higher during summer, forcing them to buy high cost power [MESCO has furnished a working sheet estimating the loss of Rs.56.63 lakhs]. Hence, ESCOM/s have requested the Commission to:

- i. Introduce transmission and wheeling charge for RE generators on par with charges applicable to conventional generators.
- ii. Shortclose the existing W&B agreements and determine the wheeling charges afresh to maintain uniformity among all those using the Wheeling and Banking facility.
- iii. Fix 80% or 85% of the applicable RE tariff determined by the Commission as payable for the unutilised banked energy.
- iv. To consider the approved distribution losses if only distribution network is used and to consider approved transmission and distribution losses if both distribution and transmission networks are used, in lieu of charges determined in the orders dated 09.06.2005, 06.05.2013 and all relevant orders.

In response to the discussion paper issued by the Commission on 20.06.2013 and the draft Wheeling and Banking agreements published by the Commission on 02.12.2013 and 10.12.2013 the RE generators/developers have requested the Commission to maintain the existing concessional charges for wheeling and banking stating that any revision would affect the financial viability of their projects.

It may be noted that, in its order dated 24.4.2014, the Commission has extended the validity of the Order No.B/01/1 dated 11.7.2008 for a further period up to 30.6.2014 or till the date of issue of a revised Order in the matter of 'Wheeling and Banking Agreement', whichever is earlier. The same is reiterated in the Tariff Order-2014 issued on 12.05.2014.

Keeping in view the issues raised by Stakeholders and that the validity of the order No.B/01/1 dated 11.7.2008 would get expired on 30.06.2014, the Commission proposes to determine the wheeling and banking charges, that will be applicable after 30.06.2014.

As solar power is a new RE source compared to wind and mini-hydel and keeping in view the cost of solar power generation at present, the Commission vide its order dated 10.10.2013 has waived wheeling charges, banking charges and cross subsidy charges for solar power plants during the control period of five years beginning from 01.04.2013 up to 31.03.2018-. Thus, the Commission would continue the above concessions to solar projects as per the said order.

The claim of ESCOMs that they incur loss on account of concessional wheeling and banking charges is farfetched. As any additional income earned in terms of wheeling and banking charges would be treated as 'other income' and passed on to consumers while approving the ARR. However, the loss due to concessional wheeling and banking charges, at present, is being absorbed by the electricity consumers of the State.

The Commission has extended concessional wheeling and banking charges at 5% & 2% of the injected energy to wind and mini hydel sources since 2005 i.e. for a period of nine years so far. The Commission has to balance the interests of the consumers, Licensees as well as that of generators and any promotion cannot be extended forever at the cost of the electricity consumers of the State. In this context, the Commission notes that the inherent technical losses of 9% up to HT- level [transmission loss of 3.81% and distribution loss of 5.20% considering the State as a whole] are not covered by the 5% energy levied as wheeling charge. In other words about 4% of the energy wheeled by the ESCOMs is actually added by them from other sources to the supply made under the wheeling arrangement of Renewable

Energy. Further, these sources are also not liable to pay any transmission charges apart from 5% of the energy wheeled.

In the light of the above, it is desirable that mature technologies like wind, mini-hydel, Biomass and Co-generation, in the long run, have to bear the transmission and wheeling charges on par with electricity generated from conventional sources of energy. However, this transition should be gradual, as otherwise, it would affect the investments in RE generation in the State. The Commission therefore, would like to consider if at least the technical losses which are inherent in the system have to be compensated by RE generators and not passed on to the electricity consumers of the State.

Regarding banking, the ESCOMs have contended that drawal of banked energy during peak months of December to May would result in increased burden on them to manage the system, due to non-availability of corridors to procure power to meet the demand of their own consumers and that of consumers under WBA, in addition to high cost of procuring such power. Therefore, it would be desirable to have quarterly banking instead of yearly banking and also having some restrictions on the quantum of energy drawn during a month.

In view of the issues highlighted above, the Commission invites views /suggestions / comments on the following issues:-

- [1] Whether the existing wheeling charges at 5% and banking charges at 2% (banking in case of wind and mini hydel only) need to be continued for some more time and if so, for how many years? Or should the existing charges be continued till the total installed capacity of wind and mini hydel put together in the State reaches any quantitative target of installed capacity of say 5000 MW or 6000 MW?
- [2] In case the wheeling and banking charges are to be revised, should it be gradually increased i.e. from the existing wheeling charges at 5% and banking charges at 2% to wheeling charges of 7% and banking charges of 3% in FY-15 and wheeling charges of 9% and banking charges of 4% respectively, in FY16 or FY17?

- [3] Whether to have quarterly banking facility instead of the existing annual banking facility for wind and mini hydel sources, excluding captive Generators opting for REC mechanism? (That is, energy banked during a quarter has to be utilised in the same quarter).
- [4] Whether banked energy remaining unutilised by the designated consumer at the end of the each quarter or year is to be paid for by the ESCOM where the Generator is located and if so, whether 85% of the generic tariff determined by the Commission to the relevant category of consumer is reasonable?
- [5] Whether the energy drawal in any month or quarter by consumers under WBA be restricted and if so, whether it is reasonable to restrict such drawal to 10 or 11% (in a month) or 33% (in a quarter) of the annual energy estimated to be injected by RE Generator opting for wheeling? Alternatively, whether such restrictions should be only during the peak months of December to May?
- [6] If the charges are revised, whether the same are to be made applicable to the existing Wheeling and Banking Agreements also?

The Commission proposes to consider comments / suggestions / objections if any from interested persons and the general public before passing its orders in the matter.

Interested persons can send their written comments/suggestions/views to the Secretary, Karnataka Electricity Regulatory Commission, No.9/2, 6th and 7th Floors, Mahalakshmi Chambers, M.G. Road, Bangalore-560 001, in writing so as to reach before 2.30 PM on 25.6.2014.

The Commission will also have a public hearing in the matter at its court hall at 3.00 P.M. on 25.06.2014 when it will be open to any interested persons to make their oral submissions on the issues listed above and related matters.

Dated 11.06.2014

Sd/-
SECRETARY