

Introduction to Draft Delhi Electricity Regulatory Commission (Threshold Limit for the Development of Intra-State Transmission Projects under the Tariff Based Competitive Bidding) Regulations, 2024

The Delhi Electricity Regulatory Commission in exercise of powers conferred under Electricity Act, 2003, notified the Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2017 in the Delhi Extraordinary Gazette on 31.01.2017, and published Delhi Electricity Regulatory Commission (Business Plan) Regulations, 2023 wherein the Commission approved the Approach, Framework, Procedure, Filings and Principles for the determination of Transmission Tariff. Further, Clause 16 (i) of DERC (Business Plan Regulations), 2023 also provides for the development of intra-state transmission projects under the bidding process.

The Hon'ble Supreme Court of India, vide Judgment dated 23rd November 2022 in Civil Appeal No. 1933 of 2022 (TATA Power vs Maharashtra Electricity Regulatory Commission), has directed all State Electricity Regulatory Commissions to frame Regulations under Section 181 of the Act on the terms and conditions for determination of tariff. The Hon'ble Supreme Court further directed that the Appropriate Commission(s) while framing the Guidelines on the determination of Tariff shall be guided by the principles specified under Section 61 of the Electricity Act, 2003, which encompasses the National Electricity Policy (NEP) and Tariff Policy (TP).

As per Tariff Policy 2016, the Tariff of all new generation and transmission projects of the companies owned or controlled by the Central Government shall continue to be determined based on competitive bidding following the Tariff Policy notified on 6 January 2006 unless otherwise specified by the Central Government on a case to case basis. Further, the Tariff Policy specifies that intra-state transmission projects shall be developed by the State Government through the competitive bidding process for projects costing above a threshold limit which shall be decided by the SERCs. The National Electricity Policy specifies that all efforts have to be made to bring the power industry under competition as early as possible in the overall interest of consumers.

On March 15, 2021, the Ministry of Power issued a letter in which it recommended to the State Governments the adoption of Tariff Based Competitive Bidding (TBCB) for the development of intra-state Transmission Systems. Furthermore, on August 21, 2023, in reference to the ruling of the Hon'ble Supreme Court mentioned earlier, the Ministry of Power sent a letter requesting the SERCs to notify the threshold limit for awarding Transmission Projects through TBCB.

In light of the above considerations, to foster competition and to minimize the intra-state transmission tariff to the advantage of the consumers, and considering the already established Tariff Based Competitive Bidding projects

for Transmission Services at the national level and within various States, as well as the Ministry of Power (MoP) Guidelines that encourage competition in the development of transmission projects, along with the threshold limits set by other SERCs and the investment portfolio of the STUs, it becomes imperative for the state to adopt a similar approach. By aligning with these national and state-level initiatives, the state can enhance the efficiency and reliability of its transmission network, ensure cost-effectiveness in the long run, and ultimately provide better services to the consumers. The adoption of competitive bidding mechanisms, coupled with a clear regulatory framework, will also attract private sector investments, thereby relieving the financial burden on the state utilities and promoting a more dynamic and sustainable transmission sector.