First Draft

UNIT 7

OPEN ACCESS

The illiterate of the twenty first century will not be those who cannot read of write, but those who cannot learn, unlearn and relearn
Alvin Toffler

7.1 Background

To understand the concept open Access Imagine a toll road where the operator has a right to choose as to who can use the road. This will be anti competitive and monopolistic venture. Similarly it would be anticompetitive and monopolistic if the Electricity Utility has these rights. To make the Electricity Market competitive it would be worthwhile to Separate the Carriage (Fixed network like wires) from Content (Moving Element like Energy).This is precisely what the Electricity Act aims at. The Electricity Transmission and Distribution lines are also being opened up on the same lines.

7.2 Definition of Open Access

Section 2(47) defines that *"open Access means the non-discriminatory provision for the use of transmission lines or distribution system or associated facilities with such lines or system by any licensee or consumer or a person engaged in generation in accordance with the regulations specified by the Appropriate Commission"*

7.3 Open Access in transmission

7.3.1 Pricing Strategy for Transmission

The most appropriate pricing strategy for determining Transmission pricing in a large country like India needs to balance

between various objectives. Besides being simple and practical it must lead to efficient use of resources; must properly compensate the owner of the carriage business; must promote efficient use of resources. As India has newly opened up the market the Scheme must also provide level playing field to the New transmission utilities and entities using the transmission facility.

The market forces should be allowed to operate and create correct economic signals for the placement of Generation facility and new lines.
The Concept based on congestion rent will not be appropriate because it incentivises the transmission licensee to have constrains in his system. An ideal Transmission Service Charge (TSC) should be –

- Distance Sensitive
- Location Sensitive
- Direction Sensitive

The Open Access Wheeling Charges(OAWC) will encourage economic transactions, But this should not discourage transmission Charge based commitment otherwise who would invest in the National grid.

The Various methods of Transmission pricing are -

- The Contract Path Method
- Incremental Postage Stamp Method

The Focus of Development has changed from regional to national. In transmission also the main objective is to develop a national Grid. Therefore it is crucial that tariff design should also be based on a national pool. However for strategic implications the design can have a regional system

The CERC Order of November 2003 provides for open Access in Inter-State Transmission

7.3.2 CERC Order on Open Access in Inter-State transmission(November 2003)

The salient features of the order are as follows-

- CERC will have jurisdiction to specify regulations for open Access for inter-State transmission irrespective of who owns the assets. It is immaterial weather the conveyance of electricity is across the territory of an intervening State or the conveyance is within the state which is incidental to the inter-state transmission of electricity.
- Existing Postage stamp method of pricing to continue. It is also provided that the importing utility will pay in case of Inter-regional transaction. The CERC may modify its views on transmission pricing mechanism through consultation.
- Long term customer will have allotment priority over the short term customer and within the same category the request for service of longer duration will get preference to use the transmission facility.
- Nodal agency to facilitate the open Access for inter state transmission shall be CTU and RLDC. It is also provided that special energy meters shall be installed by the direct as well as the embedded customer.

7.4 Open Access in Distribution

7.4.1 Open access in the Distribution System

Section 42 Subsection 2 provides for the manner of Introduction of open access .

The State Commission shall introduce open access in the distribution network within the territorial jurisdiction of the state. The introduction of open access will be subject to following conditions-

1)Cross subsidies
2)Other Operation Constraints

The Operational constraints may include overloaded network, …….

Furthermore the introduction of open access can be in such phases as may be determined by the state commission . There is no

mention of minimum number of phases , there can be only one phase if the commission deems it to be appropriate. The state commissions must specify the phases within one year of the appointed date(Before 9th June 2004).The State Commission shall also specify the extent of wheeling charges for each phase.

7.4.2 Distribution licensee as a common carrier

In case of electricity is supplied by another licensee the distribution licensee shall provide open access to the second licensee as a common Carrier providing non discriminatory open Access.

7.4.3 Nodal Agency

For Day long and Part Day open access customer Regional Load Dispatch Centre can be the Nodal Agency and Similarly for Long term and Short Term Customer seeking access for more then one month the National Load dispatch Centre can be the Nodal Agency. Probably this can be the first step for establishment of a regional and or National Power Exchange for India.

Another Scheme can be based on dynamic declaration of prices by transmission service provider and customer replacing each other through higher prices and duration bids.

7.4.4 Open Access is only for Surplus Capacity

The Open Access in India according to The Electricity Act is only for surplus capacity.

7.4.5 Time Frame for Introduction of Open Access in Distribution Network

The Electricity Act 2003 does not provide a time frame for the introduction of Open Access in the distribution Network. This effectively means that if the State Electricity Regulatory Commission wishes it can extend the introduction of Open Access to duration which can defeat the purpose of this Act. Therefore the Government has introduced an Amendment Bill Which will add following proviso to the Section 42(2) of the Electricity Act –

"Provided also that the State Commission shall, not later than five years from the date of commencement of the Electricity Amendment Act 2003, by regulations provide such open access to all consumers who require a supply of electricity where the maximum power to be made available at any time exceeds 1 Mega Watt".

This will effectively reduce the scope of discretion of SERC and lead to in introduction of retail competition earlier in the India Electricity Market.

7.5 Parallel Distribution Network (PDN)

This is a different concept then open Access. Section 14 Proviso 6 provides that the Appropriate Commission may grant a license for parallel Distribution Network provided the applicant meets the additional requirement specified by the Central Government and the act also states that no such applicant , who complies with all the requirement for the grant of license, shall be refused grant of license on the ground that there already exists a licensee in the same area for the same purpose.

Recently Reliance Energy has applied for Parallel Distribution Network in five Urban areas of Maharashtra. The application is under active consideration of Maharashtra Electricity Regulatory Commission.

7.6 Availability Based Tariff & Open Access

The Implementation of Availability Based Tariff has put in place The Day ahead (Scheduling) Market for entire India. Though it took some time to implement the same in all regions of India but it is great

achievement and a stepping stone for further reforms in the Power Industry. Due to ABT there is a mark shift in the transmission Charge from usage based transmission Charge to Access based transmission Charge.

7.7 Conclusion

Open Access in telecom is called "Interconnections" and in case of roads it is known as Public Service.

International Experience of Open Access has been good. When Open Access was introduced in United Kingdom the prices of Electricity fell down by 30%.The policy makers in India also it seems are aiming for the same, but due to over neglected system the experts are of opinion that in short run (3 to 5 years) the prices will rise but afterward the real prices it is proposed will decline.

Open Access is a Debatable issue and there are many unresolved questions and answers which the power industry needs to debate upon. It will take some time for complete implementation of the same. As of now open Access would work on the principle of "As-is-Where-is" "As-available-when-available" basis. However the Order of the CERC has been the first step in the right direction.