

Summary of the comments and suggestions received on Approach Paper on Terms and Conditions of Tariff Regulations for the tariff period 1.4.2014 to 31.3.2019

(Ref No. 20/2013/CERC/Fin(Vol-I)/Tariff Reg/CERC Date: 25th June'2013)

3.9 Interest on Working Capital (IOWC)

a) *Whether amount and stock of fuel oil/O&M expenses/maintenance spares/receivables specified in the existing regulations should continue or, any change is required? Whether maintenance spares should form a part of the working capital along with O&M expenses in the existing methodology?*

Sr. No.	Name of organization/ stakeholder	Comments/ Suggestions
A) Autonomous Bodies (JERCs/SERCs/Other Commissions)		
A.1	Uttar Pradesh Electricity Regulatory Commission	The stock of fuel oil/O&M expenses and receivable specified in the ending regulations should continue for the computation of working capital. However, the maintenance spares is duly included in the O&M expenses. The existing methodology may suitably modify to that extend.
A.2	Chhattisgarh State Electricity Regulatory Commission (CSERC)	<ul style="list-style-type: none"> • For computation of working capital coal stock should be accounted for one month only. Similarly oil stock should also be limited to one month only. Further with current level of logistics, higher stock holding is technically also not warranted. • Generator should be allowed either to claim normative interest on one month coal stock without having the protection of deemed generation clause (in case of coal shortage) or may claim interest based on previous years actual average stock with deemed generation clause. Simultaneous allowance of Normative interest on coal stock and fixed cost recovery in case of coal shortage is inconsistent and should be rectified. • O&M cost is part of receivable and hence there is no need to consider one month O&M cost separately.
B) Government Departments		
B.1	Govt of Odisha	<p>(A) Coal stock should be reduced to 1/2 months or as per the actual stock maintained in case of pit head stations.</p> <p>(B) O & M expenses for one month should not be allowed.</p>

B.2	Government of Punjab, Dept. of Power	<ul style="list-style-type: none"> • Amount and stock of fuel oil/O&M expenses/maintenance spares/receivables specified in the existing regulations should be continued. But, it should be insured that fuel stock as specified needs to be maintained otherwise requirement of working capital be reduced accordingly. • Further, maintenance spares should form a part of the working capital along with O&M expenses in the existing methodology because it has been mentioned in the K.P. Rao Committee Report, the GoI notification 1992 and tariff Regulations from 2001 to 2014.
B.3	Govt. of Tripura, Dept. of Power	<ul style="list-style-type: none"> • The existing norms should continue.
C) Central Sector (Generators/Transmission Cos./NLDCs/RLDCs)		
C.1	Tehri Hydro Development Corporation Limited (THDC Ltd.)	Water user charges may also be allowed in addition to the present methodology.
C.2	Narmada Hydroelectric Development Corporation Ltd. (NHDC Ltd.)	The Interest on Working Capital mitigates the liability of entity during the periods of payments by the beneficiary as prescribed in the Regulation. As per present Regulation, the beneficiary is entitled to get 2% Rebate in case the payments are made by the beneficiary on presentation of bill; 1% Rebate in case the payments are made within one month of presentation of bills and without rebate in case the payments is made beyond one month and within 60 days from the date of billing. Beyond the period of 60 days from the date of billing, a Late Payment Surcharge becomes admissible. Hence, any change in the norms for the Interest on Working Capital should reflect synonym effect on the norms of Rebate / Surcharge, as well.
C.3	Damodar Valley Corporation (DVC)	The present methodology for calculation of IOWC should be continued in the next tariff regulation period commencing from 01.04.2014.
C.4	National Hydroelectric Power Corporation (NHPC)	<p>The existing component of Working Capital for Hydro Generating Stations are as under:</p> <ul style="list-style-type: none"> (i) Maintenance spares (15% of O&M expenses); (ii) 1 month O&M expenses; (iii) 2 Months receivables; <p>We suggest that a fourth component be introduced in next tariff period regulations:</p> <ul style="list-style-type: none"> (iv) 1 month Water Usage Charges <p>Alternative approach: From current methodology IWC comes around 3% - 4% of AFC and for simplification it may be considered as 3.5% of AFC in draft regulations, instead of</p>

		cumbersome calculation.
C.5	North Eastern Electric Power Corporation Ltd. (NEEPCO)	Existing methodology should continue.
C.6	National Thermal Power Corporation (NTPC)	Existing methodology should continue.
C.7	Neyveli Lignite Corporation	<ul style="list-style-type: none"> • Considering the lead time for procurement of oil and lignite stock, 3 months of oil stock and the existing 1.5 months of lignite stock may be included in the working capital computation. Also the actual primary fuel and secondary fuel cost of the respective years may be considered in the computation of working capital involving lignite/coal and oil i.e. allowing fuel price escalation during the tariff period instead of considering the weighted average price of the fuel three months preceding the first month for which tariff is determined. • Further, the lead time for procurement of spares in case of imported spares is more. Considering the lead time for procurement of spares the maintenance spares may be allowed separately besides O&M expenses for period of 6 months.
C.8	Power Grid	The expenses on the maintenance spares are recurring in nature and are not getting covered under the O&M expenses. Further, the spares are kept in store till they are used in the transmission system. Such investment in spares therefore remains stranded and the utility loses the opportunity cost of its money blocked in procurement of such items. Further, the quantum of requirement of such spares would increase progressively as the transmission assets grow older. Hence it is essential that the cost of spares should be continued to be considered as part of the working capital and interest of the same will be part of tariff. Therefore, the current arrangement should be continued in the forthcoming tariff block as well.
D) State Sector (Generators/Transmission Cos./Distribution Cos./SEBs/SLDCs)		
D.1	Rajasthan Discoms Power Procurement Centre	<ol style="list-style-type: none"> Yes but it is to be insured that fuel stock as specified needs to be maintained otherwise requirement of working capital be reduced accordingly. No. Yes because it has been mentioned in the K.P. Rao Committee Report, the GOI notification 1992 and Tariff Regulation from 2001 to 2014.
D.2	UPPCL	<p>Yes No</p> <p>Yes because it has been mentioned in the K.P. Rao Committee</p>

		Report, the GOI notification 1992 and Tariff Regulations from 2001 to 2014								
D.3	GRIDCO	<ul style="list-style-type: none"> • Coal stock should be reduced to ½ months or as per the actual stock maintained in case of pit head stations. • & M expenses for one month should not be allowed. • The sub-elements under administrative expenses and corporate office expenses should not be a part of working capital. 								
D.4	Tripura State Electricity Corporation Ltd.	The existing practice of working capital norms may be continued with deduction of cost of fuel/fuel supplies for 1 month.								
D.5	Power Company of Karnataka Ltd.	<p>The stock of oil, O & M expenses and Maintenance spares may not be considered for working capital. Further, while calculating in 2 months receivable for the working capital special allowances in view of R&M or a compensation allowances may be deducted from the annual fixed cost. The working capital arrived based on the above methodology may be included in the regulation. According to the above procedure, the working capital shall be as below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Sl. No.</th> <th style="text-align: center;">Parameter</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1.</td> <td>Cost of coal – 2 months</td> </tr> <tr> <td style="text-align: center;">2.</td> <td>Receivables – 2 months excluding allowances in view of R&M or a compensation allowances</td> </tr> <tr> <td style="text-align: center;">3.</td> <td>Rate of interest i.e., SBI PLR rate</td> </tr> </tbody> </table> <p>Note: The O & M cost, secondary fuel oil is already factored in the annual fixed charges hence same may be excluded while calculating the working capital.</p>	Sl. No.	Parameter	1.	Cost of coal – 2 months	2.	Receivables – 2 months excluding allowances in view of R&M or a compensation allowances	3.	Rate of interest i.e., SBI PLR rate
Sl. No.	Parameter									
1.	Cost of coal – 2 months									
2.	Receivables – 2 months excluding allowances in view of R&M or a compensation allowances									
3.	Rate of interest i.e., SBI PLR rate									
D.6	Gujarat Urja Vikas Nigam Limited	The fuel stock kept by generating station is much lower than number of days provided by the Commission. This needs to be analyzed and further reduced.								
D.7	Orissa Power Generation Corporation Ltd.	The present practice should be continued. Moreover, operating costs of MGR and captive coal mine should also be followed in cases where these are operated by the same company. Given the delay in payments from offtakers, interest on working capital for a higher period should also be considered.								
D.8	Chhattisgarh State Power Distribution Co. Ltd.	Generators are not maintaining normative stock of fuel/oil/maintenance spares as specified in existing regulations. There are several cases of less availability of coal to NTPC. While declaring less availability during off-peak hours, they are allowed to earn interest on working capital which includes the normative cost of fuel equivalent to 1.5 to 2 months of coal/oil. Thus, based on the actual level of inventory maintained by various generators, stock of fuel to be considered for working capital may be reviewed.								

		Further, maintenance spares should not form a part of the working capital along with O&M expenses in the existing methodology.
D.9	MP Power Management Company Ltd.	<p>Amount and stock of fuel oil/O&M expenses/maintenance spares/ receivables specified in the existing regulations should not be continued. The experience shows that the generators are not maintaining normative stock of fuel/oil/maintenance spares as specified in existing regulations. There are several cases of prolonged less availability of coal to NTPC. The NTPC is not able to generate the power throughout the day and has to declare the availability during peak hours and they are allowed to earn interest on working capital which includes the normative cost of fuel equivalent to 1.5 to 2 months of coal / oil which is unjustified and should be reviewed based on actual average inventory during the year.</p> <p>Further, maintenance spares should not form a part of the working capital along with O&M expenses in the existing methodology as it appears that there is a duplicacy of expenses being allowed and considered as the part of working capital.</p>
D.10	Maharashtra State Power Generation Co. Ltd.	The provision related to interest on working capital needs review as the same is unreasonable in the present context.
D.11	Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL)	<p>The present practice of working capital norms may be continued with deduction of cost of fuel/ fuel supplies for 1 month; or may be redefined considering countrywide fuel shortage.</p> <p>Also, the actual position of interest on borrowing may be examined as most of the generators are in good financial position and managing with their own source. In such case interest on working capital may not be allowed.</p>
D.12	Kerala State Electricity Board (KSEB)	<p>There shall be a provision in the tariff regulation to reduce the interest on working capital if the generators failed to maintain the stock of fuel as stipulated in the tariff regulation.</p> <p>Further, the non cash expenditure including the depreciation and ROE may be excluded from the working capital requirement. Since the O&M costs are separately allowed as part of the fixed cost and two monthly receivable automatically covers two months O&M expenses, therefore, there is no need to consider the one month O&M expenses and maintenance of spares as part of the working capital.</p>
D.13	Tamil Nadu Generation and Distribution corporation limited (TANGEDCO)	<p>TANGEDCO suggests that the inventory level be reduced to 15 days or actual stock maintained as at the closing of each year. Further, the practice of adding one month O&M expenses, 20% of O&M expenses towards maintenance spares and two months receivables also need reconsideration.</p> <p>The employees wages are paid at the end of the month and</p>

		other expenses are also incurred on the monthly basis and consumables are purchased with credit facilities. Further, the monthly payment is guaranteed by way of backup LC and tripartite agreement and there is provision to levy belated payment surcharge. Hence, limiting the receivables to 30 days to arrive at the working capital requirement should be adopted for the tariff period 2014-19.
D.14	Assam Power Distribution Company Ltd.	Existing provision with recommended maintenance spare may be considered.
E) Private Sector (Generators/Transcos/Distribution Cos)		
E.1	Moser Baer Electric Power Ltd	No comments
E.2	Calcutta Electric Supply Corporation Limited (CESC Ltd.)	The present mechanism of computing Working Capital may kindly be retained. However, the computation may be revisited as receivable days in practice, is very high, as also fuel price variation etc.
E.3	GMR Kamalanga Energy LTD	Time period of receivables should be revised from 2 months to 3 months.
E.4	Jindal Steel & Power Ltd.	<p>We are of the opinion that cash O&M expenses should be included in the working capital element due to following reasons:</p> <ul style="list-style-type: none"> i) Provision for receivables in working capital cannot fund cash expense. ii) Recovery of past dues would not be utilized to fund working capital requirement but would be utilized to retire long term debt taken against such overdue arrears. <p>It is requested that the stores and spares/repairs & maintenance/employees cost, insurance, security and sub-elements under administrative expenses and corporate office expenses should be considered as part of the working capital requirement.</p>
E.5	BSES Rajdhani Power Ltd.	Receivables considered for working capital may be reduced from 60 days to 45 days and the provision of O&M expenses for one month in the working capital may be removed. However, due date of payment of NTPC for Delhi Discoms is last date of the same month in which the bill is raised. Therefore, for such Discoms, either payment due date shall be raised to 60 days or receivables equivalent to one month of capacity charge and energy charge for sale electricity on the normative annual plant availability factor shall be allowed to the generator. Further, uniform payment period shall be considered for all Discoms since working capital is calculated on the same basis.
E.6	Jaiprakash Power Ventures Ltd.	The reduction in tariff on account of any component including interest on working capital will discourage investment in power sector. Therefore, component of

		working capital should remain unaltered.
E.7	BSES Yamuna Power Limited	<p>Working Capital normative norms for coal stock needs to be reviewed. In 2009-14 Tariff Period actual coal stock was significantly below the normative norms. Just as O&M expenses are determined in current tariff period based on actual of previous control period, other components should be trued up based on actuals of previous tariff period.</p> <p>Similarly current regulations do not provide for deduction of unpaid stock to determine actual investment in fuel stock. In banking regulations no financing is made by the banks for stocks which are not paid for (sundry creditors in accounting terms). Thus working capital is highly inflated and utilities stand to gain a substantial amount on account of this regulatory oversight.</p>
E.8	Association of Power Producers (APP)	<ul style="list-style-type: none"> • Current norms for considering amount of stock of fuel oil/O&M/Maintenance spares, receivables as specified in existing regulations should continue as these norms reflect the actual working capital scenario of the country. In fact, some of these norms already on the lower side for instance, while the present regulation allow fuel stock only upto normative availability, generally companies have to maintain higher fuel stocks to achieve higher PLF. However, the receivables should be considered based on actual days taken by the beneficiaries to make the payment. In current market scenario with deteriorated financial health of the Discoms, the Discoms are delaying in making payments. In some cases, the delay is as much as 6 months. • Capital cannot be accommodated through the O&M as specified in current regulations and hence maintenance spares as Working should be considered separately. • While assessing the working capital requirement of the gas based power plants the following current scenario need to be considered since the same will have an impact on IOWC. <ul style="list-style-type: none"> ✓ With effect from April 2014, Gas price shall be guided by Rangrajan Committee Report which is approved by the GoI. The basic principle of the pricing is that the gas price is now linked to international price, which is subject to revision in every quarter resulting in the change in working capital requirement. ✓ Further, RLNG price is also to be freed from Jan-2014 (Cap and Floor will be removed) and the same will also be directly linked to market price. This will involve change in RLNG price on monthly basis. • Considering the change in fuel price as above, formulae

		for determination of working capital need be suitably changed and the same be captured in the proposed guideline for computation of IOWC.
E.9	IL & FS Energy	Maintenance spares should continue to be a part of working capital.
E.10	Torrent Power	<p>1. Existing norms of consideration of few elements of working capital need be reviewed.</p> <p>2. While assessing the working capital requirement of the gas based power plants, the current scenario of fuel pricing need be considered for assessment of the Working Capital value since the same will have an impact on IOWC.</p> <p>a. With effect from April 2014, it has been directed by GOI that the Gas price shall be guided by principles laid down by Rangrajan Committee Report and as accepted by the GOI. Based on the Report, the basic principle of the pricing is that the gas price is to be linked to international price, which price is subject to revision on quarterly basis. Accordingly, the change in Gas pricing on quarterly basis shall also change the working capital requirement.</p> <p>b, Further, RLNG price under the Agreement with Rasgas is also to be freed from Jan-2014 (Cap and Floor will be removed) and the same will also be directly linked to market price. This will involve substantial change in RLNG price on monthly basis.</p> <p>3. The WC requirement should consider all of these changes in fuel pricing and hence the formulae for working capital needs to be suitably changed. Changes in the value of working capital need be given effect in the proposed Tariff guideline 2014 for computation of IOWC is due to the aforesaid rationale and practical problems.</p>
E.11	Lanco	For the purpose of computing working capital requirement, actual fuel cost on a monthly basis should be allowed. Further, the interest rate should be linked to SBI Base Rate prevailing on a monthly basis so that the generators are in position to recover the actual interest.
F) Other Organizations/Institutions/Banks/Investors		
F.1	Federation of Indian Chambers of Commerce and Industry (FICCI)	Receivable may be considered for upward revision in view of poor financial health of Discoms. Further, O&M Expenses need to be revised upwards/escalated accordingly.
G) Individual /Public Group/Any others		
G.1	Shri R.B.Sharma	The provision related to interest on working capital needs review as the same is unreasonable in the present context. Even the existing provisions on the interest on working

		<p>capital is unrealistic and the example of such unrealistic provisions on this issue are listed below;</p> <ul style="list-style-type: none"> • The stock of fuel considered for working capital is very high. Even a week stock is not available. • The most of the sub-element under administrative expenses and most of the sub-element under corporate office form part of the working capital along with O&M expenses in the existing methodology although these are not even remotely connected with the working capital requirement. • Maintenance spares forming part of the working capital along with O&M expenses in the existing methodology although this is not connected with the working capital requirement. • The depreciation and return on equity considered as part of annual fixed cost is also taken into account while working two months receivables for working capital although these are not even remotely connected with the working capital requirement.
G.2	Dr Ashok Kundapur	<p>The items specified already for this category by CERC appear to be fine. Depending on suggestions received by other stakeholders, the parameters can be altered.</p> <p>It is a fairly well known fact that SEB payments are not received on time, and this point needs further consideration. Some agreement acceptable for the lending Banks, Developers and SEBs would be essential.</p>
G.3	Mallika Sharma Bezbaruah	<p>The Central Commission provided IWC in two months receivable which include depreciation and Return on Equity which does not attracts any loan from Banks during operations. Therefore, these two components should be deleted while calculating IWC. Moreover, IWC on fuel oil, gas and coal cannot be provided equal weightage as there is no time required for piping gas and oil but the coal required considerable time for transportation.</p>
G.4	Shri Arun Kumar Dutta	<p>Only stock of fuel / store and maintenance spare considered for one month should form working capital. All payments for maintenance repair is made at the end of the month. Hence employees cost should be considered for one month. Further, all elements of administrative expenses, corporate expenses considered in A&G should be considered for one month as part of O&M expenses. No return in the working capital for depreciation and ROE should be considered. For hydro power and transmission utility the stock of fuel shall be excluded.</p>

b) Whether stores and spares / repairs & maintenance / employees cost, insurance, security and most of the sub-elements under administrative expenses and most of the sub-elements under corporate office expenses included in O&M expenses should form a part of the working capital?

Sr.No.	Name of organization/ stakeholder	Comments/ Suggestions
A) Autonomous Bodies (JERCs/SERCs/Other Commissions)		
A.1	Uttar Pradesh Electricity Regulatory Commission	Stores and spare/ repair & maintenance/employees cost/insurance/security and most of the sub-elements under administrative expenses and most of the sub-elements under corporate office expenses are included in the O&M expenses which ultimately become part of receivables and therefore should not be considered for computation of working capital.
A.2	Chhattisgarh State Electricity Regulatory Commission (CSERC)	O&M cost is part of receivable and hence there is no need to consider one month O&M cost separately. However as the cost of holding inventory (in the form of a defined % of O&M cost) is a genuine cost, the present practice of including maintenance spares may continue.
B) Government Departments		
B.1	Govt of Odisha	The sub-elements under administrative expenses and corporate office expenses should not be a part of working capital.
C) Central Sector (Generators/Transmission Cos./ NLDCs/RLDCs)		
C.1	Tehri Hydro Development Corporation Limited (THDC Ltd.)	Yes, it should be allowed as a part of working capital.
C.2	Narmada Hydroelectric Development Corporation Ltd. (NHDC Ltd.)	(Included in 3.7 (a) above)
C.3	National Hydroelectric Power Corporation (NHPC)	Yes, whatever, O&M expenses allowed by CERC after test of prudence should be considered in working capital.
C.4	North Eastern Electric Power Corporation Ltd. (NEEPCO)	The existing methodology should continue since all the elements required and related for maintenance and operation of the power projects must be factored for the purpose for the purpose of working out allowable Working Capital.
C.5	National Thermal	The existing methodology should continue since all the

	Power Corporation (NTPC)	elements required and related for maintenance and operation of the power projects must be factored for the purpose for the purpose of working out allowable Working Capital.
C.6	Neyveli Lignite Corporation	Yes - All items included in the O&M expenses, whether it pertains to the administrative charges or direct production cost has to be considered for working capital.
C.7	Power Grid	The expenses viz. stores and spares / repairs & maintenance/employees cost, insurance, security and most of the sub-elements under administrative expenses and most of the sub-elements under corporate office expenses included in O&M expenses are incidental to the transmission business and are essential for providing reliability and efficiency to the system. Such expenses are recurring in nature and must be considered as part of the working capital requirement. Expenses incurred during any month are largely towards O & M expenses and interest expenses and therefore in such a case inclusion of 1 month of O & M expenses will offset the incremental working capital requirements over and above the 2 month receivables allowed by the Commission. Therefore, it may be prudent to continue with the existing mechanism of working out the normative IOWC.
D) State Sector (Generators /Transmission Cos./Distribution Cos./SEBs/SLDCs)		
D.1	Rajasthan Discoms Power Procurement Centre	The working capital is to meet the items of immediate need during the period of no revenue income from the date of supply of electricity to the date of payment of bill whereas the O&M is on ongoing process which covers items like employees cost which is paid monthly, Insurance which is paid yearly etc. Therefore, the items of O&M cannot form a part of working capital also includes 1/12 of O&M which addresses the issue. Moreover if O&M items are covered fully under working capital developer will get only interest on O&M and not the O&M expenditure itself.
D.2	UPPCL	The working capital is to meet the items of immediate need during the period of no revenue income from the date of supply of electricity to the date of payment of bill whereas the O&M is on ongoing process which covers items like employees cost which is paid monthly, Insurance which is paid yearly etc. Therefore the items of O&M cannot form a part of working capital in totality. However the working capital also includes 1/12 of O&M which addresses the issue. Moreover if O&M items are covered fully under working capital developer will get only interest on O&M and not the O&M expenditure itself
D.3	Tripura State Electricity Corporation Ltd.	The expense of routine nature that is needed for working capital only may be allowed for computation of working capital requirement.
D.4	Orissa Power Generation	Stores and spares/repairs & maintenance/employees cost,

	Corporation Ltd.	insurance, security and most of the sub-elements under administrative expenses and corporate office expenses are essential part of working capital and needs to be continued.
D.5	Chhattisgarh State Power Distribution Co. Ltd.	Stores and spares / repairs & maintenance / employees cost, insurance, security and most of the sub-elements under administrative expenses and most of the sub-elements under corporate office expenses included in O&M expenses should form a part of the working capital. However, CERC may consider it on prudence basis. Further, income tax is also becoming a part of working capital which should not be the case and hence while calculating the amount of working capital, the ROE should be considered without grossing up of tax.
D.6	MP Power Management Company Ltd.	The items specified herein should not be included in O&M expenses and it should not form a part of working capital. It is also submitted that grossing of income tax is allowed on return on equity, which in turn ROE forms a significant portion of working capital. Accordingly, income tax also becomes a part of working capital which should not be the case. Hence, while calculating the amount of working capital, the ROE should be considered without grossing up of tax. Since specific fuel oil consumption is also part of AFC, it also burdens on the beneficiaries being element of receivables.
D.7	Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL)	It is submitted that expenses of routine nature and needed for working capital only may be allowed for computation of working capital requirement. One time expenditure/annual payments may be excluded.
D.8	Kerala State Electricity Board (KSEB)	The non cash expenditure including the depreciation and ROE may be excluded from the working capital requirement. Since the O&M costs are separately allowed as part of the fixed cost and two monthly receivable automatically covers two months O&M expenses, therefore, there is no need to consider the one month O&M expenses and maintenance of spares as part of the working capital.
D.9	Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO)	The maintenance spares can be included in the O&M and a ceiling for this item may be specified. Except for the maintenance spares, which is proposed to be included in the O&M expenditure, the other items can continue to be part of the working Capital requirement.
D.10	Assam Power Distribution Company Ltd.	Yes
E) Private Sector (Generators/Transcos./Distribution Cos)		
E.1	Jindal Power Limited	It is requested that the stores and spares / repairs & maintenance / employees cost, insurance, security and sub-elements under administrative expenses and corporate office expenses should be considered as part of the working capital requirement.
E.2	BSES Rajdhani Power	There is no need of inclusion of repairs &

	Ltd.	maintenance/employees cost and other corporate expenses in working capital as O&M expenses are already quite relaxed along with an escalation factor. Further, sub-elements under corporate office expenses should not form part of the working capital.
E.3	BSES Yamuna Power Limited	As a matter of principle working capital amount should be determined in respect of those components where funds are invested.
E.4	Association of Power Producers (APP)	<ul style="list-style-type: none"> • Stores and spares/ repairs & maintenance/ employees cost, insurance, security and most of the sub-elements under administrative expenses which are generally cash expenses with very limited credit are an essential part of the working capital requirement of the project and should be continued. • Further, the level of maintenance spares should be increased appropriately from time to time with the aging of the plant. The resultant higher prices of imported spares due to depreciation in rupee as well as the higher amount of import duty need also be considered for purpose of computation of working capital requirement.
E.5	Torrent Power	The level of Maintenance Spares need be increased appropriately from time to time with the aging of the plant. The higher cap of maintenance spares is due to reasons such as (a) these spares are imported and overall cost always increases due to (i) Rupee depreciation (ii) higher import duty. Accordingly, the value of working capital need also to undergo change.
E.6	IL & FS Energy	There are certain expenses such as insurance expenses, etc which are paid in advance. Hence, it is essential to factor some of these costs as part of working capital instead of the entire O&M costs.
Other Organizations/Institutions/Banks/Investors		
F.1	NIPFP	Overhead expenses are usually included in working capital calculation. The extent to which they are included depends on the length of the production cycle. This should be studied in detail for different types of regulated projects (generating, transmission, etc.)
F.2	Federation of Indian Chambers of Commerce and Industry (FICCI)	Existing provision may be continued.

c) In case ROCE approach is applied, whether net working capital can be a part of the Regulatory Asset Base instead of providing it separately?

Sr.No.	Stakeholders	Comments/ Suggestions/Objections
C) Central Sector (Generators/Transmission Cos./ NLDCs/RLDCs)		
C.1	Tehri Hydro Development Corporation Limited (THDC Ltd.)	We are not advocating ROCE approach. However, ROCE regime, if implemented, should not provide for double count.
C.2	Narmada Hydroelectric Development Corporation Ltd. (NHDC Ltd.)	(Included in 3.7 (a) above)
C.3	National Hydroelectric Power Corporation (NHPC)	If ROCE approach is adopted at all, working capital should form part of Regulatory Asset Base instead of providing it separately
C.4	North Eastern Electric Power Corporation Ltd. (NEEPCO)	In case of ROCE approach, working capital can be considered as a part of the Regulatory Asset Base. However, in view of the difficulties in implementation of ROCE approach, it is again submitted that ROE approach may be continued along with the present dispensation for working capital.
C.5	National Thermal Power Corporation (NTPC)	In case of ROCE approach, working capital can be considered as a part of the Regulatory Asset Base. However, in view of the difficulties in implementation of ROCE approach, it is again submitted that ROE approach may be continued along with the present dispensation for working capital.
C.6	Neyveli Lignite Corporation	Suggested for ROE approach. In the case of ROCE approach net working capital has to be provided separately.
D) State Sector (Generators /Transmission Cos./Distribution Cos./SEBs/SLDCs)		
D.1	Rajasthan Discoms Power Procurement Centre	We have raised our objection as regards ROCE approach earlier as well as in this document.
D.2	UPPCL	We have raised our objection as regards ROCE approach earlier as well as in this document.
D.3	Gujarat Urja Vikas Nigam Limited	<ul style="list-style-type: none"> Irrespective of ROCE or ROE approach, the working capital may be calculated by taking into account both the normative Current Assets and normative Current Liabilities. While arriving at the Capital Employed, CERC may exclude the Current Liabilities (i.e., Credit period provided by the fuel supplier, employee cost, etc.). The Commission may not provide the separate Interest on Working Capital, if the same is considered as part of Capital Employed. Further, the Commission may provide additional mark up in terms of percentage for Interest on Working Capital while determining the Rate of Return on Capital Employed.
D.4	Chhattisgarh State	<ul style="list-style-type: none"> ROCE is not recommended due to regulatory uncertainty.

	Power Distribution Co. Ltd.	
D.5	MP Power Management Company Ltd.	The ROCE method should not be adopted at all.
D.6	Kerala State Electricity Board (KSEB)	The non cash expenditure including the depreciation and ROE may be excluded from the working capital requirement. Since the O&M costs are separately allowed as part of the fixed cost and two monthly receivable automatically covers two months O&M expenses, therefore, there is no need to consider the one month O&M expenses and maintenance of spares as part of the working capital.
D.7	Tamil Nadu Generation and Distribution corporation limited (TANGEDCO)	In case of ROCE approach also a separate Working capital is required to be provided and this cannot be a part of Regulatory Asset.
D.8	Assam Power Distribution Company Ltd.	No Comments.
E) Private Sector (Generators/Transcos./Distribution Cos)		
E.1	Jindal Power Limited	In case RoCE approach is applied, it is preferable to include Net Working Capital as part of Rate Base.
E. 2	Jindal Steel & Power Ltd.	In case RoCE approach is applied, it is preferable to include Net Working Capital as part of Rate Base.
E.3	Association of Power Producers (APP)	Interest on working capital should be provided separately as it is difficult to determine the short term market interest rate at the time of investment. This risk should be a pass-through to the consumer. ROCE approach should be avoided for reasons mentioned earlier.
E.4	Torrent Power	Working capital should not be treated as part of regulatory asset and this approach need be followed both for existing and new projects.
E.5	IL & FS Energy	Working capital may be dealt with separately even if ROCE approach is adopted.
F) Other Organizations/Institutions/Banks/Investors		
F.1	NIPFP	Under the ROCE approach, only long-term debt, equity and reserves should be used for calculating the capital employed. Working capital need not be a part of capital employed. Average working capital requirement should be separately computed, and return on it should be provided for.

d) In this regard it is to be deliberated whether the Depreciation and Return of equity

should be considered as part of annual fixed costs while working out two months receivable for working capital as no working capital is required to fund the depreciation and return on equity.

Sr.No.	Name of organization/ stakeholder	Comments/ Suggestions
A) Autonomous Bodies (JERCs/SERCs/Other Commissions)		
A.1	Rajasthan Electricity Regulatory Commission	As full fixed charges(including ROE and depreciation charges) are due from beneficiaries so full fixed charges has to be considered as a part of working capital.
A.2	Uttar Pradesh Electricity Regulatory Commission	The amount of Depreciation is employed for repayment of loans and the Return of Equity is shareholders' funds and therefore these may not be considered as part of annual fixed costs while working out two months receivables for working capital.
B) Government Departments		
B.1	Govt of Odisha	As no working capital is required to fund depreciation and Return on equity should not form the part of annual fixed costs.
B.2	Government of Punjab, Dept. of Power	The Depreciation and Return of equity should not be considered as part of annual fixed costs while working out two months receivable for working capital as no working capital is required to fund the depreciation and return on equity.
C) Central Sector (Generators/Transmission Cos./ NLDCs/RLDCs)		
C.1	Tehri Hydro Development Corporation Limited (THDC Ltd.)	Both depreciation & ROE are to be considered as part of AFC while working out the 2 months receivables since both are time related components.
C.2	Narmada Hydroelectric Development Corporation Ltd. (NHDC Ltd.)	(Included in 3.7 (a) above)
C.3	National Hydroelectric Power Corporation (NHPC)	2 months receivable should continue be considered in working capital The receivable has been adopted by CERC in 2001 Tariff Regulations from K.P. Rao committee report after deliberation and should not be disturbed now.
C.4	North Eastern Electric Power Corporation Ltd. (NEEPCO)	AFC consist of Depreciation and ROE. Billings on the beneficiaries are based on allowed AFC and as per the Regulations the beneficiaries are allowed two months to pay their generators without any "Late payment surcharge". Accordingly, Depreciation and ROE should continue as a part of AFC for the purpose of calculating two months

		receivable to work out Working Capital and allowable interest there on.
C.5	National Thermal Power Corporation (NTPC)	Depreciation is considered as deemed repayment of loan for tariff purposes. In case depreciation is not provided as part of receivables in working capital, cash flow for repayment of debt would be inadequate. Return on equity has been fixed based on the present dispensation of receivables. Therefore, depreciation and return on equity being part of receivables need to be considered in the working capital.
C.6	Neyveli Lignite Corporation	Restricting the working capital content by removing the depreciation, return in receivables may not compensate the Generator for the rebate to be allowed. It is to be pointed out the 2% rebate is also based on the tariff rate. If any restriction is done here, parameters for 2% rebate has also to be changed.
C.7	Power Grid	It is essential to consider Depreciation and Return of equity as part of the working capital requirement. Till such time, the ROE or the charge created in the form of depreciation on the assets is actually recovered as cash from the consumers, the same shall be considered as part of working capital requirement.
D) State Sector (Generators /Transmission Cos./Distribution Cos./SEBs/SLDCs)		
D.1	Rajasthan Power Procurement Centre	No.
D.2	UPPCL	No
D.3	GRIDCO	As no working capital is required to fund the depreciation and return on equity, they should not form the part of annual fixed costs, while working out two months receivables for working capital
D.4	Gujarat Urja Vikas Nigam Limited	Depreciation and return on equity should not be considered for the purpose of working out interest on working capital as it is non cash item.
D.5	Chhattisgarh State Power Distribution Co. Ltd.	Depreciation and return on equity should not be considered as part of annual fixed costs while working out two months receivable for working capital.
D.6	Kerala State Electricity Board (KSEB)	The non cash expenditure including the depreciation and ROE may be excluded from the working capital requirement. Since the O&M costs are separately allowed as part of the fixed cost and two monthly receivable automatically covers two months O&M expenses, therefore, there is no need to consider the one month O&M expenses and maintenance of spares as part of the working capital.
D.7	Tamil Nadu Generation and Distribution corporation limited (TANGEDCO)	ROE and depreciation should be excluded to arrive at the Working Capital requirement under receivables. In the present scenario of frequent change in the PLR/Base rate, TANGEDCO submits that this can be at the rate prevailing as

		on the 1 st day of each financial year to mitigate the loss due to increasing interest rates announced by RBI from time to time.
D.8	Assam Power Distribution Company Ltd.	Depreciation and ROE may be excluded from calculation of IWC.
E) Private Sector (Generators/Transcos/Distribution Cos)		
E.1	Athena Infraprojects Private Limited	Since rebate is allowed on total bill value which included depreciation and ROE, so as corollary interest on working capital should also be based on total receivables including depreciation and ROE. In view of above, both depreciation and ROE should be considered as a part of AFC.
E.2	Jindal Power Limited	It is requested to the Commission to allow Return on Equity and Depreciation as part of the working capital.
E.3	Athena Infraprojects Pvt. Ltd.	Both Depreciation and ROE should be considered as a part of AFC.
E.4	Jindal Steel & Power Ltd.	To allow Return on Equity and depreciation as part of the working capital.
E.5	BSES Yamuna Power Limited	Principle based on which working capital is to be determined should be enunciated as a part of Regulations.
E.6	Association of Power Producers (APP)	Depreciation and RoE form part of the revenue and delay in their receipt results in lesser funds to service costs. Hence more short term borrowings will be required which will have an interest costs attached to it. By including depreciation and RoE in receivables, the developer is being compensated for this interest and therefore existing practice should continue. Further, under the current business environment and financial condition of Discoms, this should be part of working capital.
E.7	Bhavnagar Energy Company Ltd.	Depreciation and return on equity may be considered to calculate working capital requirement.
E.8	Torrent Power	As far as the depreciation and ROE are concerned which are part of working capital computation, it is suggested that the same should continue to be part of the working capital.
E.9	IL & FS Energy	Depreciation cannot be termed as non cash item. Return on Equity can't be considered as item payable only at the end of year. Hence, equity investors are entitled to ROE on daily/monthly basis.
F) Other Organizations/Institutions/Banks/Investors		
F.1	NIPFP	Working capital should be treated separately form deprecation and return on equity. The accruals towards depreciation would, over time, be used for repayment of obligations taken on to create the assets being depreciated. The accruals for return on equity would, as per the decision of the firm's board, be given to investors as dividends. The Commission should not consider this cash as available for working capital requirements. This is because it is the prerogative of the firm to take the decision on repayment of obligations and dividend payment. It would be regulatory

		overreach to expect the cash to be used for the purpose of working capital finance. The interest on working capital should continue to be based on cash credit.
F.2	Federation of Indian Chambers of Commerce and Industry (FICCI)	Existing provision may be continued to have a better cash flows in order to meet the debt repayment in the prevailing scenario of poor financial health of Discoms and to service interest for short term borrowings
G) Individual/Public Group/Any others		
G.1	Shri Shanti Prasad	As full fixed charges (including ROE and depreciation charges) are due from beneficiaries, therefore, full fixed charges should be considered as a part of working capital.