

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)

6.2 Tariff Application Methodology

The Comments are invited in regard to following issues, namely_

- a) *Can existing practice of allowing filing of petition six months prior to the date of commercial operation be continued or requires further change? Can provisional tariff requirement be done away? Any other suggestions/comments for simplification of tariff filing methodology.*

Comments/Suggestions:

Sr. No.	Name of organization/ stakeholder	Comments/ Suggestions
A) Autonomous Bodies (JERCs/SERCs/Other Commissions)		
A.1	Uttar Pradesh Electricity Regulatory Commission	i) The tariff claims based on actual capital expenditure as per the Balance Sheet as was followed earlier during the control period 2004-09 should be reintroduced. ii) The provisional tariff may be decided based on actual capital expenditure as per the balance sheet till the date of filing. It is also pertinent in view that >90% of the capital expenditure in a project takes place in initial years. The final tariff shall be considered on cutoff date.
B) Government Departments		
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C) Central Sector (Generators/Transmission Cos./ NLDCs/RLDCs)		
C.1	Neyveli Lignite Corporation	In the existing system, petitions for tariff determination can be filed for the projects completed or projected to be completed within six months from the date of application. As suggested if provisional tariff is awarded based on a mere declaration by the Companies as against detailed petition, then the six months time can be dispensed with. However, time period/limit for filing provisional filing application may be fixed in respect of new projects and filing fee may be required to be paid for final tariff determination only and not for provisional tariff application.
C.2	Power Grid	The current mechanism in 2009-14 regulations for determination of provisional tariff should be continued with following modifications: <ul style="list-style-type: none"> The scope of information in the petition for determination of provisional tariff should be reduced for faster dispensation of such petition. Such information related only to necessary approval of the project may be insisted for submission.

		<ul style="list-style-type: none"> • Rather than submitting the detailed formats, only limited information like anticipated date of Commercial Operation, management certificate regarding the capital cost detailing the actual expenditure incurred till date and projected expenditure till COD may only be insisted. • Application for determination of Provisional tariff to be submitted at least 1.5 month prior to the commencement of next billing cycle of POC and the application for determination of tariff to be submitted within two month after the DOCO of the transmission elements. • The detailed prudence check on the actual time and cost incurred on the projects can be dealt at the time of final determination of tariff. • The first year tariff of newly commissioned transmission project works out to be around 18% - 19% of the Project Cost based on current CERC norms. Considering the above, it is submitted that 95% of tariff may be considered as provisional tariff. This would help the beneficiaries in reducing their burden in future. Moreover, in case final tariff is lower than the provisional tariff, the transmission licensee shall refund/adjust the excess amount with interest. On the contrary, in case the final tariff is higher than the provisional tariff, the beneficiaries would be required to pay the differential tariff along with the interest. <p>Further, Determination of final tariff involves submission of detailed formats which is followed by Technical Validation Sessions, Public hearings etc. which take a lot of time. Under such circumstances, it is desirable to have an approval on the Provisional tariff of the transmission elements at least one month prior to the commencement of next billing cycle of POC.</p>
D) State Sector (Generators /Transmission Cos./Distribution Cos./SEBs/SLDCs)		
D1	Orissa Power Generation Corporation Ltd.	Existing provision may be continued.
D.2	Chhattisgarh State Power Distribution Co. Ltd.	The existing practice may be continued and provisional tariff can be allowed subject to adjustment against final tariff.
D.3	MP Power Management Company Ltd.	The existing practice may be continued and provisional tariff can be allowed on the basis of detailed tariff petition filed by the petitioner for determination of tariff. By allowing provisional tariff, billing in respect of electricity sold and consumed can be started. Otherwise arrears will need to be serviced along with interest.
D.4	Maharashtra State Power Generation Co. Ltd.	The existing practice should be discontinued. Provisional tariff may be mutually decided between the generating

		companies/transmission licensees in the RPC forum. This would also resolve the problem related to the commissioning of the project.
D.5	Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL)	<p>It is submitted that the process needs to be simplified as beneficiaries are always working / providing comments on petitions filed by generating stations and transmission company for various matters. It is submitted that provisional tariff based on benchmark capital cost and other expenses based on normative principles should be adopted. Further the benchmarking/ norms developed should be such that even beneficiaries and other stake holders can easily compute the tariff and related impact. Further it is also suggested that like SERCs, CERC should also appoint Consumer Representatives for better efficacy of regulatory process. The relevant provisions of Electricity Act 2003 National Electricity Policy are extracted below for reference.</p> <p><i>NEP - 5.13.4 The Central Government, the State Governments and Electricity Regulatory Commissions should facilitate capacity building of consumer groups and their effective representation before the Regulatory Commissions. This will enhance the efficacy of regulatory process.</i></p>
D.6	Tamil Nadu Generation and Distribution corporation limited (TANGEDCO)	The present practice of filing of petition six months prior to the COD and awarding of provisional tariff shall be continued.
E) Private Sector (Generators/Transcos/Distribution Cos)		
E.1	Association of Power Producers (APP)	Existing provision may be continued. Provisional tariff mechanism was initiated with the aim of providing a means to the Developers to bill the Utility/Procurer at provisional tariff during the initial period after commissioning of power station. Determination of actual capital cost and tariff takes time and prudence check is essential before finalization of tariff.
E.2	Torrent Power	Existing provision may be continued. Provisional tariff mechanism was initiated with the aim of providing relief to the Developers to bill the Utility/Procurer at provisional tariff during the initial period after commissioning of Power Station, since determination of actual Capital Cost/Tariff takes time and prudence check is essential before finalization.
E.3	Lanco	CERC should specify a robust procedure to be adopted for arriving at the Gross Calorific Value (GCV) on a fired basis. Further, due to shortage of domestic fuel, imported coal should be allowed to be blended with natural gas. CERC should consider the same.
F) Other Organizations/Institutions/Banks/Investors		
F.1	Federation of Indian	Existing provision may be continued. Provisional tariff

	Chambers of Commerce and Industry (FICCI)	<p>mechanism was initiated with the aim of providing relief to the Developers to bill the Utility/Procurer at provisional tariff during the initial period after commissioning of Power Station, since determination of actual Capital Cost/Tariff takes time and prudence check is essential before finalization.</p> <p>Further, the Commission is requested that taking into account the operationalisation of large generation projects (including hydro projects) which are generally commissioned in stages, unit wise tariff determination should be continued with.</p> <p>However, it is suggested that in order to reduce complexity in filing a unit wise Tariff Petition and reduce the time taken in disposing of the Petition the requirement of audited accounts for unit wise capital cost to be certified by statutory auditor may be relaxed and the audited capital cost for the entire project may be segregated between the units on the basis of their installed capacity.</p>
G) Individual/Public Group/Any others		
G.1	Dr.Ashok Kundapur	There should be a provision for provisional tariff, especially with reference to Alternate energy developers. Final price can be fixed at the time of commissioning of the plant.
G.2	Shri Arun Kumar Dutta	<p>Provisional Tariff on normative basis may be allowed subject to prudence check and third party verification of account for private entities and CAG Audit for Govt. owned agencies. The penalty clause shall be applied in case of over projected tariff exceeding 15% over the actual expenditure. For transmission utility, the region wise tariff can be adopted subject to utilizing full capacity. Over capacity utility will increase transmission expenses in case of less transmission and hence can be allowed on prorata basis till full capacity is achieved.</p> <p>Further, tariff is determined on projected cost which needs to be trued up subsequently for correct assessment and accordingly adjusted in the following period. For tariff bidding process such exercise is not necessary. Tariff cannot be set on normative assessment because of huge variation in parameters, region, fuel, efficiency and other variable factors. However, there shall be mutually agreed norms which each utility must achieve.</p>

b) *In respect of tariff petitions, can provisional tariff be granted based on declaration by the Companies as against detailed petition? This may save time on account of frequent changes in proformas due to change in DOCO, other events etc. At the time of determining final tariff, detailed examination of all aspects can be undertaken. Can variations to the projected cost v/s actual cost be restricted to a pre-specified range/limit along with interest penalty provisions?*

Comments/Suggestions :

Sr. No.	Name of organization/ stakeholder	Comments/ Suggestions
A) Autonomous Bodies (JERCs/SERCs/Other Commissions)		
A.1	Uttar Pradesh Electricity Regulatory Commission	The tariff claims based on Actual capital expenditure as per Balance Sheet as was followed earlier during the control period 2004-09 should be re-introduced.
B) Government Departments		
C) Central Sector (Generators/Transmission Cos./ NLDCs/RLDCs)		
C.1	Power Grid	The current mechanism in 2009-14 regulations for determination of provisional tariff should be continued Further, Determination of final tariff involves submission of detailed formats which is followed by Technical Validation Sessions, Public hearings etc. which take a lot of time. Under such circumstances, it is desirable to have an approval on the Provisional tariff of the transmission elements at least one month prior to the commencement of next billing cycle of POC.
C.2	Neyveli Lignite Corporation (NLC)	Yes - Provisional tariff may be granted based on declaration by the companies and thereafter final tariff determined against detailed petition. Provisional tariff may be allowed for existing power stations also again so that declaration by the company at the beginning of the tariff period, in order to minimize the tariff arrears and ease recovery/ refund of tariff revision arrears. The difference between projected cost and actual cost may be refunded/recovered to/from beneficiaries along with interest till date of payment.
D) State Sector (Generators /Transmission Cos./Distribution Cos./SEBs/SLDCs)		
D.1	Chhattisgarh State Power Distribution Co. Ltd.	In respect of tariff petitions, provisional tariff can be granted based on declaration by the Companies as against detailed petition. Further, the tariff should be based on actual expenditure incurred subject to prudence check and specific benchmark and, hence, there is no need for such provision.
D.2	MP Power Management Company Ltd.	In respect of tariff petitions, can provisional tariff should not be granted based on declaration by the Companies as against detailed petition. It should be based on the tariff

		petition filed by the petitioner for determination of tariff and allowed as per existing regulations.
D.3	Maharashtra State Electricity Distribution Co. Ltd. (MSEDCL)	It is submitted that it is difficult to comment on having regional wise inter-state transmission tariff unless relevant data is provided to work out the sensitivities.
D.4	Tamil Nadu Generation and Distribution corporation limited (TANGEDCO)	TANGEDCO suggests that provisional tariff based on benchmark capital cost and other expenses based on normative principles should be adopted. Further, the benchmarking/norms developed should be such that computing the tariff and related impact is easy for all the stakeholders. The variations in actual cost against the benchmark/projected cost has to be restricted to a pre-specified limit and if it exceeds it can be levied with a penalty on SBI PLR interest.
E) Private Sector (Generators/Transcos/Distribution Cos)		
E.1	Association of Power Producers (APP)	The Commission has clearly specified the treatment of the gap/surplus in the Provisional Tariff. The variations in the projected cost v/s actual cost depends on various factors like estimated time and amount of capitalization as on COD, additional capitalization before the cut-off date, undischarged liabilities, contingencies, liquidated damages etc. which cannot be accurately specified at the time of filing the Petition. Further, the COD of the Units also undergo frequent revision. The restriction of such variations within a specified limit along with interest penalty shall unnecessarily complicate the entire procedure of settlement and put additional financial burden to the Beneficiaries as well as Generating Companies in case of any variation. Commission may continue with the present practice of adjustment of Provisional Tariff/Trued-up Tariff along with Carrying Cost.
E.2	Torrent Power	Based on the companies' declaration, the provisional tariff may be granted. It will definitely save time on account of frequent changes in performances due to change in DOCO, other events etc. However, the project cost may be taken as per actual subject to prudence check.
F) Other Organizations/Institutions/Banks/Investors		
F.1	Federation of Indian Chambers of Commerce and Industry (FICCI)	Provisional tariff may be determined based on declaration by the Companies.
G) Individual/Public Group/Any others		

- c) *Can the tariff for transmission system be determined on the regional basis for each inter- state transmission licensee? What could be the difficulties foreseen in this process?*

Comments/Suggestions:

Sr. No.	Stakeholders	Comments/ Suggestions/Objections
A) Electricity Regulatory Commissions (JERCs/SERCs)		
B) Government Departments		
C) Central Generators/Transmission License		
C.1	Power Grid	In order to understand the impact of clubbing the petitions for all regional elements, a detailed exercise would be required to analyze the impact on tariff. The basic expectation of the licensees would be that the overall returns on the projects continue to be the same for the life of the projects under either of the regulatory approaches. Further, the impact of having a regional tariff and the requirement to specify the POC charges needs to be analyzed in this aspect.
D) State Generators /Transmission License /Distribution Licensee		
D.1	Chhattisgarh State Power Distribution Co. Ltd.	It is provided in the Tariff policy at 7.1 (3) that “---- the ultimate objective being to get the transmission system users to share the total transmission cost in proportion to their respective utilization of the transmission system. The overall tariff framework should be such as not to inhibit planned development/augmentation of the transmission system, but should discourage non-optimal transmission investment.” Accordingly the transmission tariff may be fixed keeping the spirit of the tariff policy.
D.2	MP Power Management Company Ltd.	The tariff should be based on actual expenditure incurred, and, hence, there is no need for such provision. Provisional tariff may be granted only to the extent of actual expenditures incurred. With the PoC method in place this is not going to affect beneficiaries.
D.3	Tamil Nadu Generation and Distribution corporation limited (TANGEDCO)	It is difficult to determine the tariff for transmission system on regional basis on the POC, availability and useful life for each transmission system will be different. Also it will be difficult to account the additional capital expenditure if any to be incurred. Hence, it is suggested that the present practice of awarding tariff to each asset separately should be continued.
E) Private Sector (Generators/Transcos./Distribution Cos)		
E.1	Association of Power Producers (APP)	In view of number of petitions to be handled by the Commission, the proposal of tariff for transmission system

		on regional basis is appropriate.
E.2	Torrent Power	In view of number of petitions to be handled by the Commission, the proposal of tariff for transmission system on regional basis is appropriate.
F) Other Organizations/NGOs/Institutions		
G) Individual		