

**Presentation to
Central Commission
Draft CERC
Tariff Regulation, 2019**

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REALIDEA Consultants

Presentation to Central Commission Draft Tariff Regulation, 2019

Presentation Schedule

- Part A: Suggestions in Brief, that are already
Furnished to Hon'ble Commission,
together with justification);
- Part B: Two Suggestions in Detail
- Part C: Clarification if any;

Draft Tariff Regulation, 2019; Part A # 1

'Need for New/ Separate Regulations

- Depreciation Rates applicable to entire Electricity Sector

'Need for Additional Provisions'

- Swapping the Coal/Generation Resource(s)
- RLDC Fee/ Charges u/s 28 (4) of the Act
- Charges for Use of ISTS/ Transmission Tariff'
- Scheduling Below Technical Limit'

Draft Tariff Regulation, 2019; Part A # 2

To Modify or Add New 'Definitions'

- 'Date of Commercial Operation'
- Date of Commercial Operation' of LTA
- Economic Life and Fair (Useful) Life
- Force Majeure Events – Operation Period
- Fuel Supply Agreement' (FSA)
- 'GCV as received'
- Plant Load Factor' (PLF)

Draft Tariff Regulation, 2019; Part A # 3

'Financial and Economic Parameters'

- Rational '**Rate of Return on Equity**' – Allow different 'RoE' based on Construction Period(s)
- Rational for lower Interest Rate during Operation
- Allow only Debt for 'Change in Law' Investment
- Notify Depreciation as an 'Expense'
- 'Change Salvage Value to 15% (~~Earlier 10% Draft 5%~~) & Nil' for HEPs that need transferred back as per IA
- Allow R&M only for 'Change in Law' during Fair Life
- RoE to bear expenses of 'Interim Arrangements';
- Evolve Different Capital Structure – Post Fair Life

Draft Tariff Regulation, 2019; Part A # 4

'Miscellaneous'

- Lenders – Necessary Party to Tariff Determination
- **Review Consequences:** Mismatch of Commercial Operation Date(s) of interdependent Assets
- Review Consequences: Failure to Supply Coal;
- Review IDC – Anomaly for Low Equity Base Assets'
- Review Hydro Tariff – Anomaly 1st Year of Operation
- Explore Market Forces to deal with Infirm Power;
- Separate Treatment after Fair (Useful) Life;
- Deregulate once (normal) R&M Scheme is taken up;
- Modify Scope and extent of application – to apply on merits to the Pending Tariff Petitions

Draft Tariff Regulation, 2019; Part B # 1

Mis-match of Commercial Operation Date(s)

- **Generator(s) – Party # A;**
IA (s) b/w A & B
- **Interstate Transmission Licensee(s) – Party # B**
TSA (s) b/w B & C; TSA (s) b/w A & B
- **Distribution Licensee(s) – Party # C**
PPA(s) b/w A & C

Hon'ble Commission

- **Consumers – Party # D**

**Why Penalty for IA/ TSA b/w A&B
Should pass on to D (or C)**

Draft Tariff Regulation, 2019; Part B # 1

Mismatch of Commercial Operation Date(s)

- NTPP – Sasaram Line CoD : July 2012;
- Nabinagar TPP CoD: January 2017; [+ 4 Years Delay]
- Tariff Paid for Delay Period

Suggestion:

- Shift CoD of Line to Jan 2017;
- Dedicated Line – No Alternate Use; No Revenue;
- Capitalise ‘Watch & Ward + Insurance’ (as O&M);
- Capitalise 100% Interest (Debt) & 50% RoE (Equity);
- Adjust Penalty for delay (Generator) in Capital Cost;
- 50% RoE – Business Risk; No Depreciation; No Tax;
- No Incentive; Future Transmission Tariff to pay;

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Mismatch of Commercial Operation Date(s)

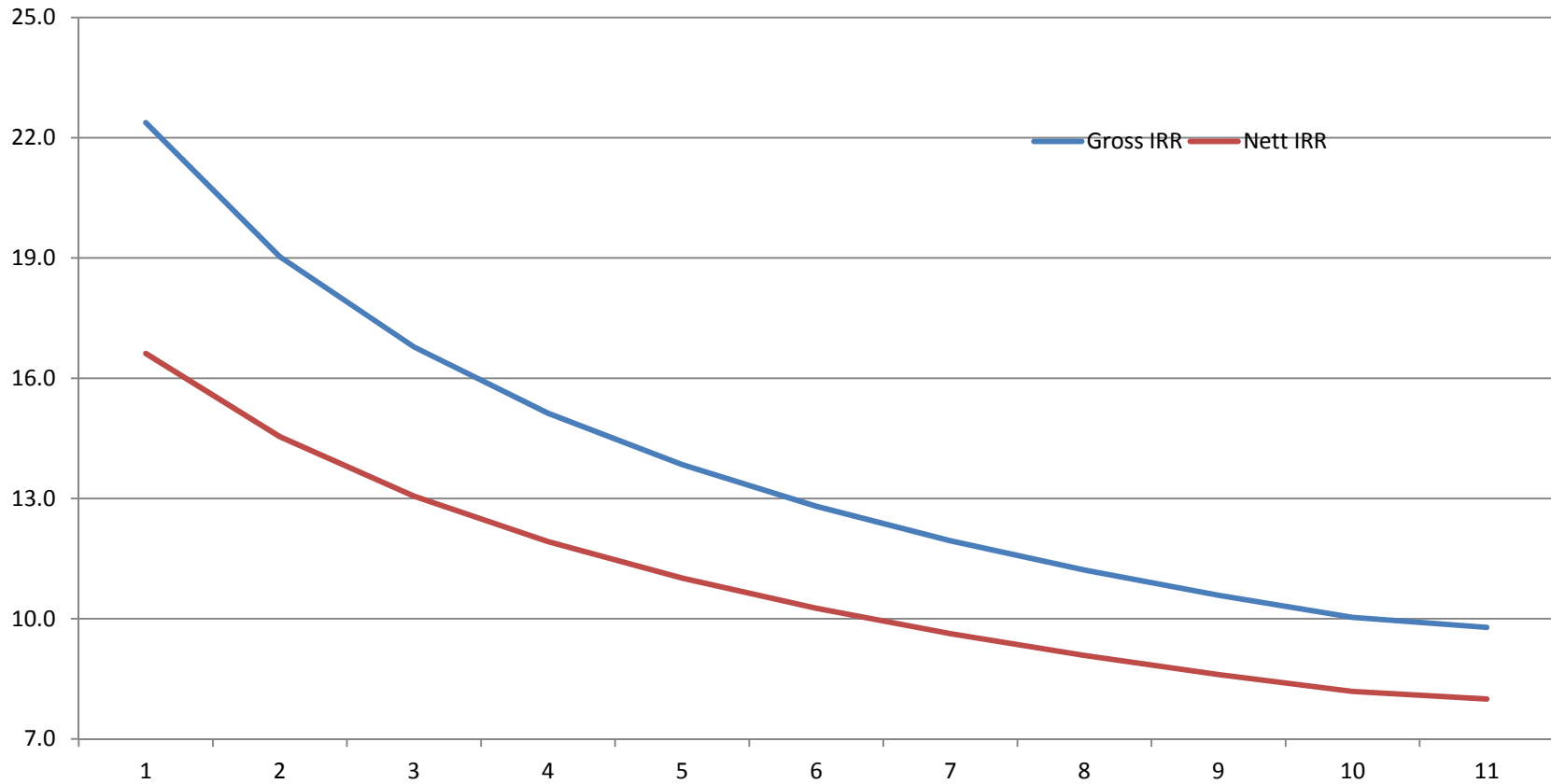
- Teesta HEP: CoD : Dec 2016 to March 2017;
- Kishanganj – Teesta III HEP Line CoD: Dec 2019

Suggestion:

- **+2 Years mismatch**; Shift CoD of HEP to Dec 2019;
- Allow Part Capacity Sale for Delay Period thro STOA;
- From Revenue, Adjust O&M, 50% of RoE, then 100%
- Interest upto 100% and 50% RoE – as is sustainable;
- Adjust Differential Revenue in Capital Cost;
- Adjust Penalty for delay (Tr. Lic.) in Capital Cost;
- Adjust RoE in Capital Cost for future Tariff;

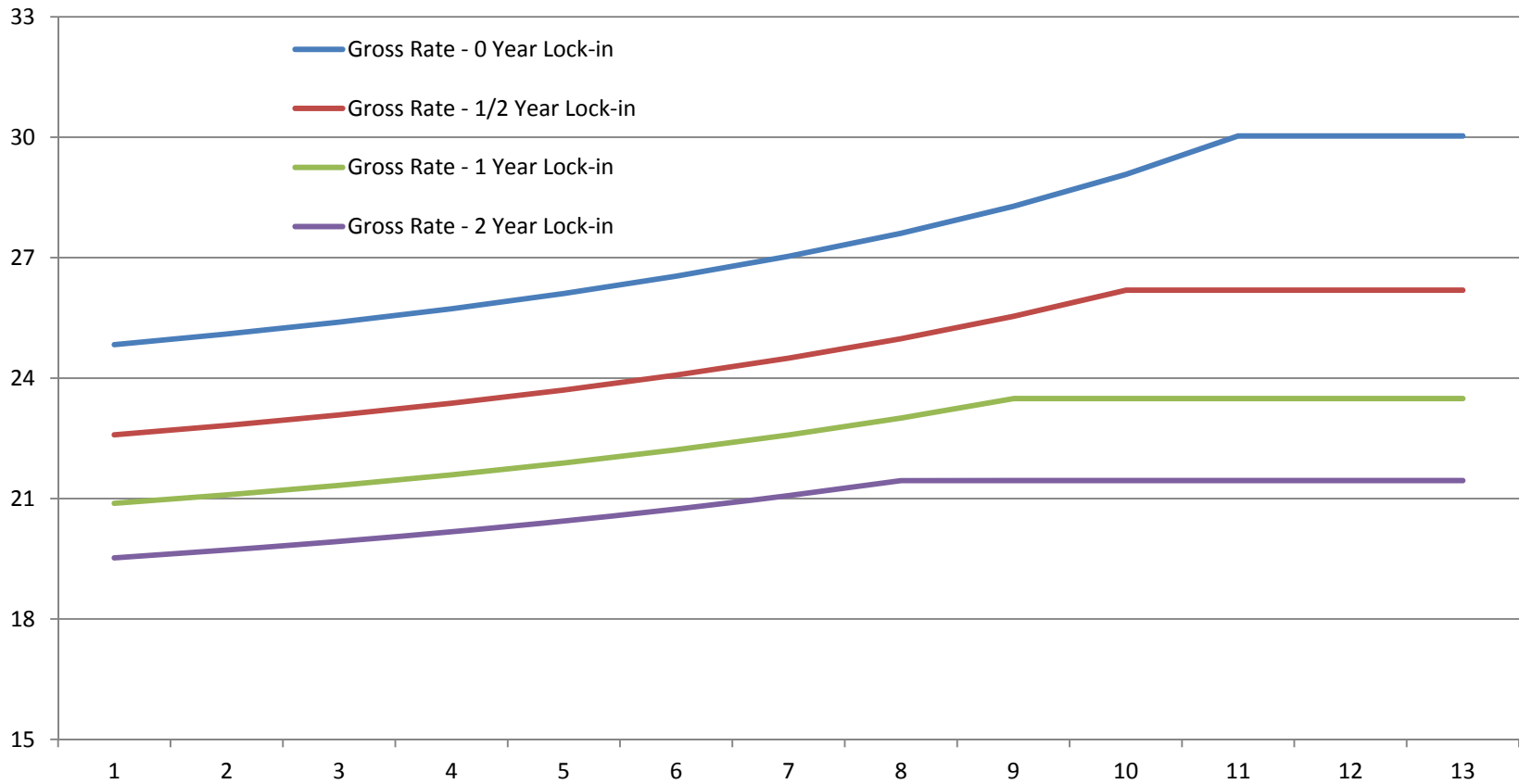
Draft Tariff Regulation, 2019; Part B # 4

Return on Equity (% p.a) vs Lock-in Period (Years)



Draft Tariff Regulation, 2019; Part B # 4

Gross RoE (% p.a) vs Operation Year of Investment



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Part C

Any Query Please !

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Thank you !!!