

Date, 1st Feb, 2019

Key Points of BRPL Comments on Draft Tariff Regulation FY 2019-24

Interest on Working Capital

Draft Regulation 34 (1) (a) (v) envisages that the working capital shall cover cost of coal for 15 days for pit-head generating stations and 20 days for non-pit head generating station , In this regard, it is **proposed that** the number of days considered for cost of coal should be further reduced, as:-

- As per the CEA website, there have been several instances in the past where the generating station does not have sufficient coal for stock of 15/20 days. The same is evident from actual average fuel stock extracted by this Hon'ble Commission in the Explanatory Memorandum at Para 13.5.2.
- Most generating companies do not have sufficient coal stock. Hence, the working capital allowed to them shall be appropriately reduced to be representative of the actual stock.

Therefore, in view of the above, the working capital must be further reduced for pit-head & non-pit head plants.

Normative Plant Availability Factor

Draft Regulation 59(A)(a): The normative plant availability factor has been reduced to 83%, however based on the following we believe that NAPF for off peak hours should kept at 85% inline with existing regulations

- As per data provided under clause 16.5.1 of the explanatory memorandum, the average plant availability of thermal plants (Coal & Gas fired plants) is about 88%.
- Since October, 2018, MoP has allowed import of coal for CPSUs. Thereby, mitigating the risk associated with shortage of coal arising out of limited domestic coal production.

Hence, we recommend that the NQPAF should be revised to 85% for off-peak. In case of peak hours since the generators would be allowed to recover 25% additional capacity we recommend that NAPF for peak hours should be increased to about 95%, to ensure availability when the power is needed the most.

Capping of Controllable Parameters for ECR for Gain Sharing

As per clause 70,(2) of the generators shall share the gains realized on account of efficiency for the following parameters

- Station Heat Rate;
- Secondary Fuel Oil Consumption;
- Auxiliary Energy Consumption; and

The ECR Net Gain is computed by comparing the ECR normative and Actual

Since the objective of this exercise is to share efficiency gains, we recommend that the actual values of controllable parameters be capped at normative values to ensure that inefficiency of the generator on any of the above parameters is not used to dilute the gains of beneficiaries.

We would also request the Hon'ble commission to define time lies for sharing of gains, and in case of delays the credit may be provided along with carrying cost

Reduction of Salvage Value

- Draft regulations provide that the salvage value of the asset shall be considered as 5% and depreciation shall be allowed up to maximum of 95% of the capital cost of the asset.
- As per clause 5.5.1 of Explanatory Memorandum Hon'ble commission has lowered the salvage value for all generating & transmission companies to offset the impact of increase in useful, however, useful life of thermal plants (coal & gas fired) and transmission life has not been increased.

Hence we would urge Hon'ble Commission to maintain the salvage value at 90% inline with existing regulations

Computation of Declared Capacity of Hydro Stations

As per clause 54(3) of draft regulation the definition of DCi should be minimum of three hours, the relevant extract is reproduced below

“DCi = Declared capacity (in ex-bus MW) for the ith day of the month which the station can deliver for at least three (3) hours, as certified by the nodal load dispatch centre after the day is over. “

This is inline with prevailing regulation, however during computation of PAF for hydro plants the average of peak hours is being considered.

This practice increases the fixed cost burden of beneficiaries as annual capacity charge recoverable for hydro stations is not capped at its approved AFC as in the case of thermal plants

Concerns & Way forward with regard to GCV loss

Concerns

- The difference in GCV as billed by coal company and as received at plant is ranging between 13% & 18%
- This GCV loss (in-efficiency in coal transportation/handling) is leading to an incremental impact on energy charge which ranges between 14% & 20%

Recommendation

- Standardization of method of measurement of GCV on Air-Dry Basis for procurement of coal
- Hon'ble commission is requested to determine normative losses for quality (GCV) during transportation
- Normative quantity & quality losses may be adjusted in GCV & quantity of coal at mine end to arrive at the landed cost of coal and GCV for computation of energy charge

Three Part Tariff

It is proposed that the annual fixed cost (AFC) of generating station may consist of the following two components:

Recoverable on Plant Availability Basis:

- Interest on loan
- Depreciation
- Return on equity ROE% (equivalent to Wt. avg. actual loan rate)
- Operation and Maintenance expenses (equivalent to Employee cost only).

Recoverable on PLF/Capacity utilization:

- Return on Equity (ROE) balance% (Roe % as per regulation less Wt Avg Loan rate).
- Operation and Maintenance expenses balance.
- Interest on working capital.

Less: Non Tariff Income

THANK YOU