

Views of GRIDCO Ltd., Odisha
on Draft CERC (Terms and Conditions
of Tariff) Regulations, 2019

FIXED COST

- **Regulation-30(2): Return on equity**

- Thermal Generating Station: 15.50 14.00%
- Transmission & Communication System: 15.50 14.00%
- Run of the River Hydro Generating Station: 15.50%
- Storage type Hydro Generating Station: 16.50%

Justification:

- K P Rao Committee: Resources from return and depreciation are used as internal resources for capacity addition programmes.
- CAC, 21st Meeting: Effective RoE lower than 15.5%.
- CEA: No coal based capacity addition till 2027.
- No extra Thermal Generation Capacity → No investment → No risk.
- Transmission Sector → Relative risk – Low
- Hydro Generation → Relative risk – More
- SBI Base Rate: On 01.04.2014 → 9.65% and on 10.12.2018 → 8.5%

- **Regulation-33(5) 1st Proviso: Depreciation** Period of Repayment of Loan should be increased from 12 to 18 Years.

	<u>Draft Reg.</u>	<u>GRIDCO's Proposal</u>
➤ As per Regulation-3(79): (Useful Life)		
◦ Coal/Lignite Based Thermal Generating Station –	25	40
◦ AC and DC sub-station –	25	40
◦ Hydro Generating Station –	35	40
◦ Transmission Line –	35	40

- As per Companies Act, 2013: Salvage Value-5%, but the useful life is not in line with the said Act.
- Generating Station and Transmission Systems designed for full load with factor of safety.
- Apprehension on Technical Limitations ruled out.
- Thermal Power Plants to operate at around 60% upto 2027.
- Lower O&M expenses.
- Flexible structuring of Long Term Project Loans as per RBI's Notification.

- **Regulation-34(1)(a)(i): Interest on Working Capital**
 - For Pit-head generating stations 15 10 days of Coal and limestone stock.
 - For Non Pit-head generating stations and 20 15 days of Coal and limestone stock.

Justification:

- NEP (Generation): C1.5.10 - PLF of Coal based Plants will hover around 56.5% in 2021-22 to 60.5% in the year 2026-27.
 - Requirement of Coal will come down drastically
 - Explanatory Memorandum: Commission has arrived at the average Coal Stock basing on the data for F.Y. – 2012-13 to F.Y. – 2016-17 as 16.5 days for Non-Pit Head Plants and 11.3 days for Pit Head Plants
- **Regulation-35(1): Operation and Maintenance Expenses** Employee Expenses, Repair and Maintenance Expenses and Administrative and General Expenses need to be scaled down proportionately with the PLF of Coal based Plants.

Justification:

PLF of Coal based plants will hover around 56.5% in 2021-22 to 60.5% in 2026-27

- **Regulation-42C: Interest on Working Capital** Needs to be deleted since Provision is already there for stacking of Coal at Generator end.
- **Regulation-51(7): Computation and Payment of Capacity Charge for Thermal Generating Stations** Incentive to generating station @ 50 35 paise / kWh for ex-bus scheduled energy during Off-Peak period.

Justification:

- Reasonable to incentivise the Generating Company to generate more than 85% PLF during Peak Load hours
- To maintain an equilibrium with CERC Tariff Regulations, 2014, 35 Paise/kWh may be incentivised in excess of NQPLF for Off-Peak energy.

Energy Charges

- **Regulation-3(31):** 'GCV as received' means the GCV of coal or lignite as measured determined at the ~~unloading~~ receiving point of the ~~thermal generating station~~ as per terms and conditions of the Fuel Supply Agreement through collection, preparation and testing of samples from the loaded wagons, trucks, ropeways, Merry-Go-Round (MGR), belt conveyor and ship in accordance with the IS 436 (Part-1/Section 1)-1964:


Provided that the measurement of GCV of coal or lignite along with associated moisture levels shall be carried out through Third party sampling ~~to be appointed by the generating companies~~ in accordance with the guidelines, ~~if any,~~ issued by Central Government;

Provided further that samples of coal or lignite shall be collected either manually or through hydraulic augur or auto samplers or through any other method considered suitable; ~~keeping in view the safety of personnel and equipment:~~

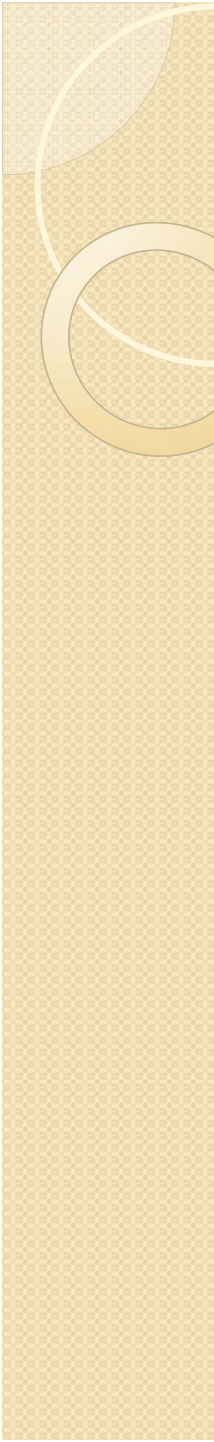
Provided also that ~~the generating companies may adopt~~ any advance technology for collection, preparation and testing of samples for measurement of GCV of Coal and associated moisture level in a fair and transparent manner through online coal analysers shall be carried out alongwith online publication of the analysis result.

Justification:

- Unloading point of the Generating Station is not necessarily the receiving point.
- There can not be two receiving points of Coal, when the Coal Supplier and Generator have agreed for transfer of title of goods (Coal) at the mines end.
- For own transportation system i.e. MGR, the Generator receives Coal by its own container at mines end and through other modes of transportation as per terms and conditions of the FSA.
- GCV is measured on Air-dried basis and moisture is also measured simultaneously.
- Auto-Samplers are available.
- Separate Safety Regulations
- On-line Coal Analysis and On-line publication of Test Results will exhibit transparency.
- Issue of 'Stage of Sampling' for determination of GCV pending in Hon'ble High Court of Delhi and Honble APTEL.

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- **Regulation-47** (Components of Landed cost of Primary Fuel):
 - Adjustment towards quantity and quality should be **as per terms and conditions of the Fuel Supply Agreement.**
 - Bill by the Generating Company to the Beneficiaries should accompany the Test Reports towards determination of GCV as well as Moisture Levels for each consignment corresponding to the bills.
 - Details of adjustment in terms of quality and quantity should also be furnished by the Generating Company along with the Bill to the Beneficiaries.
 - **Regulation-49** (Computation of Gross Calorific Value):

Copies of Coal bills and details of parameters of GCV **and Moisture Level** and price of fuel, details of blending ratio of the imported coal with domestic coal, proportion of e-auction coal should also be displayed on the website of the generating company **prior to raising of the Energy Bills to the Beneficiaries and shall continue at least for the Control Period.**

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- **Regulation-52.2.(a)** No justification for specifying the Loss in GCV to the extent of 85 kCal/kg on account of variation during storage at Generating Station.

Justification:

- The loss in GCV, recommended by CEA is the gain for Coal Supplier which should be recovered by the Generator from the Coal supplier instead of recovering from the Beneficiaries/Consumers.
- SoR to CERC Tariff Regulations, 2014:
 - Loss of GCV insignificant, even if stored for a period of 1 year.
 - SHR having sufficient margin to absorb the negligible difference.

- **Regulation-46** Variable Cost Energy Charge: The variable cost Energy Charge in respect of the thermal generating Stations shall comprised landed fuel cost of primary fuel, and Cost of secondary fuel oil consumption and cost of reagents on account of implementation of the revised emission control standards.

Justification:

Requirement of Chemicals and Reagents in day to day use in a Thermal Power Plant such as for Water Treatment and other Purging purposes is met from O&M Expenses. Similarly, the reagents to be used for operation of the Emission Control System should also be included in O&M Costs.

- **Regulation-48**

The landed cost of coal or lignite during the month shall include the transit and handling losses as per the following norms:

Pit head	-	0.20%
Non-pit head	Upto 1000 KM	0.80%
	Above 1,000 KM	1.20%

Justification:

- Pit Head and Non-Pit Head Stations may be defined.
 - No basis for allowing the above transit and handling loss
 - As per CAC, Commercial risk to be shared between Railways and Power Utilities.
- Proposed **Form-15** in modified manner furnished to bring in more clarity in quality and quantity of the Fuel for billing.

Normatives

- **Regulation-59(A)(a)**: NQPAF for all thermal generating stations, except those covered under Cl. (b), (c), (d), & (e) – 83 86%
- **Regulation-59(B)(a)**: NQPLF for Incentive for all thermal generating stations, except those covered under Cl. (b), (c) – 85 88%

Justification:

- Cl.16.6.1 of the Explanatory Memorandum: Availability Factor of the NTPC Plants (29) varies from 96.39% and 86.75%
- Shortage of Coal ruled out due to availability to the extent of 90%

- **Regulation-59(A)(f)**: For Talcher TPS NQPAF – 90%, NQPLF – 92%

Justification:


As per Explanatory Memorandum, the Average PAF of Talcher TPS is 93.91%

- **Regulation-59(C)(b)(i)** For Coal-based and lignite-fired Thermal Generating Stations: 1.05 1.04 X Design Heat Rate (kCal/kWh)

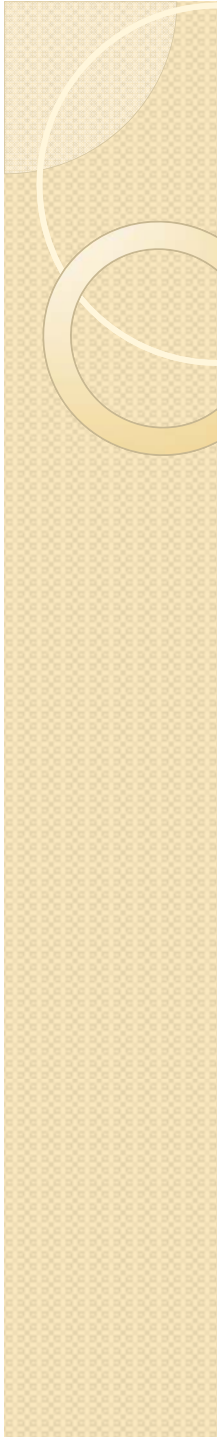
Justification:

Cl.5.11(f) of Tariff Policy, 2016: The norms should be progressively reflecting increased efficiencies

- **Inter State Transmission Loss**: Norm should be specified.
 - Cl. 21.3.1(b) of Explanatory Memorandum: Transmission Losses of about 4.5 - 5% – has got no basis.
 - Inter-State Transmission System is very much under-loaded
 - CEA to determine ISTS Loss.
 - Proposed for 3-3.5% with necessary trajectory for reduction of Transmission Loss.

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- **Regulation-65 (Billing and Payment of charges):** physical copy of the Bill in Original accompanied by associated documents to be submitted at the office of the Authorised Person should only be recognized as valid mode of presentation of Bill.
 - **Regulation-68 (Rebate):**
 - 7 days time for 2% Rebate (2 days inadequate)
 - Graded Rebate System within the period of DPS Date should be there.
 - Bill should be accompanied by all associated documents
 - **Regulation-69 (Late Payment Surcharge):**
 - 60 days time for imposing LPS (45 days to put an undue financial pressure)
 - 1.00% LPS per month (Cost of financing on reducing trend)
 - **Regulation-70 (Sharing of Gains):**
 - Generating Company should submit Data Sheet on the Net Gain as per Regulation 72(2) along with the Original bill.
 - In case of no net gain, a Nil Report should also be furnished along with the Original Bill.

The written submission of GRIDCO has already been submitted to Hon'ble CERC covering other Regulations also, which may kindly be considered towards finalisation of CERC Terms and Conditions of Tariff Regulations, 2019



Thank You