

Comments on CERC Draft Tariff Regulation 2019-24



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Operation & Maintenance Expenses



- North East Transmission Company Ltd. a single project company in NER .
- Having line length of 662.8 Kms of 400 KV D/C from Palatana to Bongaigaon.
- Traversing through difficult terrains of
 - Assam
 - Meghalaya
 - Tripura states.
- Critical factors influencing O&M
 - Hilly and dense forest area
 - Infringement by fast growing trees like bamboo etc.
 - Brahmaputra river unpredictably changes its course .
 - Line falls under theft prone area like Hailakandi etc.
 - Arduous approaches due to frequent road blockages.
 - Land sliding due to heavy rainfall (about 7-10 times more than All India Average)
 - Heavy rain fall



Operation & Maintenance Expenses



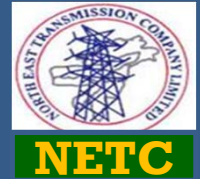
comparison among the said area and rest of the Indian states is shown in table below

Average annual rainfall of the states of India

State	Meteorological Divisions	Average annual Rainfall(mm)
Assam	Assam and Meghalaya	2818
Meghalaya	Assam and Meghalaya	2818
Tripura	Nagaland, Manipur, Mizoram and Tripura	1881
Average rainfall in India		300-600



Operation & Maintenance Expenses



- The O&M a real challenge in such difficult terrain.
- Requires additional financial resources towards.
 - Comparatively more manpower than plane area.
 - Additional site offices/stores due to difficulty in movement of man and material.
 - Additional cost for head loading of material in hilly forest area.
- Being a single project company, the corporate office expenses need to be compensated.
- O&M expenses in NER is comparatively higher than average O&M expenses.



Operation & Maintenance Expenses



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O&M expenditure over and above CERC norms (Refer table below).
(Amount in Lakhs)

S.No.	Year	O&M Charges Spent By NETC	O&M Charges Allowed by CERC	Variance (short)/Excess	%tage (Short)/Excess
1.	2014-15	902.11	331.21	-570.90	-172.37%
2.	2015-16	1374.33	484.49	-889.84	-183.67%
3.	2016-17	1307.78	500.41	-807.37	-161.34%
4.	2017-18	1324.85	516.98	-807.87	-156.27%
5.	2018-19	1371.72* (estimation)	534.20	-837.52	-156.78%

➤ NETC Average O&M Expenditure is 166.08% more than CERC norms.



Operation & Maintenance Expenses



O&M rate per km allowed by CERC in Regulation 2014-19 and 2019-24
(Refer table below). (Amount in Lakhs)

Year	Rate	Year	Rate
2014-15	0.707	2019-20	0.845
2015-16	0.731	2020-21	0.872
2016-17	0.755	2021-22	0.900
2017-18	0.780	2022-23	0.929
2018-19	0.806	2023-24	0.959
Average rate per km	0.7558		0.901

ENTREATY:

- To consider Average rate Rs. 1.4957 (0.901×1.66) lakh per km for SPV in NER/NR area.



Additional Allowance



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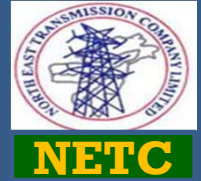
- The Hon'ble CERC has recognised this fact for hydro Generating Stations.
- Special allowance of 5% allowed for difficulties in north east region for operation of Hydro Generating Stations.
- Difficulties in operation of lines in NER:
 - Line covering larger area through difficult terrain.
 - Line not concentrated in limited area.
 - Safety and Security major issue to clear infringements for safe operation of lines.

ENTREATY:

- **To consider , additional allowance of Rs.0.075 (1.4957*.05%) lakh per km for Lines in NER/NR area.**



Return on Equity



- Review of Regulation 30 (2) (i) of the draft regulation.
- Various force majeure reasons in NE Region for delay in completing the project:
 - Geographical area
 - Difficult in forest clearances
 - Difficulty in procurement of materials
 - Rainy season
 - Delay in the signing of agreements between the transmission company and beneficiaries and so on.
- To consider relaxation in regulation for additional capitalisation after cut-off date within the original scope on account of change in law events or force majeure reasons.

CERC may consider allowing

- (a) RoE on Ad-cap after cut off date at reduced rate of 14.5% instead of 15.5%
- (b) Recovery at lower return (debt rate) for new projects which are yet to be commissioned.

Sharing of Saving in interest due to re-financing



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- Review of Regulation 71 of the draft regulation

ENTREATY:

- An example/explanation towards sharing of re-finance benefit may be included for better clarity.





THANK YOU

