

# Comments on CERC Draft Tariff Regulations 2019-24

ONGC Tripura Power Company Ltd

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# **O&M Expenses (Regulation 35.1.3)**

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(3) Open Cycle Gas Turbine/Combined Cycle generating stations:

(in Rs Lakh/MW)

Year	Gas Turbine/ Combined Cycle generating stations other than small gas turbine power generating stations	Small gas turbine power generating stations	Agartala GPS	Advance F Class Machines
FY 2019-20	16.24	34.38	41.00	25.00
FY 2020-21	16.76	35.48	42.31	25.80
FY 2021-22	17.30	36.62	43.66	26.63
FY 2022-23	17.85	37.79	45.06	27.48
FY 2023-24	18.42	39.00	46.50	28.35

*“For advance class gas power stations, actual normalised O&M expenses has not been considered as out of total three such generating stations, the average plant load factor during last five years of two generating stations, namely RGPPL and Sugan was 14% and 35% respectively, while the third generating station, namely OTPC has been operational for less than three years till FY 2016-17.*

***Therefore, it would not be appropriate to determine the normative O&M expenses for the tariff period 2019-24, based on the actual data available from FY 2012-13 to FY 2016-17.”***

- *“For gas based advance F Class machines, the Commission has observed **large variation between the actual expenses of three generating stations as against existing O&M expenses norms.** The Commission has further noted that as there is significant difference in the average PLF levels of these three generating stations during the past 5 years, **it would not be appropriate to consider the actual O&M expenses to determine the norm for the new tariff period.** Therefore, the Commission has decided to consider the O&M expenses norms for FY 2018-19 as base figure, escalate the same by 3.20% (escalation factor for thermal generating stations) and take 70% of the same to arrive at the base figure for FY 2019-20. Thereafter, it is escalated by 3.20% for deriving the figures for the remaining years of the tariff period.”*

# Separate Normative O&M Expenses for OTPC

- ❖ Commission observes that normative O&M expenses cannot be determined
  - ✓ Only 3 stations using Advanced F-Class Machines
    - ❑ Large variation in actual expenses of these stations vis existing O&M norms
    - ❑ Significant difference in average PLF levels of Sugan & RGPPL and OTPC operational for less than 3 years till FY 2016-17
  - ✓ Insufficient data to frame Normative O&M for 2019-24
- ❖ No new gas station envisaged in next control period

**Hon'ble Commission may consider framing separate normative O&M expenses for OTPC Palatana Power station based on the likely O&M expenses to be incurred by each of them in the next control period.**

# LTSA Costs

- ❖ **Major component of O&M cost**
- ❖ **Cost based on operating hours**
- ❖ **Generators do not have sufficient influence on LTSA cost**
  - ✓ OEMs are very limited in number
  - ✓ Technology is proprietary in nature
- ❖ **Operation at lower PLFs**
  - ✓ Due to envisaged integration of RE power
  - ✓ **Increased Annual Maintenance Cost.** OEM does not recommend non-PM mode for extended period of time
    - ❑ Accelerate combustion hardware degradation
    - ❑ Reduce GT maintenance intervals
    - ❑ Annual LTSA cost: 10 times annual regular cost
  - ✓ **Increased NOx emissions beyond allowed levels**
    - ❑ RGPPL has highlighted this concern to the Hon'ble Commission in petition no. 8/MP/2019
  - ✓ **Plant stability getting affected**
    - ❑ Turbines heavily prone to tripping
    - ❑ Machines can only operate in CC mode
- ❖ **Warranty in initial years; No Warranty cover in next control period**
- ❖ **Higher maintenance cost and maintenance events in the next control period (2 MI and 1 HGPI vs 1 HGPI)**

**Commission may give due cognizance to projected LTSA costs for arriving at normative O&M expenses separately for OTPC**

# O&M Costs & Escalation

## ❖ O&M Cost other than LTSA

- ✓ Located in remote NE region
- ✓ No Gas Grid
- ✓ Prone to higher
  - ❑ Manpower & Material Cost
  - ❑ High civil/maintenance costs: Details submitted in tariff petition

## ❖ Escalation of O&M Cost

- ✓ LTSA payment in USD exposes firms to forex fluctuation risks (~5% annually)
- ✓ LTSA escalation rate of 5% per annum contractually
- ✓ WPI/CPI levels of 3.2% very low: No margin for contingency
- ✓ High hedging cost at 7-8%

Year	Total O&M Cost (Rs lakhs)	Rs lakhs/MW
2019	22,698	31.24
2020	22,403	30.83
2021	20,721	28.52
2022	20,218	27.83
2023	36,318	49.98
2024	35,483	48.83
<b>Average</b>	<b>26,307</b>	<b>36.21</b>

### **National Tariff Policy 2016**

*“f) Operating Norms Suitable performance norms of operations together with incentives and disincentives would need to be evolved along with appropriate arrangement for sharing the gains of efficient operations with the consumers. Except for the cases referred to in para 5.11(h)(2), the **operating parameters in tariffs should be at “normative levels” only and not at “lower of normative and actuals”.***

# O&M Expenses (Regulation 35.1.3)

Commission may consider allowing:

- (a) Separate normative O&M expenses for OTPC Palatana Power station based on the likely O&M expenses to be incurred by each of them in the next control period
- (b) Higher normative O&M expense to OTPC for the next control period considering the location of OTPC plant
- (c) Annual escalation of normative O&M Expenses in the range of 7-8%

OR

- (a) Retaining the normative O&M expenses for Advanced F Class machines at the level of FY 2018-19 as mentioned in Tariff Regulations of 2014-19 with 6.83% escalation for FY 2019-20
- (b) Annual escalation of normative O&M Expenses at the present levels of 2014-19 Tariff Regulations for arriving at yearly normative expenses from FY 2020-21



# **Recovery of Capacity Charges**

## **(Regulations 51(1) and (2))**

# Recovery of Capacity Charges (Regulations 51(1) and (2))

## ❖ Escalation of fuel supply a challenge during peak hours

- ✓ Isolated gas fields in Tripura with no gas storage facilities
- ✓ Gas wells in remote areas
- ✓ Fuel Supplier has expressed its inability to conform to the requirements
- ✓ Technical limitation for OTPC to adhere to proposed norms

## ❖ OTPC Operating at lower PAF

- ✓ Palatana facing short supply of gas; Historically low PAFs [56%, 67%, 64% & 72%: FY 16-19]
- ✓ Commission had relaxed NAPAF to 76% for Palatana
- ✓ Commission has allowed relaxed NQPAF of 72% to other station in NE
- ✓ Allowance of 5% NQPAF for Hydro in North East

**Commission may kindly consider:**

- Excluding OTPC station at Palatana to operate at variable loads during Peak and Non-Peak hours**
- Giving special dispensation to OTPC by reducing its NQPAF to 76%**

# **Working Capital (Regulations 34(b) (iv))**

# Working Capital (Regulations 34(b) (iv))

- ❖ Beneficiaries unable to liquidate dues within 60 days
  - ✓ Beneficiaries have been withholding payments for ~10 months;
  - ✓ Increased outstanding dues in the books of generators
- ❖ Revenues of OTPC not protected under schemes like Tri-Partite Agreement
  - ✓ Tri-Partite agreement provides for application of Late Payment Surcharge on cumulative basis
- ❖ Beneficiaries unable to provide payment security in form of LC
- ❖ Draft Regulations reducing Late Payment Surcharge from 1.5% to 1.25%
  - ✓ Dues of discoms increasing
  - ✓ Decreasing LPSC may not give appropriate signal to the market
- ❖ Deterrent for timely payment required
  - ❖ Late payment surcharge may be retained at 1.5% but levied on cumulative basis
  - ❖ LPSC rate may be increased further after 6 months of outstanding dues

**Commission may consider allowing**

**(a) Maintaining receivables under working capital at 60 days**

**(b) Maintaining Late Payment Surcharge at 1.5% but on cumulative basis and increase after 6 months**

# **Additional Capitalization**

**(Regulation 30.2 (i))**

# Additional Capitalization (Regulation 30.2 (i))

- ❖ Ad-cap admitted by Commission after prudence check
- ❖ Certain uncontrollable factors may inhibit generators to make Ad Cap by cut off date
- ❖ CERC has proposed recovery at wt. avg. rate of interest of debt portfolio
  - ✓ No incentive for generators to invest in incomplete works
  - ✓ No incentive for generators to reduce Debt rate: Rate passed on for recovery of AFC
- ❖ Equity Infusion by OTPC is already low at 25.74% than normative equity of 30%
- ❖ Commission may consider maintaining regulatory Certainty for projects in operation
- ❖ To bring discipline, Commission may
  - ❖ Allow generators to earn RoE after cut off date: Basis points less than Normative RoE (e.g. 14.5%)
- ❖ Commission may remove retrospective effect: For Plants with COD after 1.4.19

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.

# **Auxiliary Energy Consumption**

## **(Regulations 59 E (c))**

# Auxiliary Energy Consumption (Regulations 59 E (c))

- ❖ CERC, 2014-19 (2.5% AEC) for CCGT, 2019-24 (2.75% AEC) for CCGT
- ❖ Palatana uses Electric Motor Driven GBC which use in excess of 1% of total generation
  - ✓ Gas delivered at low pressure of 15 kg/cm<sup>2</sup> by fuel supplier
  - ✓ GBC required to increase the pressure to ~32kg/cm<sup>2</sup>
  - ✓ CERC had allowed 3.5% AEC for Palatana due to above fact
- ❖ CEA has recommended
  - ✓ AEC of 3.5% for OTPC
  - ✓ Additional AEC at part load of gas based thermal station
- ❖ OTPC had anticipated 3.5% AEC at installed capacity
  - ✓ Higher Actual 4.3% AEC at Palatana than normative
  - ✓ Due to part load operations and Electric Motor Driven GBC

CERC may consider allowing

- (a) AEC of 4.3% for Palatana as per historical data, use of Electric driven GBC and recommendation of CEA
- (b) Including the reasoning of Electric Motor Driven GBC in the tariff regulations itself



THANK YOU!!