

THDC INDIA LIMITED

***COMMENTS ON
TARIFF REGULATIONS
2019-24***

Prudence Check of Capital Expenditure

Refer Regulation No. 19(2)

- Cost of Govt. owned projects is vetted by the expert agencies like CEA, CWC and Revised Cost Committee of MoP.
- After vetting by the above agencies, the Investment Approval is accorded by CCEA on recommendations of PIB.
- Therefore, in case of CPSEs an independent agency for vetting of Capital Cost is not required.

Additional Capitalisation Beyond the Original Scope

Refer to Regulation No. 25(1)

Following may be considered in Capital Expenditure:

- Payment made under Govt. Office Order of NITI Ayog relating to award of arbitration challenged in Court of Law may be allowed.
- The deletion of Clause No 14(3)(vii) and Clause No 14(3)(viii) of Tariff Regulations 2014 shall adversely impact the add cap expenditure being done in power stations for:
 - efficient operation of the plant,
 - any expenditure which has become necessary on account of damage caused by natural calamities and due to geological reasons Therefore these clauses may not be deleted and may be retained at 25(1) (f) & (g).
- The following Clause may be added:
25(1) (h) Any expenditure which has become necessary on account of Land and R&R issues.

Operation and Maintenance Expenses

Refer to Regulation No. 35(2)(a)

- (a) Capping of 4% should be removed.
- (b) O&M expenses of first year may be fixed at 2.5% and 4% of the original project cost (excluding cost of R&R works) for the stations more than 200 MW and less than 200 MW respectively.

In case IDC and IEDC is also excluded from the original project cost the above charges may be fixed at 3% and 4.5% respectively.

Since the O&M Expenses constitutes of 60-65% of employee remuneration, which has annual escalation of approximately 7-8%, therefore, Escalation rate on O&M expenses may be retained as 6.64% per annum.

Computation and Payment of Capacity Charge and Energy Charge for Hydro Generating Station

Refer Regulation 54(3)

DC_i may be defined as:

DC_i= Average Declared capacity (in ex-bus MW) for the *i*th day of the month which the station can deliver for at least three (3) hours (Peak Hours), as certified by the nodal load dispatch centre after the day is over.

Rationale:

Hydro Stations with a balancing reservoir are operated based on the inflow from U/s Power Stations and outflow as per Irrigation requirements resulting in the change of Reservoir levels during the day. Due to this DC during peak hours may be non-uniform. Considering this, average DC during peak hours is to be considered as per present practice.

Norms of Operation for Hydro Generating Stations

Refer Regulation No. 60(4)

- NAPAF and DE of Tehri HPP and KHEP power stations have been approved based on 90% availability year data derived from actual hydrological data of the basin for the period 1964 to 2007.
- Basis for reviewing the normative parameters using a short period data (say 5 yrs.) appear inappropriate as probability of repetition of 90% availability year happen to be once in 10 years.
- In FY 2010-11 PAF of Tehri HPP was 74.4%.
- Water is continuously required to be released to meet requirement for irrigation, drinking water and religious snans.
- In Koteshwar Project one machine is running continuously for 24 Hrs. Only the remaining water is used for peaking.
- Because of these factors, it becomes difficult to declare capacity equal to what is available / possible on a particular day.
- In case actual PAF being less than the NAPAF, there will be severe financial implications as it will lead to shortfall in recovery of AFC and there is no compensation mechanism for such shortfall in the regulation.
- Since, there is no change in hydrological data till now, same NAPAF i.e. Tehri HPP – 77% and KHEP-67% may be retained.

Additional Comments

The following Regulation may be added:

Payment Adjustment Mechanism

The payments received from beneficiaries shall be adjusted on FIFO basis (First in First Out) by way of adjusting the LPS (Late Payment Surcharge) and Energy bills in such a way that the oldest bill is adjusted first.

In case the dates of bill for principal dues and Late Payment Surcharge are same then outstanding amount of LPS bills shall be adjusted first and after that principal dues of the same date shall be adjusted

Justification:

It has been experienced in past that most of the beneficiaries are not releasing the payments against LPS bills. Further, in case generating company suo-moto adjust the payments against the LPS bills on FIFO basis, beneficiaries are not ready to reconcile the outstanding dues. Therefore, there is strong need to incorporate this Regulation for adjustment of payment, including Late Payment Surcharge.

Thank you