



Association of Power Producers

Ref: APP/DG/2019-20/1320

14th June, 2019

Shri Sanoj Kumar Jha,
Secretary,
Central Electricity Regulatory Commission,
3rd Floor, Chanderlok Building, Janpath,
New Delhi – 110 001

Sub: Compensation mechanism for generating companies in lieu of part load operation as per IEGC Fourth Amendment Regulations, 2016.

Dear Sir,

The Commission notified Central Electricity Regulatory Commission (Indian Electricity Grid Code) (Fourth Amendment) Regulations, 2016 on 29.04.2016. Subsequently, in terms of these Regulations, the Hon’ble Commission vide Order dated 05.05.2017 approved the “Mechanism for Compensation for Degradation of Heat Rate, Aux Consumption and Secondary Fuel Oil Consumption, due to Part Load Operation and Multiple Start/Stop of Units” effective from 15.05.2017.

The Hon’ble Commission in the said Order had directed the Regional Power Committees (RPCs) to seek feedback on the operation of the compensation mechanism from the stakeholders for assessment of the efficacy of the Compensation Mechanism. Accordingly, the members of Association of Power Producers had also submitted their comments to the RLDCs. However, it seems that the comments of the members have not been communicated to the Hon’ble Commission. Therefore, we would like to bring to your attention the following provisions in the mechanism which is against the spirit of compensating the generators for part load operation.

- (1) As per the mechanism approved by the Hon’ble Commission, the compensation is computed on month-wise cumulative basis considering one year as one block. As you are aware, there is no compensation for PLF above 85%. Consequently, a part of loss suffered during the period when PLF is below 85% cannot be recovered when compensation is computed on cumulative PLF as it gets nullified by the time blocks when PLF is above 85%. Further, there is degradation of operational parameters for operation between 85%-100% PLF also. However, the approved methodology allows compensation only below 85% PLF. This anomaly does not allow full compensation to the generating companies for actual loss suffered due to part load operation. An illustration in this regard is as follows:

For a typical supercritical unit of 660 MW, the Heat rate loss for a day is as follows:

12 Hours running @ 75% & 12 Hours running @ 95%					
PLF (%)	No. of Hours	% Hours	SHR loss as per OEM Curve* (kcal/ kWh)	Compensation as per existing CERC Methodology (considering one year as a block)	Compensation if it is allowed time block wise (Kcal/kWh)
95	12	50	4.44	0.00	0.00
75	12	50	44.34		13.6

* As per OEM curve considered by CERC for deciding the compensation levels in the 4th Amendment to the IEGC Regulations, 2016.



By running the unit 12 hrs each at 95% and 75%, actual Heat rate loss suffered would be 4.44 kcal/ kwh and 44.34 kcal/kwh respectively. But on daily average basis, SHR loss becomes ZERO as per current regulation. Further, the heat rate correction provided by the Hon'ble Commission is also inadequate as the actual SHR loss suffered as per Design curve is much higher as compared to the current regulation.

The above provision is against the principle laid down by the Commission in Para 10.3.5 of the Statement of Reasons that **the generator should be adequately compensated** for the loss of operational parameters due to operation of units at such technical minimum load below the normative operational level of 85%. Allowing time block wise compensation for the blocks when PLF is below 85% would allow recovery of full compensation to the generators.

- (2) APP members have also raised concerns relating to damage being caused to the metallurgy of the boiler and other parts due to frequent start/stops and the consequential additional capital expenditure required for renovation of the plant/equipment to mitigate such impact (reduction of the useful life of the plant). While the power plants supplying power under regulated tariffs are allowed relief through additional capital expenditure, such a dispensation is not available for the plants supplying power under competitive bidding regime. It requested that Section 63 projects should be allowed similar relief to restore the developer to the same economic position which could not be envisaged at the time of bid.

In light of the above, we request the Hon'ble Commission to review the above provisions and initiate suo-motu proceedings to remove above anomalies in the Regulations through appropriate mechanism.

With regards,

Yours sincerely,
For Association of Power Producers,

A handwritten signature in black ink, appearing to be 'Ashok Khurana', written over a horizontal line.

(Ashok Khurana)
Director General