

Comments regarding Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (First Amendment) Regulations, 2020

The emission control system being provided by TPP's is in accordance to MoEF & CC order dated 07.12.2015 towards following stringent environmental norms. It will not be reasonable to place the entire burden of implementing environmental norms on the citizens of India, in accordance to section 61(d) of EA 2003, (Commission to specify the terms and conditions of tariff determination safeguarding the consumers interest) it is proposed to broadly modify the draft regulations so that the generator needs to be provided with relief which is limited to actual expenditure without providing any option towards profit making particularly in respect of Emission Control System. Hence following modifications are proposed in the First Amendment Regulations, 2020:

Amendment no.	Regulation no.	Amendment proposed by CERC	Proposed modifications to Amendment	Rationale
-	3(57)A	-	'Scheduled Commercial Operation Date of ECS' or 'SCOD _E '	SCOD of ECS needs to be defined since the same will be the basis for payment of Interest During Construction (IDC) and Incidental Expenditure during Construction (IEDC). The definition shall include the period with which the CoD has to be achieved based on the Capacity of the project.
12.2	30(3)New Clause	12.2. A new clause, namely, Clause (3) shall be added after Clause (2) of Regulation 30 of the Principal Regulations, as under:		The investment being made towards environmental constraints, the

		<p>“(3) The return on equity in respect of additional capitalization due to emission control system shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or in the absence of actual loan portfolio of the generating station, the weighted average rate of interest of the generating company as a whole shall be considered;”</p>	<p>The return on equity in respect of additional capitalization due to Emission Control System shall be limited to the minimum rate of interest of SBI yearly MCLR as on 1st April of the Financial year or weighted average rate of interest on actual loan portfolio of the emission control system or the generating station or the generating company whichever is lower.</p>	<p>Generating Company shouldn't be allowed to make any profit in the form of Return on equity. The rate needs to be fixed at bare minimum. Alternatively Govt. of India can be requested to issue necessary directions to the Nationalized banks to provide Loans for ECS at lower interest rate.</p>
13	32(5a)	<p>13.1. A new clause, namely, Clause (5a) shall be inserted after Clause (5) of Regulation 32 of the Principal Regulations as under: “(5a) The rate of interest on loan for emission control system shall be the weighted average rate of interest of actual loan portfolio of the emission control system or in the absence of actual loan portfolio, the weighted average rate of interest of the generating company as a whole shall be considered.”</p>	<p>The rate of interest on loan for emission control system shall be limited to the minimum rate of interest of SBI yearly MCLR as on 1st April of the Financial year or weighted average rate of interest on actual loan portfolio of the emission control system or the generating station or the generating company whichever is lower.</p>	<p>Alternatively Govt. of India can be requested to issue necessary directions to the Nationalized banks to provide Loans for ECS at lower interest rate.</p>

16	<p>35(1)(7) The additional operation and maintenance expenses on account of implementation of revised emission standards shall be notified separately: Provided that till the norms are notified, the Commission shall decide the additional O&M expenses on case to case basis.</p>	<p>35(1)(7) The operation and maintenance expenses on account of emission control system in coal or lignite based thermal generating station shall be 2% of the admitted capital expenditure (excluding IDC & IEDC) as on the date of its operation, which shall be escalated annually at the rate of 3.5% during the tariff period ending on 31st March 2024:</p> <p>Provided that income generated from sale of gypsum or other by-products shall be reduced from the operation & maintenance expenses.”</p>	<p>The operation and maintenance expenses on account of emission control system in coal or lignite based thermal generating station shall be 1% of the admitted capital expenditure (excluding IDC & IEDC) as on the date of its operation, which shall be escalated annually at the rate of 1.5% during the first 3 years of installation of ECS. The O& M expenses payment shall be subject to truing up as per actuals limited to normative of 1%.</p> <p>Provided that income generated from sale of gypsum (Minimum quantity of gypsum generated for PLF of 85% shall be as per operation norms) or other by-products shall be reduced from the</p>	<p>Considering the fact that due to utilization of common facilities, the increase in Operation and Maintenance expenses may not be significant and since quantification of normative Operation and maintenance expenses is difficult at this stage due to absence of adequate data, it is proposed to keep the expenses at minimum rate of 1% so that after 3 years the same can be finalized based on actuals.</p> <p>The minimum quantity of gypsum generated for PLF of 85% in respect of different capacity Generating Stations based on different Desulphurisation technologies needs to be indicated in operation</p>
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21	42(2) Provided that in case of generating station or unit thereof under shutdown due to Renovation and Modernisation, the generating company shall be allowed to recover O&M expenses and interest on loan only.	21.1. In the proviso under the formula under Clause (2) of Regulation 42 of the Principal Regulations, the words “or installation of emission control system, as the case may be” shall be inserted after the words “Renovation and Modernisation”.	Provided that in case of generating station or unit thereof under Shutdown due to Renovation and Modernisation, the generating company shall be allowed to recover interest on loan and 50% of the normative O&M expenses only.	It is proposed to allow O&M expenses of 50% of normative O&M expenses since expenses incurred during shutdown will be very less compared to that incurred during working of the TPP. The same can be decided based on actual O&M expenses incurred by NTPC TPPs during renovation and modernisation.

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