

Tariff Regulations 2019

Second Amendment

Comments of TANGEDCO

Welcome Moves

- ◉ Regulation for Integrated Mines – Will make the input price fixation process more transparent
- ◉ Elimination of Capacity Utilisation Factor: No risk venture, Identified beneficiaries and assured return. Hence CUF not required.
- ◉ 7 days stock for Lignite mines

Clause No. / Regulation No. in the Draft Regulations	Description as per Draft Regulation	Comments of TANGEDCO	Explanation
Regulation 3, Clause (15a)	A new Clause, namely Clause (15b) shall be inserted after "(15b). Date of Commencement of Production' in respect of an integrated mine means the date of touching of coal or lignite, as the case may be, as per the Mining Plan;"	Proviso to be added: "Provided that a certificate in this regard issued by a third party inspection agency need to be furnished."	To overcome any ambiguity, the Certificate issued by third party agency (appointed by the Commission / Ministry of Coal) need to be included in the Petition for determination of Lignite Price.
Regulation 3, Clause (25)	Force Majeure	A new proviso stipulating the Force majeure condition for Integrated mines may be included	Force Majeure conditions specific to Mines may be included to prevent ambiguities later.
Regulation 3 Clause (38)	Integrated Mine	A new proviso to be included: "Provided that the Lignite/ coal excavated from a mine (Integrated Mine) linked to a specific generating station should not be used to other generating stations without the prior information to the utilities."	The beneficiaries are servicing the entire cost of the mines integrated to the generating station. Hence any sale from the integrated shall be done so with proper information to the beneficiaries.

Clause No. / Regulation No. in the Draft Regulations	Description as per Draft Regulation	Comments of TANGEDCO	Explanation
Regulation 3, Clause (40)	<p>A new proviso shall be added after first proviso of Clause (40) of Regulation 3 of Principal Regulations as under:-</p> <p>“Provided further that in respect of the integrated mines, funding and timeline for implementation shall be indicated separately and distinctly in the Investment Approval.”</p>	<p>The words “In line with the approved mining plan” may be included after Investment Approval.</p>	<p>Self-explanatory</p>
Regulation 3, Clause (45)	<p>The full stop (.) at the end of Clause (45) shall be read as colon (:) and a proviso shall be added under Clause (45) of Regulation 3 of the Principal Regulations as under:-</p> <p>“Provided that for an integratedmine, the Operation & Maintenance Expenses shall be as admissible in accordance with these regulations.”</p>	<p>The components included in the normative Operation and Maintenance Expenses need to be specified. It is not clear if wage revision has been factored in the O & M expenses. In the event of increase in O&M expenses due to wage revision the procedure to calculate the difference in O&M need to be specifically mentioned.</p>	<p>In the circumstances like wage revision, the O&M gets revised, but instead of including such O&M in the existing O&M, the difference due to wage revision are collected separately. Due to this technique adopted by the Generator like NLC, the O&M escalation will be more than the percentage normatively allowed.</p>

Clause No. / Regulation No. in the Draft Regulations	Description as per Draft Regulation	Comments of TANGEDCO	Explanation
Regulation 5, Clause (2)	<p>A new Clause, namely Clause (3) shall be added after Clause (2) of Regulation 5 of the Principal Regulations as under:-</p> <p>“(3) The date of commercial operation in case of an integrated mine, shall mean the earliest date amongst the following:</p> <p>.....</p> <p>Provided that in case the integrated mine is ready for commercial operation but is prevented from the declaration of date of commercial operation for reasons not attributable to the generating company, its suppliers or contractors, the Commission may approve another date of commercial operation, considering the reasons that prevented the declaration of the date of commercial operation.”</p>	<p>Proviso to be added :</p> <p>Provided that once the Commission approves the date of commercial operation of integrated Mines as per the Petition filed by the Generator, if there is delay in the commissioning of the linked generation station, the delay and financial implications, if any, are attributable to the Generator only and not to be passed on the utilities.</p> <p>Provided further that, in case if there is delay in commissioning of the generating station, the cost of the lignite/coal excavated should not be included in the Pooled cost and the Lignite Price for such Mine which is commissioned prior to the DOCO of the generating station, shall be treated as standalone price until commissioning of the linked generating station.</p>	<p>Provisions need to be added for treatment of delay in commissioning of the integrated generating station.</p>

Clause No. / Regulation No. in the Draft Regulations	Description as per Draft Regulation	Comments of TANGEDCO	Explanation
Reg 9	<p>The full stop (.) at the end of Clause (4) shall be read as colon (:) and a new proviso shall be inserted after the first proviso under Clause (4) of Regulation 9 of the Principal Regulations as under:-</p> <p>“Provided that a generating company with integrated mines shall file separate petition for determination of input price of coal or lignite</p>	<p>Two more provisos may be given to this Regulation as below :</p> <p>Provided that the Generating company should, well in advance (prior to 7 days) give information to the utilities on the details about the commercial operation of the Mines and the status of the linked generating stations.</p> <p>Provided further that the generating company while filing the separate petition for determination of input price of coal/lignite shall also file a copy of the approved mining plan along with the Petition</p>	<p>Similar to the Generating companies giving intimation to beneficiaries regarding the commercial operation declaration, the COD of mines may also be intimated to beneficiaries.</p> <p>Further a copy of the mining plan is to be uploaded along with the Petition for the benefit of the utilities.</p>

Clause No. / Regulation No. in the Draft Regulations	Description as per Draft Regulation	Comments of TANGEDCO	Explanation
Reg 11	<p>A new clause, namely Clause (2) shall be added as under:-</p> <p>“(2) The generating company undertaking any additional capitalization in integrated mine on account of change in law events or force majeure conditions may, if the estimated expenditure exceeds 10% of the admitted capital cost of the integrated mines or Rs.100 crore, whichever is lower;”</p>	<p>The proposed Clause (2) shall be modified as below:</p> <p>“(2) justification for such expenditure, if the estimated expenditure exceeds the admitted capital cost of the integrated mines irrespective of the cost involved”</p>	<p>The notification should be given irrespective of the cost involved.</p> <p>Force majeure to be defined for integrated mines, as requested in Regulation (3), Clause 25</p>

<p>Regulation 13</p>	<p>A new clause, namely Clause (1a) shall be inserted after Clause (1) of Regulation 13 of the Principal Regulations as under:-</p> <p>“(1a) The input price of coal and lignite from the integrated mines of the generating station for the period 2019-24 shall be trued up for:</p> <p>a) the capital expenditure including additional capital expenditure incurred up to 31.3.2024, as allowed by the Commission;</p> <p>b) the capital expenditure including additional capital expenditure incurred up to 31.3.2024, on account of Force Majeure and Change in Law, as admitted by the Commission.”</p>	<p><u>A new proviso shall be included</u></p> <p>“Provided, in the event of the Petitioner (Generator) offers a lesser Price for coal / lignite than the price determined by the Commission in any year, then that offer price shall be the final trued-up price for that year”</p>	<p>In order to get scheduling from the Utilities, in case, the Petitioner (Generator) on its own offers a lesser lignite price than the lignite price determined by the Commission, the Petitioner should not be permitted to revise the Lignite price in upwards than the price offered by them earlier. Since, the Petitioner has enjoyed the Merit Order rankings and has pushed other generators to lower rank, the Petitioner at a later date (ie) after truing up cannot claim a upward lignite price.</p> <p>Hence the proviso is suggested</p>
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Clause No. / Regulation No. in the Draft Regulations	Description as per Draft Regulation	Comments of TANGEDCO	Explanation
Reg 36 Clause 4	<p>A new clause, namely Clause (4) shall be added after Clause (3) of Regulation 36 of the Principal Regulations as under:-</p> <p>“(4) In case of excess or short recovery of input price under Clause (2) or Clause (3) of this Regulation, the generating company shall refund the excess amount or recover the short amount, as the case may be, with simple rate of interest, equal to the bank rate prevailing as on 1st April of the respective year of the tariff period, in six equal monthly instalments.”</p>	<p>A new proviso may be included after clause (4) as below:</p> <p>“Provided if there is any delay on the part of the generating company with integrated mine in filing the petition, or delay in issue of order for some reason, then interest portion is not applicable for the delayed period”</p>	<p>In the case of delay in filing the Petition (or) delay in determination of the lignite price, the utilities should not be burdened by charging the interest on the difference portion.</p>

<p>Regulation 36</p> <p>Clauses (2) & (3)</p>	<p>Clauses (2) and Clause (3) of Regulation 36 of the Principal Regulations shall be substituted as under:-</p> <p>“(2) The generating company shall, after the Date of Commercial Operation of the integrated mine till the input price of coal is determined by the Commission under these regulations, adopt the notified price of Coal India Limited commensurate with the grade of the coal from the integrated mine, as the input price of coal for the generating station:</p> <p>.....</p> <p>(3) The generating company shall, after the Date of Commercial Operation of the integrated mines, till the input price of lignite is determined by the Commission under these regulations, fix the input price of lignite for the generating station at the last available pooled lignite price as determined by the Commission for transfer price of lignite;</p>	<p>Two new proviso may be added to Regulation 36 as below:</p> <p>Provided that the pooled price shall not include the price of coal/lignite excavated from mines and sold in open market.</p> <p>Provided that once the generator enjoys MOD ranking by quoting lesser price on their own, the Commission shall fix the price so quoted by the generator or the price determined by the Commission whichever is lesser on achieving COD as the input price for the tariff period and this rate shall be considered for adjustment in accordance with Clause (4) of this Regulation.</p>	<p>In this regard, to cite an example, M/s. NLC have charged a lesser price of Rs. 1950/ MT to TANGEDCO during 2018-19 as against Rs. 2661/- (Pooled mine cost) fixed by the Hon’ble Commission and declined to give an undertaking that the difference in price shall not be trued up at a later date.</p> <p>M/s. NLC has now filed P.No: 452/MP/2019 with a trued up price of Rs. 2085/- .</p>
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36C	<p>Additional Charges: (1) Where crushing, transportation, handling or washing are undertaken by the generating company without engaging Mine Developer and Operator, additional charges shall be worked out as under:-</p> <p>Provided that separate transportation charges, as applicable, shall be considered from mine upto washery end or coal handling plant associated with the integrated mine and beyond washery end or coal handling plant associated with the integrated mine and up to the Loading Point, as the case may be;</p>	<p>A second proviso may be added after the existing first proviso after 36C(1)(ii):</p> <p>Provided that wherein the lignite excavated from the Integrated Mines are taken to the loading points through the conveyor system which are normally accounted as O & M Expenses the transportation charges and handling charges are not applicable</p>	<p>The Lignite excavated from the Integrated Mines are taken to the loading points through the conveyor system which are normally accounted as O & M Expenses, therefore, the transportation charges and handling charges need to be removed.</p>
36D	<p>Capital Cost: (1) The expenditure incurred, including IDC and IEDC, duly certified by the Auditor, for development of the integrated mine up to the Date of Commercial Operation, shall be considered for arriving at the capital cost.</p>	<p>A proviso may be added after 36D(1)</p> <p>Provided that if there is any delay in achieving the COD of the mines, and if the reasons for the delay is attributable to the generator/ mining company, then the IDC and IEDC pertaining to the delay period shall be borne by the generator/ mining company.</p>	<p>While calculating the IDC/IEDC, the delay period due to any events shall be differentiated as controllable / Non-controllable factors and the Hon'ble Commission may define both the factors in respect of integrated mines.</p>

36G	<p>Capital Structure, Return on Equity and Interest on Loan: (1) For an integrated mine, the debt-equity ratio as on the date of commercial operation and as on the date of achieving Peak Rated Capacity shall be considered in the manner as specified under Clause (1) of Regulation 18 of these regulations:</p> <p>Provided that for integrated mine in respect of lignite with Date of Commercial Operation prior to 1.4.2019, the debt-equity ratio already allowed by the Commission for the period ending 31.3.2019 shall form the basis for computation of input price.</p>	<p>A new clause (5) shall be added as below:</p> <p>In case, the Utilities cancels the Power Purchase Agreement, with the Generator who is the owner of the integrated Mines, the utilities are not liable for payment of Return on Equity / Interest on debt from the date of cancellation of PPA.</p> <p>The debt equity ratio shall be maintained at 80:20</p>	<p>Since the Utilities have only executed the PPA and not the FSA, the utilities should not be forced to bear the Return on Equity, Interest on Loan and the outstanding principal of loan component if any borrowed by the Generator who is also the owner of the integrated mine.</p> <p>In the event of cancellation of PPA, the Generator (mine owner) will still be able to sell the power in the exchange market or they find alternate utility. Therefore, the existing utility which has cancelled the PPA shall not be forced to pay the outstanding equity / loan components if any.</p> <p>In the present scenario of increased RE penetration, the discoms are forced to back down conventional generators to accommodate RE power. Hence in case of opting out of PPA in future, the discoms shall not be made to bear the RoE and Interest on Loan for the outstanding loan.</p>
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Clause No. / Regulation No. in the Draft Regulations	Description as per Draft Regulation	Comments of TANGEDCO	Explanation
36K	<p>36K. Mine Closure Expenses: (1) Where the mine closure is undertaken by the generating company, the amount deposited in the Escrow account as per the Mining Plan, after adjusting interest earned, if any, in the Escrow account shall be admitted as Mine Closure Expenses:</p> <p>.....</p>	<p>A fifth proviso may be added to Regulation 36K as below :</p> <p>Provided that the information on the Mine closure expenses deposited and Interest earned on the Escrow Account, need to be shared with the beneficiaries on annual basis.</p>	<p>Earlier, the Ministry of Coal, in its notification dated. 27.8.2009 has issued the guidelines for preparation of Mine closure Plan.</p> <p>In respect of Mines owned by NLC, the Mine closure expenses are included as a component in the lignite price with an escalation of 5% every year. The amount so far collected and deposited in the Escrow Account and the details of utilisation of such amount have not been shared with the beneficiaries-</p>

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Reg 59	<p>A new Clause shall be added after Clause (1) of Regulation 59 of the Principal Regulations as under:-</p> <p>“(2) The charges payable by a beneficiary or long term customer shall be first adjusted towards late payment surcharge on the outstanding charges and thereafter, towards monthly charges levied by the generating company or the transmission licensee, as the case may be, starting from the longest overdue bill.”</p>	<p>This clause is to be removed in total, as it is against the interest of the discoms and end consumers.</p>	<p>The discoms in the country are in severe financial crisis and struggling to stay afloat. So adjusting the payment made by discoms towards surcharge first will only lead to further accumulation of dues and degradation of the financial health of the discoms. On the other hand, the generators are running on profit. Hence in the benefit of the discoms and end consumers, this clause shall be removed.</p>

The image features a vibrant, abstract background composed of various geometric shapes in shades of yellow, orange, red, purple, and teal. Each shape has a subtle, marbled texture. In the center, a white circle contains the words "THANK YOU" in a clean, black, sans-serif font, arranged in two lines.

THANK
YOU