

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

Clause (6) of Regulation 18

New Clause to be added:

“(6) Any expenditure incurred for the emission control system during the tariff period as may be admitted by the Commission as additional capital expenditure for determination of supplementary tariff, shall be serviced in the manner specified in clause (1) of this Regulation.”

❑ CESC's comments:

- ✓ Due to prevailing volatile financial market in India including stress in the banking sector, developers / IPPs are finding it difficult to raise finance from the banks.
- ✓ Therefore, in case a developer is forced to put incremental equity above normative level for installation of emission control system, the additional equity should not be considered as normative loan (as per Regulation 18 (1) of the Tariff Regulations and RoE on the actual may be provided to the developer.

Amendment of First Proviso to Clause (2) of Regulation 30 – Return on Equity

Proposed change in the proviso:

The words “excluding additional capitalization due to Change in Law,” has been proposed to be deleted.

❑ CESC's comments:

- ✓ Extant Regulation 30 (2) allows full rate of return on equities invested for additional capitalization due to change in law.
- ✓ The proposed change intends to take away this benefit, which is at par with green field investments.
- ✓ Our submission, the distinction of capital expenditure which is forced on the generator due to change in law must be retained. Such investment is akin to a new Greenfield project necessitated by law.
- ✓ It would be unfair that while new projects will get the higher rate of return (including the equity required to meet the expenses for environmental systems), the existing projects – undergoing retrofitting of FGD/SCR/SNCR shall be fetching lower returns.

Amendment of Regulation 35 of the Principal Regulations- Operation and Maintenance Expenses

New Clause to be added:

Sub-Clause(7) of Clause (1) of Regulation 35 of the Principal Regulations along with its proviso has been proposed to be substituted

❑ CESC's comments:

- ✓ Increment of O&M expenses on account of O&M of emission control system may be allowed at 3% of the admitted capital expenditure.
- ✓ Additional 2% proposed may be sufficient for higher size Units of 600 MW and above, but smaller Units of 210 / 250 / 300 MW sizes is likely to require higher proportion of O&M expenses (in %).

Amendment of Regulation 43 of the Principal Regulations- Computation and Payment of Energy Charge and Supplementary Energy Charge for Coal or Lignite based Thermal Generating Stations

New Clause to be added:

Supplementary Energy Charge for coal and lignite based thermal generating stations on account of Specific reagent consumption

□ CESC's comments:

- ✓ Limited data on actual consumption of limestone/other reagents in Indian conditions
- ✓ The normative values may be arrived after 5 years of operation by generators
- ✓ During that period the actual consumption values needs to be considered during the stabilization of the systems.
- ✓ Similarly, the NO_x control system is still at the pilot stage and as such fixing guidelines for specific consumptions of reagent at this stage would be premature.

Amendments of Regulation 49 of the Principal Regulations - Norms of operation for thermal generating station

New Clause to be added:

Auxiliary Energy Consumption (AUXe) on account of emission control system of thermal generating stations

☐ CESC's comments:

- ✓ Increment in Auxiliary Energy Consumption of wet limestone based FGD system (without Gas to Gas heater) may be allowed to 1.5 % on account of :
 - cooling water sourced from existing plant system for the new equipment
 - pumping and treatment of makeup water to emission control system
 - various common services for emission control system
 - installation of RO plant / ZLD Crystallizer system etc
 - Additional transformer losses
 - Uncertainty over purity of lime stone and sulphur content of coal
- ✓ Units of smaller sizes consume more auxiliary power in comparison to higher size units. We request Hon'ble Commission to allow additional 0.5% auxiliary consumption for unit size of 210/250/300 MW or lower
- ✓ Allow a suitable compensation on account of degradation of auxiliary power consumption (APC) if PLF is reduced below normative PLF.