

22/09/2020

Comment on Staff Paper on mechanism of compensation for change in Law on account of change in Emission Standard floated by CERC

Clause 1.7

The compensation mechanism proposed should override the “mechanism for compensation against change in law specified in the PPA already in place”. This will remove the dispute among PPA parties.

Clause 4.9

Life of 25 years for ECS should be reduced with the “Balance PPA- Period” to enable the Generator to recover the tariff component part- 1- (Impact due to Additional capital expenditure), in the form of sufficient cash inflows and to be able to do the debt servicing for the Loan Tenure, which will (obviously) be allowed by Lenders for 15 years / balance PPA period, whichever is less.

Clause 4.11

Cost of capital employed vary from Bank to Bank as well as Generator to Generator. In the Power Sector, being always tagged as “Stressed sector”, the cost of fund is very high (13%-14%) and always remains much more than SBI PLR +3.5% basis (which is at present ~ 11%). In case the real cost of capital is not paid back as a tariff, it will be difficult for Generator to service the capital and will slip to NPA. So either compensate the actual cost of capital or mandate to PFC/REC to fund the project with the stipulated ROI decided by Commission.

Clause 4.14

Additional IWC - Rate of Interest not mentioned. Let it be actual ROI incurred by Generators.

Missed clauses

- (1) Compensation against shutdown of running plant during start of ECS are not provided. Opportunity cost on the basis of previous 12 months billing should be added in the compensation to operational projects.
- (2) Debt: Equity ratio not defined. It should be defined as -- 70:30, 80:20, 90:10 and even 100:00 in case of project where change in ownership is in process.
- (3) Compensation against “Un-tied up Capacity” where PPA is not available, has not be given. The same tariff derived for “PPA capacity” should be allowed to be loaded on Exchange sale as well otherwise Lenders will not finance the ECS Cost.

