

**Comments
on
Draft Tariff Regulation**

**By
BSES Delhi**

Computation of Fixed Charges

1. **Return on Equity**
2. **Interest on loan Capital**
3. **Depreciation**
4. **Interest on working Capital**
5. **Operation & Maintenance Expenses**

Return on Equity (ROE)

- Conversion of equity into cheaper debt
- Debt:Equity to be increased to 80:20

For projects having foreign equity

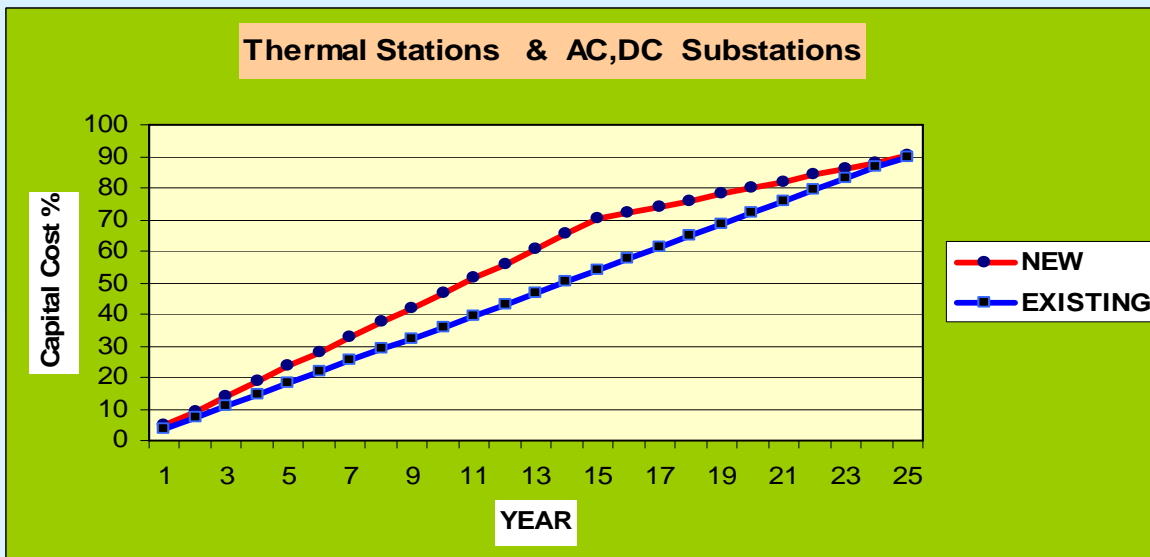
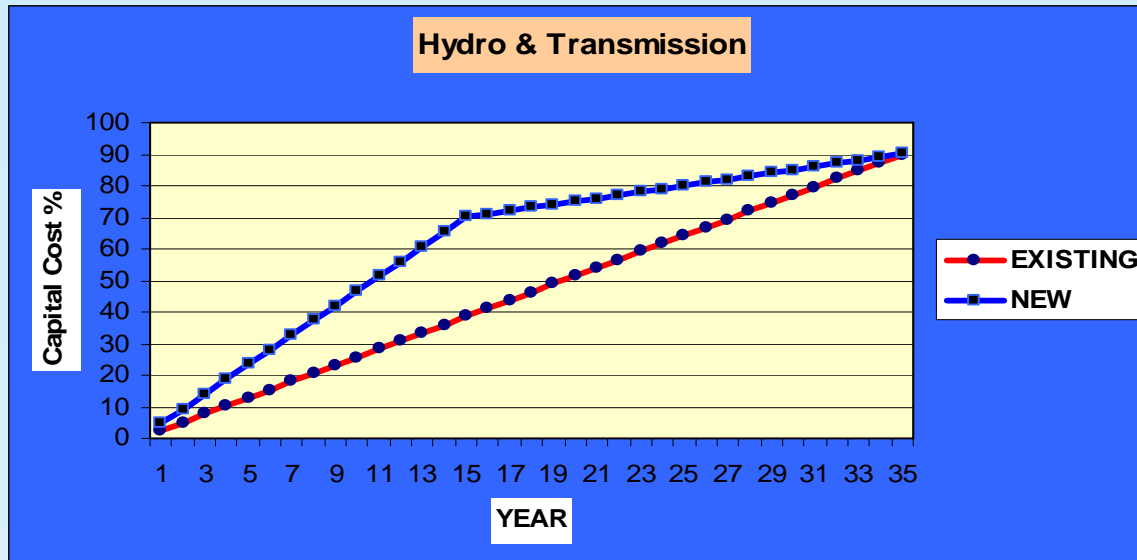
- Parity as per prevailing average (Rs Vs. \$) convertibility rate .
- RoE could be pegged over LIBOR Rate.
- Level Playing Field for Domestic Sponsors.

Interest on Loan Capital

- ◆ **Refinancing benefit to beneficiaries**
- ◆ **Beneficiaries could be authorized to withhold the excess amount arising out of re-financing of loan till issuance of order by the Hon'ble Commission.**

Depreciation

- ◆ Frontloaded tariff
- ◆ Increased Risk



Treatment of accumulated depreciation

- ◆ **Treatment of accumulated depreciation when loan is fully paid**
 - **As per Hon'ble Supreme court order it should be treated as source of fund for financing additional Capex/ R&M**
 - **Should be treated as other income**
 - **Should be used towards reduction in tariff**
 - **Interest on this fund should be passed on**

Interest on working Capital

- ◆ In case of coal /lignite based thermal generating stations ,maintenance spare is allowed @ 20% of O&M Expenses
- ◆ For Badarpur TPS , O&M Expenses has been relaxed to Rs. 27 lakhs/MW against Rs. 15.70 lakhs /MW as per regulation 19.
- ◆ Cost of coal should be for one month for pit-head and 1.5 months for non-pit-head

O & M Expenses

- ◆ **Drastic increase in O&M expenses**
- ◆ **Increase in O&M Expenses of Badarpur TPS to Rs. 27 lakhs/MW against Rs. 20.25 lakhs /MW (allowed earlier by CERC)**
- ◆ **No need for compensation allowance**

Norms of Operation- Generation

- 1. Station heat rate should be further reduced**
- 2. SHR should be trued up after conducting energy audit by independent agency**
- 3. Specific Fuel Oil Consumption should be based on actual consumption 0.2-0.5 ml/kwh**
- 4. Auxiliary Energy Consumption should be further reduced by 1 %**
- 5. Incentive, if any should be based on PLF**

Norms of Operation- Transmission

- ◆ **Incentive should be linked with performance and transmission losses**
- ◆ **Target availability could be further increased being a static system**

Thanks