



**SUBMISSION TO**

**HON'BLE CENTRAL ELECTRICITY  
REGULATORY COMMISSION**

**Comments on  
Draft Tariff Regulation 2009-2014**

4<sup>th</sup> November 2008

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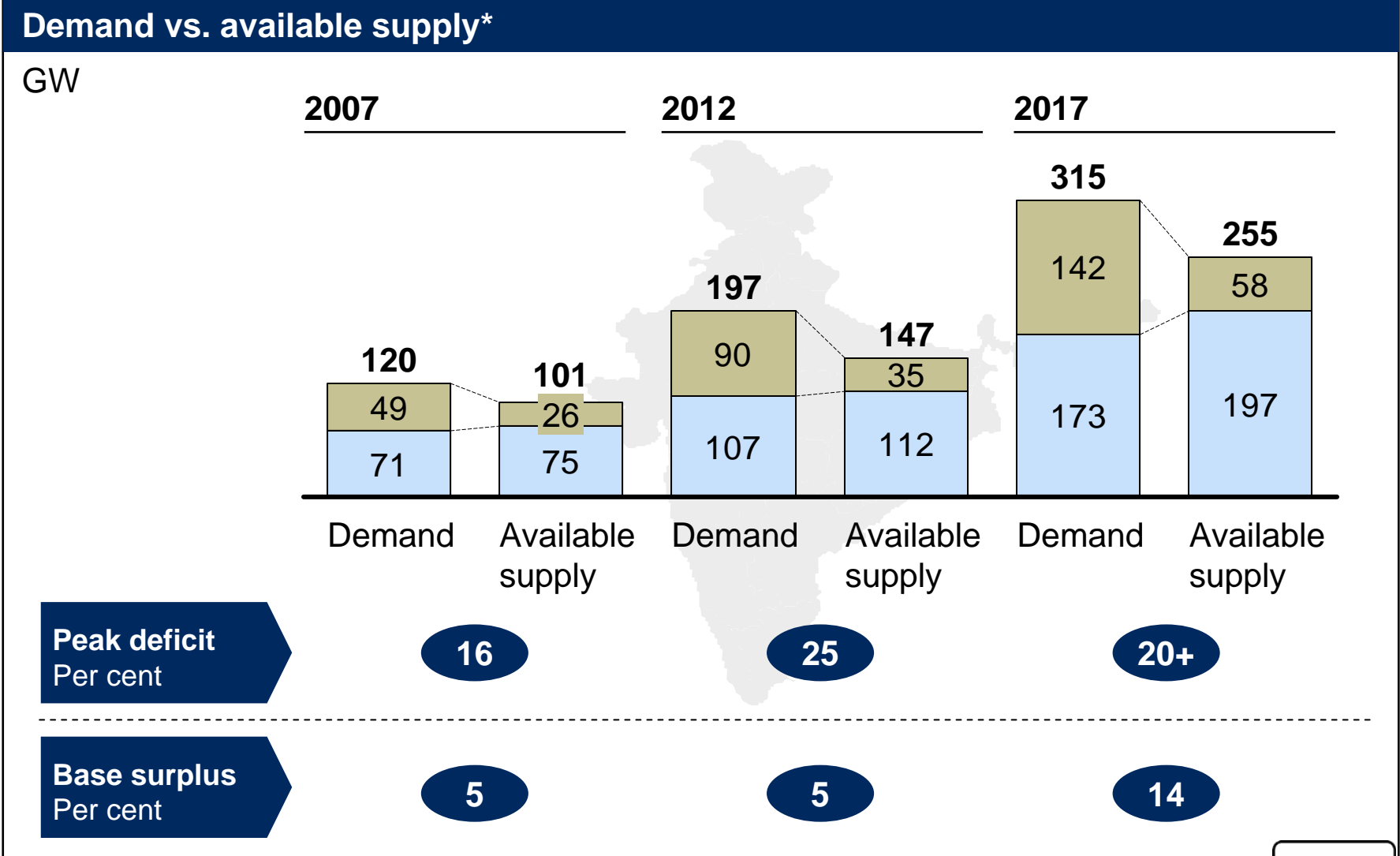


## We believe that the Development in Power Sector need to be guided by 6 principles.

<b><u>PRINCIPLES</u></b>	<b><u>CII SUGGESTION</u></b>
<b>Availability</b>	<b>24/7 Power to all consumers.</b>
<b>Accessibility</b>	<b>Universal service obligation</b>
<b>Reliability</b>	<b>No load shedding, adequate peaking capacity &amp; spinning reserve.</b>
<b>Quality</b>	<b>Stable Voltage &amp; Frequency.</b>
<b>Efficiency</b>	<b>Delivered power to the consumer to reflect most efficient Kw –hr consumed by user to K-Cal fed as fuel.</b>
<b>Affordability</b>	<b>Incentive for efficiency improvement And increase in competition.</b>

# Building baseload capacity alone as per the current plan will not be sufficient to address India's power shortages

■ Peaking ■ Base



\* Including captive

Source: Planning Commission; McKinsey analysis – Integrated Revenue Model (IRM)

# Some Specific Recommendations.

	CII Suggestions
<p><b><u>Return on investment</u></b> (Chapter 4, Para 15)</p> <p>To match Market Expectation</p>	<p>17-18% Post tax</p> <p>Also consider some return during long gestation period . 3-4 years for Thermal, 5-7 years for Hydro.</p>
<p><b><u>Depreciation</u></b> (Chapter 4, Para 17)</p> <p>Should be conducive to secure healthy balance sheet.</p>	<p>For large projects : 5.28% as per Companies Act.</p> <p>For smaller projects (&lt;100 MW) &amp; peaking plants : 8.34% as per Income Tax Act.</p>
<p><b><u>REGULATORY CERTAINTY</u></b></p> <p>For a longer period will attract investment</p> <p>- Normative Plant Availability</p>	<p>Norms for any new unit to be valid for at least 10 years.</p> <p>Retain at 80% and provide incentive for betterment.</p>



# Some Specific Recommendations.

<p><b><u>CDM Benefits</u></b> (Para 36, Chapter. 7)</p>	<p>100% of the CDM proceeds of first 3 years should be allowed to be retained by the generators.</p>
<p>NORMATIVE <b><u>O&amp;M Expense</u></b> (Para 19, Chapter 4)</p> <p>Can be more liberal than specified</p>	<p>For Tanda , Talcher and Badarpur, the actual expense information provided by NTPC , requires provision of additional 40 to 50% on the specified figures.</p> <p>The small gas turbines stations and possible addition of IC engine based station need to be incentivised for meeting <b>peaking demands</b> in load centres. 2009-10 figures should be Rs. 20 Lakhs/ MW with escalation @ 10% per year.</p>
<p><b><u>Interest on working capital</u></b> (Para 18, Chapter 4)</p> <p>To consider the actual working situation.</p>	<p>In the calculation, at least 60 days receivable &amp; one month O&amp;M expenses to be considered for Generation Company.</p> <p>The norm should be adjusted on annual basis considering variation in cost of fuel, spares etc.</p>
<p><b><u>Norms of auxiliary power consumption</u></b> (Para 26, Chapter 5)</p> <p>for small Gas Turbines &amp; IC engine based station, used for peaking purpose.</p>	<p>Combined Cycle 5%</p> <p>Open Cycle 3%</p> <p>© Confederation of Indian Industry</p> 