

COMMENTS OF
MAHAGENCO
ON DRAFT REGULATION ON
TERMS AND CONDITIONS OF TARIFF FOR
FY 2009-2014

By Regulatory Cell

03.11.2008

- Point 5 & 6(1)

The Commission shall carry out truing up exercise during the terminal year of the tariff period i.e. 2013-2014

- Comment

- The truing up exercise undertaken in the terminal year results in reduced cash flow of the utility / licensee during earlier period.
- Truing up exercise to be taken up every year

- Point 8 & 10

Capital cost /additional capitalisation

- Comment

Cost of Rehabilitation & resettlement (R & R) for thermal power station shall also be included.

Renovation & modernisation

- Point 11

Generating company has to make an application before the Commission for approval of expenses for R & M for the purpose of extension of life beyond useful life of the unit or station along withconsent of beneficiaries.....

- Comment

Reasonability of consent for R&M from beneficiaries is not clear

Infirm Power

- Point 12

Sale of Infirm Power shall be accounted as UI...

- Comment

Provision of mechanism for payment for sale of Infirm power from Merchant Power plants to be made.

- Point 13(1)

For a project , if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan

- Comment

Clarification is required regarding-

- The rate of interest to be considered for additional equity over & above 30%.
- Period for which it will be treated as loan
- Whether interest for excess equity be treated as non-tariff income

- Point 17

Depreciation

- Comment

Depreciation for gas based power plant need to be separately mentioned as its life is (15 years) less than that of coal based station

- Point 18

Interest on working capital

- Comment

Receivables equivalent to **sixty** days (as per existing norms) of fixed and energy charges for sale of electricity calculated on the target availability for coal /lignite/gas /combined cycle/ hydro/ transmission system be considered.

- Point 19

Compensation Allowance

- Comment

- The Compensation Allowance needs to be enhanced
- Compensation Allowance for plants more than 25 years old need to be included.

Expenses on secondary fuel

- Point 20

expenses on secondary fuel

- Comment

In the formula for expenses on secondary fuel, weighted average landed price of secondary fuel is considered whereas in point No. 20(2) landed cost is to be based on latest procurement price for the generating station.

The relevance of the two is not clear.

Fixed charges

- Point 21 (25.20 of Explanatory Memorandum)

Recovery of fixed charges and incentive based on Availability for plants with age less than 10 years and more than 10 years

- Comment

As per Graph shown in explanatory memorandum, though the full recovery of FC for both new & old plants is at 85% availability, old plants are dis-incentivised by retarded recovery of FC, whereas new plants are incentivised by fast FC recovery till 70% availability.

It is proposed that 100% FC recovery for both old and new plants be at 80% availability and incentive for old plant be more than that for new plants.

Computation of Energy Charge Rate

- Point 22

Computation of Energy Charge Rate (ECR)

- Comment

- ECR is computed excluding Sec. Oil Cons.

It is included in Fixed Charges, recovery of which is dependent on plant availability whereas Sec. Oil cons. is related to actual generation

- Mechanism for sorting out the disputes regarding adjustment of ECR to be addressed
- Existing norms for transit loss and handling loss (0.3% for pithead & 0.8% for non-pithead stations) be retained.

- Point 23

Incentive for thermal and hydro stations

- Comment

Incentive for commissioning of hydro / thermal stations ahead of schedule be addressed

Norms of Operation

- Point 25 to 27

Norms of Operation

- **Comment**
- While comparing the Norms of Operation, the life of plant in terms of its expected rated life shall be considered and Norms shall be proposed separately for the plants, which have completed its rated expected life
- Maintain existing Norms of Operation viz. heat rate, auxiliary energy consumption and specific oil consumption for thermal generating stations

Additional point

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- Norms for pumped storage hydro generating plants are to be included

Thank you

