

**Oral hearing on Proposed Draft
Regulations on Terms & Conditions of
Tariff for the Tariff Period 2009-14**

**PRESENTATION BY A CONSUMER
FROM ASSAM**

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Presented by

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On 4th November 2008

Regulation 15

Return on equity

- Today's globalized world of open Economy regime 14% Return of Equity is very high. This should be brought down in phase manner. In this propose regulations commission should fix RoE @ 10% per annum

- Reg.8 Capital Cost
- Capital cost incurred by one Generator or a Transmission Licensee should only be cost incurred on completed project or works included in approved Project cost, which is to be duly certified by statutory Auditors & trued up next year.
- Projected capital cost should not be considered for any tariff determination even for provisional Tariff and if so, trued up next year.

- Reg. 6 Truing Up Capital Exp
- Truing up exercise for capital expenditure should be Monthly/ Half yearly/Annually & not as proposed in draft Regulations after five years. There is possibility of manipulation of mixing up/ manipulation which cannot be detected later.

- Reg. 11 R & M
- Before R&M Techno-economic viability study is to be carried out & only the feasible projects should be allowed for investment.
- R & M expenses allowed are very high almost half the cost of new plant. This should be scaled down to 1/3rd . Rs. 31.5 Cr/Year for a 200 MW plant is very high.
- All the performance tests are to be carried out on the equipments.

- Incentive may be allowed to only those stations who are maintaining performance parameters in accordance with tests carried out during performance tests at the time of commissioning.
- Incentive allowed is very high almost 1/3rd of the cost of the new plant this should be scaled down to 1/3rd.
- The depreciation /deterioration on stationary parts. Plant structures, breakers , chimney, civil structures is very little. The turbine /generator, pumps, fans, conveyor system only deteriorate but have longer life than stated by CERC of 25 years for Thermal & 35 years for Hydro. For HEP other equipments have much longer life.

- According to the provision of section 5.1 of National Tariff Policy, Tariff for Generating & Transmission Projects under PSUs will be decided on tariff bidding process after 6th December 2011. As such this Regulation should be upto 06.01.2011.
- As such all the power projects commissioning after that date should also on the basis of tariff bidding process.
- This may be incorporated in the tariff regulations.

- Reg. 19 O & M Expenses
- The draft regulation generally followed the figure provided by Generator & Tr. Licensee. There is a wide variation in O&M expenses wherein the nature of work remains same. The Commission should allow bench mark norms & ask the operator to achieve it.
- It is observed that there are the O&M cost has been increased very steeply in all sectors in regulatory regime without assigning any valid reason. Failure by NEEPCO to represent before Commission should not be a reason to allow higher expenses. It defeats the purpose.
- It has a adverse impact on the consumers in the form of Tariff, which is to be dealt with by the Commission.

- The O&M expenses cost data submitted by the PSUs are full of errors. e.g. NEEPCO has submitted erroneous O&M expenses for Kopli stage –II prior to the DOCO i.e.26.07.04
- There are wide variations & steep increase in O&M expenses submitted by generators.

Period	AGBPP	Agartala GPP	Rangana di HPP	Doyang HPP	Khandong + Kopli-II
2002 & 07	33.16 - 53.58 Cr 32.8P - 29.6P/Kwh	15.31 - 22.88 Cr 27.09P - 35P/Kwh	27.64 - 50.51 Cr 23.27P - 52.73P / Kwh	16.91 - 21.45 Cr 67.57P - 117.86P/ Kwh	31.34 - 46.5 Cr 33.40P- 64.33P / Kwh

- Power Grid submitted O&M expenses cost data without providing MU transmission & capacity utilization to avoid assessment of expenses. In actuality POWERGRID expenses are 1P, 1.9P, 2.19P, 3.65P & 9.0P per Kwh respectively for WR, NR, SR, ER & NER. It may be rationalized by the Commission. Only Consumers of NE Region should not allow to suffer.
- The technical parameters are found to be not in order. e.g. the 400 Kv line length shown by PGCIL in NE Region as 1366.33 Kms. However it should be 551.463 Kms as the operating voltage of 400 KV lines is 220 KV only which are underutilized for which consumers suffer.

- The region wise entitlement of energy & cost data & corresponding O&M charges P/ Kwh are

	MU	2006-07(Rs.Lakhs)	P /Kwh	
•	NR	99262.6	18852.09	1.9 paise
•	WR	58735.0	5959.28	1.01 paise
•	SR	49997.5	10934.44	2.19 paise
•	ER	22317.3	8155.16	3.65 paise
•	NER	5967.7	5365.52	9.00 paise

- However POWER GRID is charging transmission charges for evacuation of Kurichhu HEP (Bhutan) Power to ER region @ 1 paise/Kwh and for the year 2006-07 for 271 MU it comes to RS.27.1 Lakhs whereas according to 2004 Tariff Regulations. Total length 249.2Kms 132Kv S/c & 160 Kms 220 D/S the total transmission tariff should have been Rs. 443.63 Lakhs for 2006-07. For entire Tariff Period 2004-09 tariff period this should have been as:

Year	132Kv KHEP- Salakati Total 247.2Km	Salakati S/S Nos. of 132bays Including KHEP bays	220KVD/cSa lakati- Birpara line 2x160 KM	220 KV bays including in Birpar a S/S	Total Rs. in Lakhs
2004-05	0.227x247.2 =56.1144	4x28.12 =112.48	0.227x160x2 =72.64	6x28.12 =168.72	409.9544
2005-06	0.236x247.2 =58.3392	4x29.25 =117.0	0.236x160x2 =75.52	6x29.25 =175.5	426.36
2006-07	0.246x247.2 =60.8.112	4x30.42 =121.68	0.246x160x2 =78.72	6x30.42 =182.52	443.63
2007-08	0.255x247.2 =63.063	4x31.63 =126.52	0.255x160x2 =81.6	6x32.90 =197.4	460.936
2008-09	0.266x247.2 =65.7552	4x32.90 =131.60	0.266x160x2 =85.12	6x32.90 =197.4	479.875

- In the Discussion paper on Terms & conditions of Tariff 2004-09 clause 3.5.15, it was observed that the option of using average O&M charges will not induce any efficiency in the transmission utility. So O&M charges of most efficient region may be a better option to benchmark O&M charge & target to achieve.
- As such O&M charges for NER should not be more than 1paise /Kwh.

- Availability of PGCIL's transmission system found to 99.56% for the year 2007-08 (as per Annual Report of PGCIL & MOP GOI). As such availability below 99.56% is not acceptable. The Commission should have provided better norms for improvement of performance and gain in efficiency.

- **Reg. 19, O & M Expenses**
- **Higher norms of O&M for the NEEPO's projects appeared to be a bailout package brought out by CERC for their inefficiency in cost control, mismanagement & non representation of their cases before the Commission (Explanatory memorandum clause 14.1.35). However from the cost data submitted by NEEPCO it appears to be opposite to the findings of Commission. During 2002-03 per unit O&M cost found to be 32.8 paise for AGBPP against 27.09 paise for Agartala GTP at Generator Terminal. O&M cost combined cycle Gas project should be more as axillaries involved in combined cycle are more. This is the logic for which auxiliary consumption for combined cycle is 3 times higher the open cycle GTP.**

- While fixing up gross heat rate of NEEPCO higher than earlier norms(2250 kcal/ Kwh to 2400 kcal/Kwh) for Assam GPS the Commission's arguments cannot be accepted. The station heat rate is the parameter which shows the efficiency of the machine. However the Commission has awarded higher norms for some other reasons.
- 70% availability is not acceptable. If at all is imposed the prorata reduction in capital cost is to be made.

- In the draft regulations it is stated that calorific value of gas has deteriorated from 8510 Kcal/SCM in 95-96 to 8278 in 2007-08 due to which more gas is required to maintain same Generation levels, this consumer requested for supply of Gas agreement between NEEPCO & the Gas producers, which has not been furnished because of which the clause of norms are not known therefore this cannot be debated & accepted. However receiving less energy per unit volume is to be taken up with gas suppliers for adequate compensation. The generator must place before the commission why they have compromised in quality by accepting adulterated gas.

- After the two CERC tariff regulations in 2001 & 2004 CERC has realized that a Generating station was conceived for a performance level of 68.5% with 1.0 MCMD of gas.
- With our limited knowledge and definitions of tariff regulations there is no performance level for designing a generating station.
- Maximum continues rating or installed capacity of a thermal generating station is design according to the availability of the input energy, over designing is not allowed for economical use of the resources & optimum investments according to (Sec 61 sub-sec d) EA 2003.

- Since all the expenses including publication of notices etc of the corporate/ central licensee is put to tariff & bourn by the consumer, the consumers should not be charged any fee for application before commission. It is a Petition by consumer or a Review petition or grievance redressed in any manner amount compared to the court fee even in excess of High Court fee in public interest. Hence a consumer shall not be charged for any petition before the Commission. In that case he will be charged double One Operation fee/advocate fee second for Court fee & advocate fee.

THANK YOU