

31 July 2018

To,

Shri Sanjoy Kumar Jha  
Secretary  
Central Electricity Regulatory Commission  
3 rd & 4 th Floor, Chanderlok Building,  
36, Janpath, New Delhi- 110001

**Subject: Comment on Consultation paper by Central Electricity Regulatory Commission on Terms and Conditions of Tariff Regulations for the Tariff Period 01.04.2019 to 31.03.2024**

Respected Sir,

You had come out with the consultation paper on Terms and Conditions of Tariff Regulation for the Tariff period 01.04.2019 to 31.03.2024 vide public notice dated 24<sup>th</sup> May 2018 with a request to provide comments by 15<sup>th</sup> July 2018 which was later extended to 31<sup>st</sup> July 2018 vide your public notice dated 13<sup>th</sup> July 2018

We have perused the consultation paper and our comments on the same is attached as **Annexure-1** to this letter. We request you to please take the same on record and consider these comments before finalizing the same.

Thanks & Regards,

Authorised Signatory

**Annexure-1: Comments on Consultation paper on Terms and Conditions of Determination of Tariff for the period  
01.04.2019 to 31.03.2024**

SL No	Para No	Proposed Amendment	Our Views
1	5.7.2	<p>When the share of renewable generation is low in the grid, the renewable generation may get exemption from scheduling and regulations, as the variations can be met from other source of generation. But as the share of renewable generation increases in the grid, the distribution companies may require to regulate its supply. In case of likely regulation of supply of the renewable generation, the entire tariff of the renewable generation (which is of the nature of fixed cost) is compared with the marginal cost of the other generation (excluding the fixed cost component), for merit order. Therefore, the tariff structure of renewable generation poses specific challenges in operation and for merit order considerations.</p>	<p>It is appreciable that Commission has recommended for two part tariff but considering the nature of the renewable business where the variable cost is zero in comparison to the fixed cost therefore segregation would not yield the result that is intended to be. Hon'ble Commission has rightly held the same in their proposed in Para 7.6.1 (b) in this consultation paper.</p> <p>Also Commission would also be aware that older PPA which are signed through State Commission determined FIT have single tariff and proposed two part tariff for newer plants would create different tariff structure.</p> <p>It is also brought to Commission's notice that subjecting renewable to MOD is a subject which Commission themselves have opposed and have held that MOD shouldn't be imposed on Renewable. Whereas this draft proposing that renewable shall be subjected to MOD is creating a dichotomy.</p> <p>Thus we request the Hon'ble Commission not to impose MOD on renewables, since the same shall be in contravention to the provision of IEGC.</p>

SL No	Para No	Proposed Amendment	Our Views
2	7.6.1 (b)	For merit order operation, the entire tariff of the renewable generation (which is of the nature of fixed cost) is to be compared with the marginal cost of the other generation (excluding the fixed cost component).	<p>The very nature of renewable power is that MOD shouldn't be imposed on Renewable hence comparison is merited in this scenario.</p> <p>With State Commission imposing Forecasting and Scheduling regulation does it really merited to impose MOD on renewable.</p> <p>Commission has rightly said in Para 5.7.2 that where renewable has high penetration in the grid then variability is a real concern. However with F&amp;S regulation getting effective the variability of renewable will get addressed. To that extent the concern of distribution licensee that renewable is disturbing the grid is automatically getting addressed.</p> <p>Honble Commission is also aware that in case of backing down of conventional power plant due to MOD leads to saving of Fuel which otherwise would have got used. however in case of Renewable Energy whether it is Wind, Solar or small hydro the opportunity cost of backing down due to MOD will be significant in comparison to the conventional power plant. Hence by making a two part tariff such opportunity cost is lost. We request the Hon'ble Commission not to segregate the tariff into two part from present single part since that will detrimentally for renewable industry.</p>

SL No	Para No	Proposed Amendment	Our Views
3	7.6.3	7.6.3 There can be Two part tariff structure for renewable generation covered under Section 62 of the Act, which comprises fixed component (debt service obligations and depreciation) and variable component (equal to marginal cost i.e O&M expenses and return on equity) - fixed component as feed-in-tariff (FIT) and variable component equal to capacity augmentation such as storage or back up supply tariff.	