

4617/2018/CRU-CERC

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दिल्ली ट्रांसको लिमिटेड
(दिल्ली सरकार का उपक्रम)
DELHI TRANSCO LIMITED
(A Govt. of NCT of Delhi Undertaking)

No. F.DTL/203/F2/2018/Oprn. GM(C&RA)/42

Date: /06/2018

The Secretary,
Central Electricity Regulatory Commission,
3rd & 4th Floor, Chanderlok Building,
36, Janpath, New Delhi-110 001

Subject : Suggestions of Delhi Transco Limited on Consultation Paper on Terms and Conditions of Tariff Regulations for Tariff Period 01.04.2019 to 31.03.2024.

Chief (Gen)
Sir

In reference to the CERC Public Notice having No. L-1/236/2018/CERC dated 24.05.2018 regarding the above mentioned subject matter, please find enclosed herewith the suggestions of Delhi Transco Limited on CERC Consultation Paper on Terms and Conditions of Tariff Regulations for Tariff Period 01.04.2019 to 31.03.2024 for kind consideration of Hon'ble CERC please.

Thanking you

Chief (Fin)
28/6/2018

K. K. Verma
(K. K. Verma)
General Manager (C&RA)

Enclosure :

1. Suggestions : Three (3) hard copies
2. ~~A soft copy of suggestions in CD~~

28/6/18

In Raji



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SUGGESTIONS OF DELHI TRANSCO LIMITED ON CONSULTATION PAPER (CERC TARIFF REGULATIONS 2019-24)

S. NO.	CONTENT	PROPOSALS FOR PERIOD 2019-24	SUGGESTIONS
7.	Tariff Design : Transmission	<ul style="list-style-type: none"> • Tariff comprising of fixed components (linked with access service) and variable components (linked with the transmission service) • Short term or Medium term market participants may seek access to the transmission system but may not necessarily avail the transmission service unless there is actual transaction for which access service can be treated independent of the quantity for which transmission service is availed. • The fixed component may be related to fixed transmission system for access and immediate evacuation system consisting of debt service obligations, interest on loan, guaranteed return • The variable component may be related to common transmission system excluding immediate evacuation and sum of incremental return above guaranteed return, operation and maintenance expenses and interest on working capital. 	<ul style="list-style-type: none"> • Short term and medium term participants already have an option to seek open access depending upon their Terms of usage. The charges are recoverable from them by way of STOA and MTOA charges. • The PoC mechanism takes into account the respective injection and drawl by the respective beneficiary. It is felt that bifurcating the present transmission tariff system into the fixed and variable components may create unwarranted complications.
11.	Capital Cost	<ul style="list-style-type: none"> • Several issues and challenges with respect to the existing system of capital cost for the transmission system: <p>i) Variation between actual project cost vis-a-vis projected capital cost.</p>	<ul style="list-style-type: none"> • The proposal of CERC is likely to bring efficiency by fixing the benchmark norms however detailed study is required to be conducted before fixing any parameter and the stakeholders should be consulted extensively. • Due consideration to be kept for Metro city based utilities like DTL where scarcity of available land, RoW issues forces us to go for

		<p>ii) Additional capital expenditure estimated on account of reasons like deferment in commissioning of projects, non-placement of orders due to limited vendor responses etc.</p> <p>iii) Delay in project execution due to various reasons such as delay in land acquisition, delay in getting statutory approvals/clearances, delay due to geographical location of the site, delay on the part of contractor /supplier of material, execution philosophy etc, leading to increase in IDC, overhead expenses etc.</p> <p>iv) Absence of benchmark capital cost</p> <p>v) Use of the audited annual accounts to ascertain the claim of the capital expenses.</p> <p>• The consultation paper discusses the option to move away from investment approval and shift to benchmark/reference cost for prudence check of capital cost. However, the challenge is absence of credible benchmarking of technology and capital cost.</p>	GIS and 400/220 kv cable network
14.	Depreciation	<ul style="list-style-type: none"> • Increase the useful life of well-maintained plants for determination of depreciation for tariff OR • Continue the present approach of weighted average useful life in case of combination, due to gradual commissioning of units OR • Reassess life at the start of every tariff period or every additional capital expenditure • Extend useful life of the transmission assets to 50 years • Reduce rates which will act as a ceiling. 	<ul style="list-style-type: none"> • Useful life of the Assets to be maintained at 25 years for Delhi Region due to high fault level, pollution leading to frequent breakdowns.

16.	Debt: Equity Ratio	<ul style="list-style-type: none"> • For future investments, normative debt-equity ratio of 80:20 may be modified in respect of new plants, where financial closure is yet to be achieved. 	<ul style="list-style-type: none"> • For mega projects Debt equity ratio may be modified as per CERC suggestions however for the smaller utilities, D/E ratio to be maintained at 70:30, as SERC are normally guided by the CERC Regulations.
17.	Return on Investment	<ul style="list-style-type: none"> • Rate of return should be determined based on the assessment of overall risk and prevalent cost of capital. Further, it should lead to generation of reasonable surplus. • The large scale investment in the power sector is attributable to the approach of fixed rate of return • As per Tariff Policy, Commission may adopt either RoE or RoCE approach for providing the return to the investors. • Discussion on Fixed Returns or Variable Returns 	<ul style="list-style-type: none"> • The present system of RoE may be retained.
18.	Rate of Return on Equity	<ul style="list-style-type: none"> • Review the rate of RoE considering the present market expectations and risk perception of power sector for new projects • Different rates of return for existing and new projects • Continue with pre-tax RoE or switch to post tax RoE • Have differential additional RoE for different line length in case of the transmission system and different size of substation; • Reduction of RoE in case of delay of the project. 	<ul style="list-style-type: none"> • Rate of return of equity to be maintained at 15.5% + 0.5% for transmission business as state utilities like DTL have to maintain high level of reliability being in the national capital. • No reduction of RoE as delay mainly occurs to uncontrollable factors i.e. land allocation , RoW issues, forest clearance, MCD/PWD/DDA clearances, etc.
19.	Cost of Debt	<ul style="list-style-type: none"> • Either consider normative cost of debt based on market parameters or actual cost of debt based on loan portfolio. 	<ul style="list-style-type: none"> • State Govt. Utilities such as DTL generally have majority of loans from their respective

		<ul style="list-style-type: none"> • Continue with existing approach of allowing cost of debt based on actual weighted average rate of interest and normative loan, or to switch to normative cost of debt and differential cost of debt for the new transmission projects; • Review of the existing incentives for restructuring or refinancing of debt. 	States Govt., interest rates of which are not negotiable. Therefore the actual cost of debt be considered in such cases.
21.	Operation and Maintenance (O&M) expenses	<ul style="list-style-type: none"> • Review the escalation factor for determining O&M cost based on WPI & CPI indexation. • Rationalization of O&M expenses in case of the addition of components like the bays or transformer or transmission lines of transmission system and review of the multiplying factor in case of addition of units in existing stations; • Have separate norms for O&M expenses on the basis of vintage of generating station and the transmission system. • Treatment of income from other business (e.g. telecom business) while arriving at the O&M cost. • In case of expansion of capacity in existing transmission substation, the O&M expenses may vary on account of economies of scale. The O&M expenses for transmission system can be rationalized by multiplying factor of 0.90, 0.85 and 0.80 to O&M expenses, as size of the assets which are maintained increases. 	<ul style="list-style-type: none"> • SERCs are normally guided by CERC tariff regulations. Smaller utilities like DTL especially those working in metro cities have higher O&M cost due to following reasons : <ol style="list-style-type: none"> 1) To maintain high level of reliability being in national capital. 2) Restricted scope of maintenance during summer season due to sustained high loading of Transformers and lines/cables. 3) Higher operating cost due to smaller volume of work in comparison to bigger utilities. Therefore special dispensation may be made for smaller utilities to have higher O&M expenses. • No reduction in O&M in case of expansion of capacity in existing transmission substation.
26.5.1-26.5.5	Transmission Availability Factor	<ul style="list-style-type: none"> • Existing approach for computation of Transmission system availability and weightage factors to be applied for outage hours for transformer and reactors; 	<ul style="list-style-type: none"> • Transmission availability be considered on yearly cumulative basis for Incentive/Disincentive purpose as addition of buffer zone

		<ul style="list-style-type: none"> • Review of the existing methodology or procedure for computation of availability, monthly availability and cumulative availability <p>27.5 (d) Review the norms for availability of transmission system</p>	in incentive criterion can harm the interest in case of smaller transmission system.
26.5.6-26.5.8	Transmission Losses	<ul style="list-style-type: none"> • The existing approach for operational norms and level of Normative Annual Transmission Availability Factor (NATAF) may be reviewed. • The weightage factor to be applied for arriving outage hours for calculating NAFM of transformer and switchable reactor of substation element may also be deliberated upon. 	<ul style="list-style-type: none"> • Transmission loss not to be made part of NATAF as it is not under the control of the utility and is entirely dependent upon real time loading of the system.
35	Commercial Operation or Service Start date	<ul style="list-style-type: none"> • Issue of acceptance of COD of transmission line if the generating project or upstream/ downstream transmission assets are not commissioned 	<ul style="list-style-type: none"> • Date of commercial operation in relation to a transmission system should mean the date declared by the transmission licensee from 00:00 hour of which an element of the transmission system is in regular service after successful trial operation: <p>Provided that if the transmission system is prevented from regular service for reason not attributable to the transmission licensee (such as delay in downstream network, etc.), the transmission system of transmission licensee may be considered commissioned.</p>