

5597/2018/CRO.CE2C ORIGINAL



एन एच डी सी लिमिटेड

(एनएचपीसी लिमिटेड एवं मध्यप्रदेश शासन का संयुक्त उद्यम)

NHDC Limited

(A Joint Venture of NHPC Limited & Govt. of M.P.)

संदर्भ क्र./ Ref. No.

NHDC/1/Comm./45/18/71

Date: 13-07-2018

To,

Secretary,

Central Electricity Regulatory Commission,

3rd & 4th Floor, Chanderlok Building,

36, Janpath, New Delhi- 110001.

Kind Attn.: **Shri Sanoj Kumar Jha**

Sub: Consultation Paper on Terms and Conditions of Tariff for the tariff period commencing from 1st April' 2019 – Comments thereof.

Ref: CERC Public Notice No. L-1/236/2018/CERC dated 24-05-2018.

Sir,

With reference to the above subjected CERC Public Notice, on the 'Consultation Paper on Terms and Conditions of Tariff for the tariff period commencing from 1st April 2019', NHDC hereby submit its comments / suggestions (3 hard copies + soft copy in CD) for kind consideration and it is requested to suitably incorporate the same while deciding the principles and the methodologies to be adopted for tariff determination during the next tariff period commencing from 01-04-2019.

Thanking you,

Yours faithfully,

Encl.: As above.

Sanyal
13/7/18

[S Sanyal]

General Manager (Tech)

पंजीकृत कार्यालय : एनएचडीसी परिसर, होटल लेक व्यू अशोक के पास, श्यामला हिल्स, भोपाल - 462 013 (म.प्र.)

Regd. Office : NHDC Parisar, Near Hotel Lake View Ashok, Shyamla Hills, Bhopal - 462 013 (M.P.)

Website : www.nhdcindia.com दूरभाष/Tel.: 0755-4030014, 2660874 फैक्स/Fax : 0755 - 4030080

**COMMENTS / SUGGESTIONS FOR DRAFT
REGULATION 2019
(TARIFF PERIOD 2019-2024)**

INDEX

Comment on Consultation Paper	
Comment 1	Clause 10 – Optimum Capacity Utilisation
Comment 2	Clause 11 – Capital Cost
Comment 3	Clause 13 – Financial parameters
Comment 4	Clause 14 – Depreciation
Comment 5	Clause 15 – Gross Fixed Asset
Comment 6	Clause 16 – Debt : Equity
Comment 7	Clause 18 – Return on Equity
Comment 8	Clause 19 – Cost of Debt
Comment 9	Clause 20 – Interest on Working Capital
Comment 10	Clause 21 – O&M Expenses
Comment 11	Clause 11 – Late Payment Surcharge and Rebate
Comment 12	Other Comments
Comments on CERC Regulation 2014	
Point 1	Clause 8 (1) of Regulation 2014
Point 2	Clause 7 (7 (iii)) and 7 (7 (iv)) of Regulations 2014
Point 3	Clause 17 (3) of Regulations 2014
Point 4	Clause 11 & 12 of Regulations 2014
Point 5	Decapitalisation of Software/ Computer equipment
Point 6	Provision of revision in NAPAF
Point 7	Operation & Maintenance Expenses
Point 8	Clause 31 (6(b)) of Regulation 2014
Point 9	Auxiliary Energy Consumption (AEC) of power stations
Point 10	Clause 27 (3) of Regulation 2014

COMMENTS ON CONSULTATION PAPER

1. OPTIMUM UTILISATION OF CAPACITY (Clause No.10.0)

Hon'ble Commission has quoted option at clause no. 10.5 (a), for moderating the upfront loading of Hydro Tariff by extending the useful life of the project up to 50 years from existing 35 years and the loan repayment period up to 18-20 years from existing 10-12 years. Following are the related concerns on this issue-

A. **FUNDING** – Considering the present volatile market and hydro scenario in the country, **Hydro developer may find difficulty in finding Financial Institutions/ banker who could provide loan for period of 18-20 years**. Also, recovery against depreciation shall be linked to repayment of Loan schedule.

B. **SCHEDULING THE HYDRO PLANT AT REGIONAL LEVEL**

Hon'ble Commission's concept mentioned at Clause No.10.5 (b) for scheduling the operation of Hydro Plant at Regional level is novel, but in case of Multi purpose Hydro Project where priority of Power Generation is lower than irrigation/ other requirement and where the beneficiary of River water is two/ more states, **Grid requirement will not be the only criteria for scheduling of Plant**.

Also to mention that in NHDC Projects, GoMP has 49% stake and at times scheduling is being done for these power stations as per requirement / direction of GoMP, in such situation, **it will be a herculean task to finalise the scheduling of Plant from Regional level**.

C. **POWER PURCHASE AGREEMENT** – In case of existing Hydro Power Plant, PPA has been executed with the beneficiaries considering the useful life of Hydro Power Plant i.e. for period of 35year (useful life determination is primarily based on E&M equipment's of the Project), however, it is proposed in

consultation paper to revise the useful life of Hydro Plant to 50years, which is not in order.

Accordingly, old plants/ existing may be kept beyond ambit of this clause.

2. CAPITAL COST (Clause No.11.0)

A. **BENCH MARK COST APPROACH FOR RETURN** - Hon'ble Commission has quoted option at Clause No. 11.8 and 11.9, for shifting to Benchmark Capital Cost/ Reference Capital Cost for fixed Return on Equity and for additional equity same shall be restricted to weighted average of interest rate of Loan.

- Working out Bench Mark Cost of Hydro Project is not possible as each project is geographically variant and there is variation on structure unlike Thermal Plants.
- For enhanced Capital Cost (equity above Normative i.e. Cost on Uncontrollable Factors (geological surprises, R&R etc), the return is proposed to be restricted to weighted average of interest rate of Loan. Such Factors are beyond control of Hydro Developer, **hence this Benchmark cost methodology shall lead to major setback in development of hydro sector.**

Hence no change in the present Regulation in this regard may be done.

3. FINANCIAL PARAMETERS (Clause No.13.0)

The proposal for improving the Operation and Financial efficiency by considering all components of tariff on normative basis may not be introduced. The present Regulation of combination of normative parameter (ROE) and actual (all other) parameters for determination of tariff is in order.

4. DEPRECIATION (Clause No.14.0)

It is mentioned at clause no. 14.2(iii) that the regulatory definition of depreciation, as pronounced in 2009-14 tariff regulations viz. enough cash flow to meet the repayment obligations of the generator during first 12 years of operation. Accordingly, depreciation rate is arrived at by considering normative repayment period of 12 years to repay the loan (70% of the capital cost).

Further, it is mentioned at clause no. 14.3(iii) that the actual life of these Hydro stations may be much more than 35 years. For hydro stations allowing higher depreciation rates during first 12 years **results in front loaded tariff**. To keep the tariff on lower side, the depreciation rate for hydro stations could be spread over the entire useful life i.e. 35 years.

Hon'ble Commission has quoted option to

- Extend the useful life of Hydro Power Station to 50 years and bring in corresponding changes in treatment of depreciation.
- Continue with the existing policy of charging depreciation. However, the Tariff Policy allows developer to opt for lower depreciation rate subject to ceiling limit as set by notified Regulation which causes difficulty in setting floor rate, including zero rate as depreciation in some of the year(s).

National Electricity Policy, 2006 provided that “depreciation reserve is created so as to fully meet the debt service obligation. Straight Line method for depreciation for full pendency of project may not be appropriate as loan for entire useful life of project will be difficult to get.

As the recovery of depreciation is linked with repayment of Loan, hence no change in the present Regulation in this regard may be done (please refer comment at 1 (A)).

5. GROSS FIXED ASSET (GFA) APPROACH (Clause No.15.0)

It is mentioned at Clause No.15.2 to base the returns on the modified GFA arrived at by reducing the balance depreciation after repayment of loan in r/o original project cost. This provision shall effect the return on equity, if such provision is introduced then ROE during construction of plant may also be implemented.

6. DEBT : EQUITY RATIO (Clause No.16.0)

Hon'ble Commission has quoted option at clause no. 16.4 for future investments, modify the normative debt-equity ratio of 80:20 in respect of new plants, where financial closure is yet to be achieved. In such situation owing increase in Loan component, the IDC and Project cost will increase, which will affect the tariff in longer run.

It is mentioned that financial institutions are willing to grant loan upto 80% depending on credit appraisal of utilities, this methodology may restrict participation of only established entities thereby may be demotivating for new interested parties stepping for hydro development.

7. RETURN ON EQUITY (Clause No.18.0)

It is mentioned at Clause No. 5.5.1 and 5.5.3 that the share of total installed capacity of hydro power is a meagre 14% of the total installed capacity, further the hydro power generation will have a significant role in future especially in view of large scale additions of renewable energy sources in the grid that has inherent intermittency.

A. PROVISION FOR ADDITIONAL RETURN -

In above scenario and considering the long gestation period, some times to the tune of over 10years owing geological surprises, natural calamities, lengthy clearance time, law & order problems and delay in implementation of R&R Plans for hydro power stations, although ROE of 15.5% for ROR Plants and 16.5% for Storage plant is provisioned in Regulations 2014, but the effectives

return obtained is much on lower side accordingly additional return may be provisioned for Hydro Plants.

Also, it is mentioned at clause No. 18.7 (d), that the rate of return may be bifurcated into two parts, first component can be assured whereas the second component is linked to timely completion of project, **such approach of curtailing the ROE/ unguaranteed return shall abate the growth of Hydro Power sector in country.**

B. REFORMULATING THE TARIFF STRUCTURE-

Hon'ble Commission has quoted option at clause no. 7.4.2, that the **fixed component** of Tariff may include debt service obligations, interest on loan and risk free return while the **variable component** may include incremental return above guaranteed return, operation and maintenance expenses and interest on working capital.

It is mentioned that the market dynamics favours reduction of rate of return, however Hydro Power Plant are full of geological surprises which often lead to cost overrun and time over run, further, considering the fact that these factors are of uncontrollable nature.

It is humbly requested that No change in the existing Regulations in this regard may be done, further any step towards cutting / restricting ROE in case of delay of the project shall be detrimental for development of Hydro sector.

Also to mention that existing Regulation already covers above aspect citing that the additional ROE @0.5% shall not be admissible if the Project is not completed within time line.

8. COST OF DEBT (Clause No. 19.0)

As per present Regulations, the interest on loan is based on actual loan portfolio, further to enhance the benefit of refinancing of loan so as to reduce the tariff, the same be shared between Generator and Beneficiary in 50 : 50 ratio.

The present approach on actual loan portfolio should be continued and the benefit should be continued till full repayment of loan rather than nullifying it during the truing up orders.

9. INTEREST ON WORKING CAPITAL (Clause No. 20.0)

It is mentioned at Clause No. 20.3 (d) that Maintenance spares in IWC which is also a part of O&M expenses results in higher IWC for new hydro plants with time and cost overrun. For old hydro stations, the higher O&M expenses due to higher number of employees also yield higher cost for “Maintenance Spares” in IWC. Therefore, option could be to de-link “Maintenance Spares” in IWC from O&M expenses.

There is nowhere else provision for funding the Maintenance Spares required to upkeep the Power Plant, hence this provision may be kept intact in IOWC.

10.O&M EXPENSES (Clause No. 21.0)

It is mentioned at clause No. 21.2 that for new hydro stations whose COD was declared during the tariff period 2014-19, the first year normative O&M has been specified as 4% and 2.5% of original project cost (excluding cost of R&R works) for stations less than 200 MW projects and for stations more than 200 MW respectively. But O&M expenses could vary depending on the type of plant and number of units.

In above regards following is submitted:-

- A. Certain major expenses like Security Expenses may not be considered as O&M Expenses and should be reimbursed separately/ separate provision may be considered.
- B. It is mentioned that Old Plants requires higher O&M Expenses, accordingly specifying generic norms for O&M expenses for such plants may not be appropriate, it is worthwhile to mention that Old Station have O&M expenses substantially on higher side then that allowed by CERC, accordingly **higher year to year escalation may be provisioned especially for large/ old (> 10 Years) Power Plants.**

11.LATE PAYMENT SURCHARGE AND REBATE (Clause no.30)

In view of present market scenario, the Rebate allowed for payment with 02 days of billing for 2% and for payment within 30day of billing for 1% is much on higher side and requires immediate attention for its reduction. It would be appropriate to amend the existing provision of **Rebate to (1% for payment within 02 days of billing, 0.5% for payment within 30 days of billing).**

12.OTHER POINTS

- A. Incentives for Green, clean power for Hydro Plant may be provisioned.**
- B. Regulation 2014 has provision for sharing of gains in case of Auxiliary Energy Consumption is less than normative. Old Plants have sometimes, AEC more than stipulated norms especially in case of hydrology failure, in such cases sharing of loss may also be provisioned.**
- C. Generation beyond the design energy is paid at 90 Paise/kWh in case of hydro generating station, which may be reviewed especially in light of the grid support it provides owing flooding of RES in country.**

POINT 1

Clause 8 (1) of the Central Electricity Regulatory Commission (Terms & Condition of Tariff) Regulation, 2014 provides as under: -

“The Commission shall carry out truing up exercise along with the tariff petition filed for the next tariff period, with respect to the capital expenditure including additional capital expenditure incurred up to 31.3.2019, as admitted by the Commission after prudence check at the time of truing up.

Provided that the generating company or the transmission licensee, as the case may be, shall make an application for interim truing up of capital expenditure including additional capital expenditure in FY 2016-17.”

Hon’ble CERC vide Order Dt 08-03-2017 against Petition 03/SM/2017 directed that only in those cases where the variation is more than 30% of the Annual Fixed Charges granted, the generating company or transmission licensees may approach the Commission for interim truing up.

JUSTIFICATION

Inspite of best efforts by NHDC Power Stations, some of the major admitted capital works allowed by CERC during the year 2014-15, 2015-16 and 2016-17

could not be accomplished in the scheduled year of capitalisation, primarily due to reasons beyond the control of NHDC's Power Stations.

This has resulted in difference in the Annual Fixed Charges fixed by CERC and anticipated/ actual Annual Fixed Charges of Power Stations, causing unwanted financial burden both on Beneficiary and NHDC.

1. For O&M Power Stations of NHDC with Project Cost amounting Rs.4500Crores (ISPS) and Rs.3000Crores (OSP), there is remote possibility of shortfall in Addcap in a year effecting variation of 30% or more of Annual Fixed Charges granted.

ILLUSTRATION - ISPS case

A.	AFC granted for ISPS for 2016-17 considering capitalisation of EDA	Rs.602.13Cr.
B.	Variation in AFC corresponding 30% (Tentative)	Rs.180 Cr.
C.	Admitted Addcap for EDA works of ISPS (Power Comp)	Rs.150 Cr.
D.	Variation in AFC on non capitalisation of EDA (Tentative)	Rs.15 Cr.
E.	Actual Addcap in r/o ISP in Tariff periods 2009-2014 & 2014-19 (10years) – (Power Component)	Rs.365.0 Cr.

2. Non incurring/ less incurring of expenditure allowed by CERC not only result in return of excess AFC claimed/ allowed for respective years but also has financial implication owing interest levied on excess claimed Annual Fixed Charges which as per CERC Regulations 2014 tantamount to maximum 120% of the Bank Rate.
3. It is pertinent to mention that even on non capitalisation of work of upgradation of EDA of ISPS with capitalisation value of Rs.200 Crores in the year 2016-17, the effective resultant reduction in AFC is only to the tune of 2.5% (i.e. much below stipulated 30%).

SUBMISSIONS/ SUGGESTIONS/ COMMENTS

- 1. Limit of 30% variation w.r.t. AFC granted as enumerated in Hon'ble CERC Order dated 08-03-2017 may be revised to 30% variation w.r.t. allowed Addcap for respective year especially in case of large O&M Power Stations like ISPS & OSPS.**
- 2. Hon'ble CERC may incorporate provision vide which generating station and beneficiary could revise the AFC mutually, if required in case of variation of $< + / - 30\%$ of allowed Addcap for respective year and information may be communicated to Hon'ble CERC in this regard. However finalization of the same shall be done by Hon'ble CERC during truing up exercise.**

POINT 2

Clause 7 (7 (iii)) and 7 (7 (iv)) of Regulations 2014

Hon'ble commission stipulates that in case variation in actual capitalization and the Projected Capitalization is beyond the limit of +/- 5%, the Regulations 2014 provides the recovery or refund of AFC alongwith the interest at different rates.

- The Generator has to refund to Beneficiary, the excess recovered AFC @ 1.20 times bank rate i.e. currently @16.20% ($1.2 * (\text{Bank rate} + 350 \text{ basis points}) \%$).
- Whereas, in a vice-versa situation, the Beneficiary has to refund only @ 0.80 times bank rate i.e. currently @10.80% ($0.8 * (\text{Bank rate} + 350 \text{ basis points}) \%$).

JUSTIFICATION

- Hon'ble CERC has introduced this provision with a view to reduce the burden on the Beneficiary/ Consumer, but such provisions has induced the apprehension, especially amongst the Generating Utility, in making the realistic Projections.

- Owing to such provisions the Generator will intend to keep the Addcap projections on lower side, which will defeat the very purpose with which instant provisions were introduced in Regulation 2014, Clause 14(3)(Viii).
- Also considering the present hydrology and owing to ageing of machines, it is very difficult to actually envisage the requirement of works / items in various years of coming Tariff Period. Further to mention that Hydro Plants are located in remote areas and are prone to unexpected capital expenditure.
- The existing provision enumerates difference between recovery and refund to the tune of 0.4 (1.2 – 0.8) times, which is a factor set much on higher side. Considering the present market there is a need to bridge this gap.

SUBMISSIONS/ SUGGESTIONS/ COMMENTS

Thus, such inequitable provision in the Regulations 2014 may be dispensed with or at least the provision of refund from Beneficiary may be enhanced to actual Bank rate.

POINT 3

Clause 17 of Regulations 2014 - COMPENSATION ALLOWANCE

This Regulation stipulates that in case of coal-based or lignite-fired thermal generating station or a unit thereof, a separate compensation allowance shall be admissible to meet expenses on new assets of capital nature which are not admissible under Regulation 14 of these regulations, and in such an event, revision of the capital cost shall not be allowed on account of compensation allowance but the compensation allowance shall be allowed to be recovered separately.

Further it is mentioned that the Compensation Allowance in Rs. in Lakh /MW/ Year shall be allowed in the year following the year of completion of 10, 15, or 20 years of useful life.

JUSTIFICATION

This Regulation allows the Thermal Generating Station a Separate compensation Allowance in Rs. in Lakh /MW/ Year basis to meet out the capital expenditure (including those of minor asset nature).

The Assets acquired through this separate Compensation allowance shall though be included in the FAR, but the AddCap on this account shall not be accounted for tariff purposes.

It is pertinent to mention that for Hydro Generating Stations there is no such provision for meeting out the expenditure of Minor Assets, tools & tackles etc which are not allowable after cutoff date as per Regulations 14(3).

SUBMISSIONS/ SUGGESTIONS/ COMMENTS

The Hydro Generating Stations are also required to incur the Capital Expenditure on acquiring Assets of minor nature for the successful operation, though such Expenditure does not qualify for tariff. In order to meet out the Capital Expenditure in acquiring assets of minor nature, the hydro generating station may also be allowed a suitable Compensation Allowance.

POINT 4

Clause 11 & 12 of Regulations 2014

Interest during construction (IDC) and Incidental expenditure during construction (IEDC):- 11 A(2) and 11 B(2) says that IDC & IEDC due to delay in achieving the date of commercial operation on SCOD shall require detailed justification with supporting documents.

IDC & IEDC for delays due to uncontrollable factor (Force majeure and change in law) may be allowed after prudence check. However, the regulation is supposedly strict in the regulation for allowing any IDC or IEDC on account of controllable factors which includes variation in expenditure on account of time/or cost overruns on accounts of land acquisition issues etc.

JUSTIFICATION

Hydro-electric projects are site specific, further considering the fact that it requires large area, no other choice for development other than the identified site and hence at the mercy of the other party and area involving two or more states, land acquisition cannot be called controllable factors for hydroelectric projects. The problem is even more difficult considering prevailing land Acquisition bill.

In addition to this, Land acquisition in case of PSU is done through state machinery and is not in the control of the developer. Further, hydroelectric projects involves so many uncertainties on account of peculiar difficulties as local unrest, most difficult terrains, geographical surprises, difficult habitation conditions etc. These uncertainties being peculiar to specific site in many cases may not be factored into by the developer or the contractors leading to prolonged contractual issues.

SUBMISSIONS/ SUGGESTIONS/ COMMENTS

The Hydro Generating Projects may be kept beyond the ambit of these regulations and IDC & IEDC after scheduled COD, may be allowed on case to case basis after prudence check by Hon'ble CERC.

POINT 5

DECAPITALISATION FOR SOFTWARE/ COMPUTER ITEMS

It is pertinent to mention that **Software/ Information Technology/ Computer related equipment** which forms integral part of Generating Plant and Machinery, its Decapitalisation is being considered by Hon'ble CERC as per norms of GPM.

JUSTIFICATION

Above mentioned Software/ Information Technology/ Computer related equipment are subject to obsolescence owing to frequent upgradation of system, accordingly decapitalisation of such items should be considered by CERC as per norms of IT/ Computer equipment instead of the norms of GPM.

ILLUSTRATION

Further in most of the case the value against Decapitalisation of old assets as per norms of CERC is found much on higher side, whereas if the same equipment processed for buy back/ sale the corresponding market value obtained is quite lower.

In the current tariff Period, Hon'ble CERC considering the fact that the assets/work of replacement of existing SCADA system with upgraded SCADA for ISPS is necessary for safety of the plant, has allowed for Addcap with Capitalisation value of Rs.12.0Cr and Decapitalisation of (-) Rs 4.14Cr. Further to mention that the item/ work was actually awarded for amount of Rs.3.26Cr.

From above, it is evident that the acquisition value of new asset is only Rs.3.26Cr, however the decapitalisation value of old asset is (-) Rs.4.14Cr.

SUBMISSIONS/ SUGGESTIONS/ COMMENTS

The decapitalisation of **Software/ Information Technology/ Computer related equipment** which forms integral part of GPM, its Decapitalisation should be considered by CERC as per norms of IT/ Computer equipment instead of the norms of Generating Plant Machinery.

POINT 6

PROVISION OF REVISION IN NAPAF

In case of Multipurpose Plants, Generation of electricity from plant is given lower priority as against Irrigation/ potable water requirement. With the passage of time the water requirement for irrigation purpose increases resulting in less water available for power generation, in such scenario Plant Availability Factor is adversely affected owing to insufficient water available for generation of power.

JUSTIFICATION

In case of NHDC's Multi purpose Projects, in compliance of NWDT Award, CEA in its Techno Economic Clearance (TEC) evaluated Design Energy of ISPS and OSP in Three Stages with development of Irrigation command in MP.

Stage	Irrigation Utilization (BMC)	ISPS	OSPS
		Design Energy (MU)	Design Energy (MU)
Stage - I	6	1980	1167
Stage - II	13	1095	696
Stage - III	18.25	876	565

NHDC's projects are inching towards Stage III i.e. beyond 13 BMC water Utilization shortly. Changes in the design Energy/ Firm Power has been adequately catered as above with the change in stage of Project by CEA. The same treatment is also required in case of NAPAF of project.

SUBMISSIONS/ SUGGESTIONS/ COMMENTS

It is to mention that for ISPS & OSPS (Multipurpose Project), Irrigation and potable water requirement is assigned higher priority over generation of power, further in case of ISP, the Capacity of Units decreases with depletion of water in Reservoir. ISP is already in the verge of IIIrd Stage, i.e. the utilisation of water will be more for Irrigation purpose also owing to ageing of plant outages shall be comparatively more, which will adversely affect the PAF of Plant.

In view of above, it is humbly requested that the Normative plant Availability factor may be further be appropriately reduced for ISPS & OSPS as a special case being multipurpose projects or else no revision in the existing values of NAPAF as mentioned in clause No.26.6.1 of consultation paper may be done.

POINT 7

O&M Expenses

Hon'ble CERC stipulates that the hydro stations which have been operational for three or more years as on 01.04.2014, the O&M exp. shall be derived on the basis of actual O&M expenses for the five years upto immediately preceding year of the last year of previous tariff period. The normalised O&M Exp after prudence check, for the above mentioned five years shall be escalated to arrive at the O&M expenses of current tariff period.

JUSTIFICATION

O&M expenses allowed by CERC for any Financial year is based on the O&M expenses incurred by Power Station in the previous tariff period, which is found inadequate to meet actual O&M requirement of Power Stations.

	2014-15	2015-16	2016-17	2017-18
ISPS	8607.73	9179.63	9789.52	10439.94
OSPS	4515.31	4815.3	5135.23	5476.42
O&M EXP ALLOWED BY CERC	13123.04	13994.93	14924.75	15916.36
ACTUAL O&M EXP (EXCL CSR)	15584.0	16205.0	18496.0	21079.0
ACTUAL VS CERC ALLOWED (%)	18.75%	15.80%	23.93%	32.44%

Also to mention that ISP & OSP are multipurpose projects and Project cost is categorised as Unit –I Dam, Unit –II Irrigation Component and Unit –III Power Component. SSP & GoMP has made subvention(s) of about 31.42% of ISP Dam Unit-I Cost (mother reservoir for all downstream project including OSP) towards sharing of benefit for regulated releases and as irrigation component.

SUBMISSIONS/ SUGGESTIONS/ COMMENTS

O&M Expenses incurred by NHDC Power Stations is higher than that allowed by Hon'ble CERC, accordingly higher O&M expenses may be fixed for which yearly escalation factor may be kept on higher side for Multipurpose stations.

It is worth-mentioning that, “The O&M Expenses allowed by Hon'ble CERC for NHDC Power Station for 2017-18 is Rs 10.47 Lakhs / MW and for 2018-19 is Rs 11.17 Lakhs/ MW, which are lowest as compared to O&M Expenses as notified by CERC for 2014-19 for other Hydro- CPSE.”

POINT 8

Clause 31 (6(b)) of Regulation 2014, provides as under:-

In case the energy shortfall occurs after ten years from the date of commercial operation of a generating station, the following shall apply.

“Suppose the specified annual design energy for the station is DE MWh, and the actual energy generated during the concerned (first) and the following

(second) financial years is A1 and A2 MWh respectively, A1 being less than DE. Then, the design energy to be considered in the formula in clause (5) of these regulations for calculating the ECR for the third financial year shall be moderated as $(A1 + A2 - DE)$ MWh, subject to a maximum of DE MWh and a minimum of A1 MWh.

SUBMISSIONS/ SUGGESTIONS/ COMMENTS

- It is to mention that as per present Regulation compensation in shortfall for first year would not be there if A2 is achieved much on higher side than the DE. Further, loss in first year will be at ECR, whereas gain in the second year shall be at Secondary Energy Rate (Rs.0.90/ unit)
- In view of above it is proposed that above formula may be applied in terms of financial parameters i.e. “Suppose the AFC specified for the first / second/ third year be AFC1/2/3 Crores and the actual recovery against above in first / second/ third year be A1/2/3 Crores,

Further, say $A1 < AFC1$ and the difference is (-) X1 Crores ($A1 - AFC1$) and $A2 > AFC2$ and the difference is (+) X2 Crores ($AFC2 - A2$). In above situation, if $X1 > X2$, then the ECR for the third year shall continued to be applied beyond the Design Energy of third year till the short fall ($X1 - X2$) has been make up/ compensated beyond this normal secondary energy rate shall be applied.

Or else

- Situation of Draught may be considered as Force Majeure condition and the shortfall in energy generation may be compensated to generator in the same year/ immediately next year.

POINT 9

In case of failure of hydrology/ Monsoon for Hydro Power Stations it is observed that **Auxiliary Energy Consumption (AEC) of power stations** has increased drastically, accordingly:-

(i) The provision may be devised to enhance the limit of Normative AEC of Generating Station in such cases. Or else

(ii) Suitable provision may be kept for sharing of loss with the beneficiary as is done with sharing of benefit as per CERC amendment order vide notification no. L-1/144/2013/CERC dated 05-11-2015.

POINT 10

Clause 27 (3) of Regulations 2014

The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.

SUBMISSION:

As Land held for Reservoir has no salvage value, 100% depreciation be allowed on this account.