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RBS/Adv./2018-1

Dated 23<sup>rd</sup> July, 2018

To,

The Secretary,  
Central Electricity Regulatory Commission,  
3<sup>rd</sup> & 4<sup>th</sup> Floor, Chanderlok Building,  
36, Janpath,  
New Delhi-110001

Sub: Consultation Paper on Terms and Conditions of Tariff, Regulations,  
2019-24

Ref: Public Notice dated 24<sup>th</sup> May, 2018 (No. L-1/236/2018/CERC)

Sir,

In response to the Public Notice dated 24<sup>th</sup> May, 2018 on the subject cited above, I am forwarding the comments on the Consultation Paper on Terms and Conditions of Tariff for the tariff period 2019-24 which is enclosed Annexure-I. These comments are in my individual capacity as a consumer of electricity in Delhi and also as the former Member Secretary of the Eastern Regional Power Committee.

The proceedings of the Commission are open to the public as per Regulation 105 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999. I shall feel obliged, if an invitation is issued to facilitate the entry for open hearing.

Thanking You.

Yours truly,

Encl: As Above

(R.B. Sharma)

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**VIEWS OF AN ELECTRICITY CONSUMER ON THE  
CONSULTATION ON TERMS AND CONDITIONS  
FOR THE TARIFF PERIOD 2019-24**

**1. Introduction:**

1.1 The comments/ suggestions of an electricity consumer on the 'Public Notice' dated the 25<sup>th</sup> June, 2013 issued by the Secretary, Central Electricity Regulatory Commission on the Consultation Paper on Terms and Conditions of Tariff for the tariff period 2019-24, are furnished as under;

1.2 I have gone through the Consultation Paper detailing out the problems being confronted by the 'Indian electricity Sector' in general and in the 'Cost plus Mechanism' of tariff setting in particular. In a cost plus regime the standard procedure is to establish a rate base representing the presumed 'fair value' on which fair rate of return is to be allowed. The regulations and their severity can be a matter of intense debate, however, it may be kept in mind that the tough regulation can deny a return that meets the investors 'Standard of fairness' at the same time liberal regulations may play havoc with the with the beneficiaries and through beneficiaries the electricity consumer. The Central Commission has a statutory duty to safeguard the interest of electricity consumer while framing the regulations to specify terms and conditions for the determination of tariff. At the same time Utilities are expected to recover the cost of electricity in a reasonable manner and thus a very delicate balance between the electricity consumer on side and the Utilities on the other side has not been maintained by the Central Commission.

**2. Thermal Generation:**

2.1 Most thermal generation in the Central Sector under cost plus regime is with the NTPC Limited who has no experience for operating in a competitive environment. But they have excellent experience of operating in a cost plus regime. If the past experience is any guide it would show that the approach in framing the regulation is more tilted towards the Utilities rather than the beneficiaries and through the beneficiaries to the ultimate electricity consume who have a statutory right to demand the protection from the Commission. To illustrate this point, it is necessary to substantiate this issue

by placing relevant facts and figures through an example of a Talcher Thermal Power Station (3000 MW) of NTPC Limited. The example of Talcher Thermal Power Station is important for the fact that this is one STPS which is yet to complete its useful life and Special Allowance is not admissible but the Compensation Allowance is available. The Profit & Loss accounts of this generating station were furnished to the Commission by the NTPC Limited and the Grossed up ROE for Stage-I and Stage-II compiled from the order of the Commission in respect of Stage-I and Stage-II of Talcher STPS have been tabulated in the following table;

(Rs. in lakh)

S. No.	Financial Years	Grossed up ROE-Talcher STPS-I	Grossed up ROE-Talcher STPS-II	Grossed up total ROE Talcher	Actual profit (ROE) As per P&L A/C
1.	2009-10	Rs.29537.27	Rs. 35054.96	Rs.64592.23	Rs.113221.54
2.	2010-11	Rs.29589.87	Rs. 35192.71	Rs.64782.58	Rs.115896.41
3.	2011-12	Rs.29635.66	Rs. 35748.14	Rs.65383.80	Rs. 80579.79
4.	2012-13	Rs.29699.62	Rs. 36294.67	Rs.65994.29	Rs. 75383.30
5.	2013-14	Rs.29780.98	Rs. 36467.44	Rs.66248.42	Rs. 82507.21
	Total	Rs.148243.4	Rs.178757.92	Rs.327001.32	Rs.467588.25

The perusal of the above information would show that the Talcher STPS got on an average  $467588.25/327001.32 \times 100 = 143\%$  higher than regulated ROE during 2009-14 tariff period which goes against the interest of the beneficiaries and through beneficiaries the ultimate consumer during the tariff period 2009-14. When the actual profit from any generating station is higher than the regulated profit allowed by the Commission in the form of ROE depict inherent weaknesses in specifying the terms and conditions for determination of tariff under the cost plus regime. The incentive, if any, admittedly cannot be the reason for such huge profit which at best can be upto 10%. Obviously, for such huge increase in profit (ROE) it is not one or two reasons but multiple reasons and some of them are;

- i. It is also noted that that the generator does not provide the details of the energy consumed and the capacity of the plant used for

supply of power to their housing colony and other facilities at the generating station as the same is not required to be included in the auxiliary energy consumption as per Tariff Regulations, 2014. The Petitioner may be directed to file all such information including the power generation allocated at the generating station for use by housing colony and other facilities to the Commission in the monthly bill of the beneficiaries. Any failure on this account by the generator would automatically result in stopping payment by the beneficiaries.

- ii. The GCV of the Coal is a major concern of the thermal generation. The Commission in the Tariff Regulations, 2014 has very clearly prescribed the measurement of GCV on ‘as received’ basis. The generators and especially the NTPC continuously maintain that the does not have infrastructure for measuring GCV of Coal on ‘as received’ basis or there are problems in making such infrastructure although other generators like DVC have fallen in line with the regulation. The inefficiency on this account was huge besides making huge profits by the generators. This may be illustrated with the data provided by NTPC in respect of their Farakka Super Thermal Power Station wherein huge gap between the weighted average GCV of coal as billed and the weighted average GCV of Coal as fired may be noted. The information in respect of weighted average GCV of coal as billed and the weighted average GCV of Coal as fired during the month of January, 2014, February 2014 and March 2014 in respect of Farakka STPS Stage- I & II is furnished below;

S. No.	Description	Jan. 2014	Feb. 2014	Mar. 2014
1.	Weighted average GCV of coal as billed in kCal/Kg.	4991.48	5165.13	5007.71
2.	Weighted average GCV of Coal as fired in kCal/Kg.	3420.00	3572.00	3322.00
	Difference	1571.48	1593.13	1685.71

It is heartening to observe that note that the Commission consistently following the implementation of this regulation

against all odds including questioning of the provision in the Delhi High Court. This will induce much required sanity in the operation of the thermal power generation and should be continued.

- iii. The Commission acknowledges the fact that performance of a unit does not deteriorate much with age, if proper O&M practices are followed. Even the R&M of the unit after completion of its useful life may also not be considered necessary with proper O&M practices alongwith 'Compensation Allowance' which is also provided to a coal based or lignite fired thermal generating station also to meet expenses on new assets of capital nature. The provision of 'Special Allowance' in lieu of the R&M upon completion of useful life at the option of the Generating Station. The mere fact that the generating companies are opting for the 'Special Allowance' rather than R&M of the plant is a clear indication that the 'Special Allowance' is a very attractive proposition which evidently is very liberal allowance available to the generating companies and it is in this context we submit that the Commission may reduce the quantum on of 'Special Allowance' so that the same is reasonable and equitable and the interest of the beneficiaries and through the beneficiaries the ultimate electricity is safeguarded. The reasonability of the 'Special Allowance' can be gauged by the fact that at least some of the generators may go for R&M but if nobody is going for R&M it is a indication that the 'Special Allowance' is very liberally set.
- iv. The Consultation Paper raises many concerns on the coal based thermal generation. The increased concerns about environmental quality would likely increase investment in the 'Renewable Energy Generation' especially in the solar power sector. The solar power auction last year has touched price of just Rs. 3.15 to Rs. 3.50 down to Rs. 5 two years ago. This seems to have an edge with coal based thermal power especially with the cost plus tariff. The thermal producers had expected the power shortage to continue, and hoped for at least 70% PLF yielding good profits. It is now for the thermal producers to find ways and means to their existence by reducing the power tariff in a competitive world rather to bring the problems to the regulator for regulatory interventions as any regulatory intervention which would further push up the cost of power. It is, thus, our submission that the thermal producers may

find the resolution of their problems without any regulatory intervention.

**3. Tariff Design:**

The tariff design under the cost plus mechanism must find out the ways and means to bring the generation tariff as near as possible to the tariff arrived through bidding route in a competitive market. There must as little gap between the Market determined tariff and the regulatory tariff in a cost plus mechanism. The electricity consumer may not feel that the gap is owing to inefficiencies in determining the regulatory tariff under cost plus mechanism.

**4. Deviation from Norms:**

This has been incorporated under the heading ‘Alternative Approach to Tariff Design’.

**5. Optimum utilization of Capacity:**

The optimum utilization of capacity may be left with the generating utilities because the dynamics of the operation in an integrated grid and confronting those circumstances. No regulatory intervention is considered necessary on this issue.

**6. Capital Cost:**

The capital cost has a direct correlation with the cost of value of fixed charges. Accordingly its fair value is required to be determined by the Commission which is usually some interpretations of state rule applied to voluminous evidence. The endeavour of the Commission is to allow capital cost after prudence check. Further, the policy directions in the Tariff Policy, 2016 stipulates that the Appropriate Commission would evolve a benchmark of capital cost as reference to allow reasonable capital cost. It is, however, necessary that the benchmark cost must be reasonable and not liberal which would defeat the entire purpose of having a benchmark. The present system of prudence check is working satisfactorily. The excuses for time and cost overrun may not be accepted unless faced under force majeure conditions. Time for completion of the project and Investment

Approvals are within the domain of the generating companies and transmission licensees and they be held responsible. It will be meaningless if these agencies exercise power and authority without sharing the responsibilities. Further, the additional capital expenditure in respect of new project or existing project incurred or projected to be incurred within the original scope of work be completed within the cut-off date failing which, it must be presumed that these works were not essential for the project. The cut-off date has already been extended by a year by the Commission in tariff periods 2009-14 and 2014-19. Excuses which are never ending may not be accepted by the Commission.

## **7. Renovation and Modernization (R&M):**

- (i) The objective of the R&M activity must not only confined to the extension of life beyond the useful life but also include the restoration of the lost capacity, up-gradation of capacity and improvement in the performance indices of the plant and equipment. The separate provision on R&M is reviewed and following suggestions to make it more responsive are suggested as under:
- (ii) No R&M expense shall be capitalized if it does not result in to life extension along with capacity restoration or capacity up-gradation. R&M activity which does not disclose life extension with improved operational norms is actually an O&M activity. The Generating companies especially the coal based thermal generating companies are no more interested in the R&M activities as this is no more an attractive proposition in comparison to the 'Special Allowance'. This indicates liberal provisioning of the 'Special Allowance'. Thus, the normative value of 'Special Allowance' amounting Rs. 7.5 lakh/MW/year is very high and the same needs downward revision for the tariff year 2019-24.
- (iii) This is also covered under Para 2(iii) above.

## **8. Financial Parameters:**



The existing tariff structure is a combination of actual cost and normative parameters. The normative parameters are very liberal and these need further downward revision as may be noted from the table indicating the actual profit from any generating station is higher than the regulated profit allowed by the Commission in the form of ROE. The liberal operating norms set do not induce any operational and financial efficiency and these are used to either suppress the inefficiencies or for profit motive. The liberal normative parameters contribute in distortion in tariff determination.

**9. Depreciation:**

Extension of the useful life of the transmission assets and hydro stations to 50 years and that of thermal (coal) to 35 years is a good idea provided the Utilities do not exploit the situation for huge capital investment as the Central sector generating plants and transmission assets are well maintained owing to large sums provided for O&M expenses. In the event of Utilities insisting for huge induction of capital as has been experienced during the extension of the useful life Gas turbines from 15 to 25 years, the existing policy may continue.

**10. Gross Fixed Asset (GFA) Approach:**

This approach is beneficial only to the Investor who gets unreasonable tariff under this approach which is contrary to the guidelines provided under section 61 of the Electricity Act, 2003 which gives the Utilities unreasonable tariff. It is, thus, necessary that the Commission may examine the Net Fixed Asset (NFA) approach as against the Gross Fixed Asset (GFA) approach as the concept of GFA goes against the interest of the consumer. The GFA approach is equitable and may be adopted with partial modification where gross capital may be divided in the ratio of loans and equity and the loan amount may be reduced to the extent of depreciation accrued. Once the loan amount is fully repaid and reduced to zero, further depreciation allowed should be used to reduce the equity component. Even the K.P. Rao Committee recommended that once the loan is reduced to zero, the equity component will be reduced progressively to the extent of further depreciation recovered. Thus, it is equitable and reasonable approach for adoption by the Central Commission. This approach would be in

accordance with the provision contained in Section 61(d) of the Electricity Act, 2003.

#### **11. Debt-Equity Ratio:**

- (i) The debt equity ratio of 80:20 may even be considered for the existing plants as most generating companies and transmission sector under cost plus mechanism is the Government owned companies and there is no risk involved. This would make their tariff competitive vis-à-vis tariff determined by bidding process and thus be in the interest of these Utilities.
- (ii) The debt equity issue in respect of old assets wherein the Commission had adopted the 50:50 ratios needed proper structuring as the debt-equity ratio in large number of power schemes was notionally presumed in the ratio of 50:50 by the Commission. In fact, the notional debt-equity ratio of 50:50 was adopted based on the various notification issued by the Ministry of Power irrespective of the actual debt-equity ratio. The utilities have benefited enough on the normative debt-equity ratio and the electricity consumer has equally suffered on account of this normative capital structure. The structure for these assets may also be modified with 80:20 ratio.

#### **12. Rate of Return on Investment (ROCE):**

The Commission may continue with the ROE approach which is widely accepted in the power sector.

#### **13. Rate of Return on Equity (ROE):**

The standard procedure for the regulator in a cost plus approach is to provide the standard procedure to establish a 'rate base' representing the presumed 'fair value' on which a 'fair rate of return' is to be required. This 'fair rate of return' however, must be evolved out of the Commission's inner consciousness in some vague manner not stipulated and not clearly apparent. The Commission had earlier provided ROE 16% during tariff period 2001-04, 14% during tariff period 2004-09 and 15.5% during tariff period 2014-19 and this ROE

was little above than cost of debt available like 1%. The present market dynamics clearly favours reduction in the ROE. The contention that the any such reduction will have the negative impact on the equity is without any basis. The capital invested earlier or at present has no relevance as worth of capital is determined by the Net Present Value (NPV) a method used for evaluating investment whereby the NPV of all cash outflows (investment) and cash inflows (returns) is calculated using a given discount rate. And, if the said contention has any logic then the earlier Commission would not have revised ROE in different tariff periods. Besides this, the GFA approach in determination of tariff and getting actually a hugely inflated ROE than the regulated ROE with liberal norms have been against the beneficiaries and through beneficiaries ultimately the electricity consumer whose interest is required to be safeguarded by the Commission. In view of this, the ROE may be set within 10 to 11% range.

#### **14. Cost of Debt:**

Tariff Policy, 2016 should be implemented by encouraging the Utilities to make every effort to refinance the loan to lower the interest cost and for this purpose the cost associated with re-financing will be borne by the beneficiaries. However, the entire savings on interest must go to the beneficiaries as each and everything need not be shared. It is in the interest of the Utilities to bring down the tariff otherwise these Utilities are likely to suffer in a big way.

#### **15. Interest on Working Capital:**

The provision related the interest on working capital needs review as the same is unreasonable. The interest on working capital should be limited to Cost of fuel (coal/Lignite) for 6 days in case of pithead generating station and 10 for non pithead generating station and secondary fuel oil to 15 days. Besides the cost of fuel, the O&M expenses may also be included. The other elements like the receivables equivalent to two months of capacity charge and energy charges for sale of electricity and the maintenance spares are not really part of the working capital requirement and these two elements should be deleted from the calculation of interest on working capital. With this deletion the 'Rebate' maximum of 2% provided by the

generating company will also be done away with. The regulatory practice now is well established and the payment to the generator is already assured by the late payment surcharge as well as the regulation of power supply to Discoms. These provisions are only for ensuring the payment of billing by the Discoms but tend to increase the electricity billing which is unwanted burden on the electricity consumer. Regulatory practices are well established and the generators need not worry on security of payments by the Discoms. Thus, the provision related the interest on working capital may now be done away being unreasonable in the present context.

**15. Operation and Maintenance (O&M) Expenses:**

The O&M expenses are also norm based which are also very liberal and these need further downward revision as may be noted from the table indicating the actual profit from any generating station is higher than the regulated profit allowed by the Commission in the form of ROE. The liberal operating norms set are contributing for such distortion in the Tariff Regulations.

**16. Fuel-Gross Calorific Value (GCV):**

- (i) Fuel-Gross Calorific Value (GCV) has been explained above. However, the question related to the grade slippages between the mine mouth and at the site of generation is concerned, it may be stated there is hardly any truth in such contentions which is merely to justify the mismanagement at the thermal power station.
- (ii) This is also covered under Para 2(ii) above.

**17. Fuel-Blending of Imported Coal:**

As we have a comfortable coal supply position, the blending of the imported coal is hardly of any consequence and accordingly the import of coal can be considered purely an economic proposition.

**18. Fuel –Landed Cost:**

The fuel-landed cost specifically may not be beyond the control as major STPSs are having MGR system in respect of NTPS which is the major thermal generator covered by the cost plus approach. In any case the tariff determination is station wise and so the energy charges. There may also not be much variation in terms of the landed cost of the coal. Only the cost of the coal and the transport charges are required to be mentioned for a particular generating station.

**19. Fuel-Alternate Source:**

The fuel supply for thermal generation (coal) is quite comfortable and no shortfall in coming period is anticipated. The low stock at several generating units is a problem of their own making as they ignored warnings against reducing off take from CIL during the period of subdued demand. The Thermal Power Stations may not be allowed to reduce their entitled off and then cry for low/critical coal stock. In such scenario the 30% and 20% provision as at present to 20% and 10%.

**20. Operation Norms:**

- (i) The existing operational norms as set out by the Commission are liberal as these are the ceiling norms. The regulation provides also for agreement between the generator and the DICs for agreement to improved norms and in case improved norms are agreed to, such improved norms are applicable for determination of tariff. This regulation has been rendered infructuous by the generation company for the simple reason as to why they should agree for improved norms? Finally under the Tariff Regulations, 2014, the Commission decided the truing up of the tariff by the generating companies on the four controllable parameters on monthly basis with annual re-conciliation. The financial gains were to be computed as per formulae prescribed and this gain was to be shared between the generating station and the beneficiaries in the ratio of 60:40 which again was skewed in favour of the generator as these are required to be amended to 25:75. Even this benefit was denied as the generator did not comply with the regulation in the absence of any penal provision in the regulation.

- (ii) The norms on Station Heat Rate, Secondary Fuel Oil Consumption and Auxiliary Energy Consumption are the liberal operating norms and these need further downward revision as may be noted from the table indicating the actual profit from any generating station is higher than the regulated profit allowed by the Commission in the form of ROE. The liberal operating norms set are contributing for such distortion in the Tariff Regulations.
- (iii) The Normative Annual Plant Availability needs review by considering the requirements of the Discoms from the thermal generating stations. The thermal generating stations may be allowed to go for maintenance of their unit during the low demand period.

**(iv) Transit & Handling Losses;**

The tariff regulations at present prescribe for normative transit and handling loss of 0.2% for Pithead generating stations and 0.8% for Non-pit head generating stations which has lost its need owing to the fact that after the measuring GCV of Coal on ‘as received’ basis thermal power stations are entering into the tripartite agreement between the Coal Company, generating stations and the CSIR-CIMFR on third party sampling for coal quality monitoring at the loading point. Such tripartite agreements have been facilitated and initiated by the Hon’ble Minister of Coal. It may also be submitted that this is also not an uncontrollable factor in the hands of generator as adequate safeguards have been ensured in the Petitioner in the ‘Coal Supply Agreement’. As adequate safeguards have been built in the FSA and therefore there is no need to retain the similar provision for tariff period 2019-24 which is against the safeguards to be provided to the electricity consumer as now there is qualitative improvement in the management of coal supply.

- (v) The Tariff Regulations, 2014 provides operational norms for thermal power plant based on coal washery rejects in line with the Tariff Policy dated 28<sup>th</sup> January, 2016.

**(vi) Transmission System:**

The present procedure for computation of transmission system availability factor for a month needs review by excluding the following contingencies;

- The shut down availed for maintenance and construction of another transmission scheme may be treated as non-availability as it causes constraints in the system operation.
- The switching off of a transmission line to restrict over voltage may be treated as non-availability as it causes constraints in the system operation.

Further, Norms for operation for HVDC bi-pole links and back-to-back Stations for NATAF shall be raised to 96% and for incentive consideration to 97%.

**(vii) Transmission Losses:**

The present procedure for computation of transmission losses in the inter-state transmission is based on actuals. The main reason for such high losses is that the commissioning of the inter-state transmission system is not in the same time frame as planned. The inadequacy of the transmission system results for high transmission losses which can be prevented by not accepting the time overrun by the implementing agencies liberally.

**(viii) Hydro Generation:**

The present practice of NAPAF based on the premise that hydrology risk is to be shared by the generator and the beneficiaries in the ratio of 50:50 is not fair and the same may discontinue. It is not desirable to revise the inflow series data to revise the design energy and consequently revise the NAPAF. Revision of inflow series data during operation of the hydro plant may not be good idea. Using one set of inflow series data for justifying the economic viability of the project before the CEA and another set of inflow series data for operation purposes is only intended to defraud the beneficiaries. No escape route

should be provided to the generators to avoid risk for tariff setting. Such tendencies should be discouraged.

**21. Incentive:**

The general view on incentive is that the incentive should be earned by keeping the generating companies and the transmission licensees on their toes in the operation of their assets. The incentive should not be given on a platter by providing liberal norms. This kind of incentive is self defeating as it neither helps the generating company resulting in the use of extra resources nor it helps the beneficiary due to extra tariff. Such perverse incentives should be avoided at all costs. Incentive in no case be more than 10% of return on equity and the tax on incentive be paid by the generating company and the transmission licensee.

In so far as the question related to the differential incentive for off peak and peak period incentive for hydro and thermal plants are concerned, it must mentioned that there should not be any incentive for off peak period as the PLF of the thermal power stations are going down and there is ease in power supply position in the Country. Incentive can be allowed as this is the requirement of the enabling Act but when and how much is required to be determined by the Commission keeping in view of the facts and circumstances prevailing in the power sector.

**22. Sharing of gains in case of Controllable Parameters:**

Presently, the norms of operation as set out by the Commission are the ceiling norms. The regulation provides also for agreement between the generator and the DICs for agreement to improved norms and in case improved norms are agreed to, such improved norms are applicable for determination of tariff. This regulation has been rendered infructuous by the generation company for the simple reason as to why they should agree for improved norms? Finally under the Tariff Regulations, 2014, the Commission decided the truing up of the tariff by the generating companies on the four controllable parameters on monthly basis with annual re-conciliation. The financial gains were to be computed as per formulae prescribed and this gain was to be shared between the generating station and the beneficiaries in the ratio of



60:40 which again was skewed in favour of the generator only. Even this benefit was denied as the generator did not comply with the regulation in the absence of any penal provision in the regulation. It is our submission that the benefits be shared in the ratio of 25:75 between the generating station and the beneficiaries and the generator should be asked to inform the beneficiaries the detailed calculation and the amount so arrived be deducted from the monthly bill. Any failure on this account by the generator would automatically result in stopping payment by the beneficiaries. It may also be submitted all payment provisions are in favour of the generator which is a main contributory factor for generator to ignore the regulatory provisions and according and equity and justice is required on this issue to force the generator to comply with the tariff regulations. The Commission should also strictly watch that whenever any benefit sharing is allowed and left to the generators/licensees for its calculation as well as for its distribution to ensure that these benefits are shared as per regulation and any complaint on this issue be taken seriously including action under Section 142 & 146 of the Electricity Act, 2003 on the Head of the Organization.

**23. Late Payment Surcharge & Rebates**

We have sought amendment in the interest on working capital which has a consequential effect on the provision relating to rebates. This may accordingly be read along with our comment on the interest on working capital.

**24. Non-Tariff Income:**

A provision for providing the non-tariff income may be incorporated in the terms and conditions of tariff to facilitate reduction of tariff. The reduction in tariff is a better solution than reducing O&M expenses which are norm based.

**25. Standardization of Billing Process:**

It may perhaps be necessary to standardization of the billing procedure as at times bills do not provide for details which are necessary for verification by Discoms. The standard formats can be devised in consultation with the Discoms at the RPC level. The

generator should provide the beneficiaries the detailed calculation and the amount so arrived on account of sharing the gains in case of controllable parameters. Any failure to provide information as per standardize procedure on the part of the generator/transmission licensee would automatically result in stopping payment by the beneficiaries.

**26. Tariff mechanism for Pollution Control System:**

The coal based thermal generation is the biggest source of polluting the environment and it is for this reason the Government of India is notifying new environmental norms. Some of the new thermal power stations may have adequate pollution control system but for the old thermal power stations but the old thermal power stations retrofitting or up-gradation of the environmental control equipment may not be possible. The consultation Paper also brings out ease in the power supply in the Country and this situation may be used to replace the inefficient sub critical units needing huge investment on pollution control system. Thus, the huge investment on such thermal units can be avoided. It is, therefore, necessary that the thermal power station requiring pollution system control may undertake the field study to consider its requirement, capital investment and the economics of such proposal without any regulatory intervention. Generating Companies in their own interest may avoid regulatory benefits which may be attractive in a short span but in danger of losing its market share which would have long term disadvantage.

**27. Renewable Generation by Existing Thermal Power Stations:**

The renewable generation by existing thermal generating stations is also an attractive proposition and the mere fact that the option is to install renewable project at the same location using the common facilities and land indicate that the renewable generation can be a commercial entity in itself due to economy of its establishment in getting free infrastructure. However the idea bundle the RE power with the conventional power is not a sound idea as it is likely that bundling RE power with the conventional power has the potential to increase the power supply cost from the conventional power. Thus, we oppose bundling RE power with the conventional power.

## **28. Commercial Operation or Service Start Date:**

- (i) The Commissioning of the generating station and transmission systems and their commercial operation is declared after successful completion of the trial operation/run. We are of the opinion that shortcoming in the existing methodology for trial run of generating station and trial operation for transmission system be part of the Central Electricity Regulatory Commission (Indian Electricity Grid Code) Regulations, 2010. It would be suffice to add that the Commissioning of the generating station and transmission systems and their commercial operation is declared after successful completion of the trial operation/run will be in accordance with the IEGC. However, the inspection and the report of the Electrical Inspector which is a statutory authority should be made mandatory as the installation is inspected by him for its completeness and for safety considerations.
- (ii) It may also be stated that without completion of the telemetry and communication system and their availability at SLDC/RLDC, the generating stations and the transmission systems may not be allowed commercial operation.
- (iii) Similarly, no generating station shall be allowed commercial operation without restricted governing operation mode.

## **29. Energy Storage System:**

This is attractive proposition technically but purely a commercial effort and may be looked from commercial consideration. Any person whether the generator or transmission licensee can take such a venture and if found economically attractive can be considered by the Commission. But at this stage, it is purely a theoretical idea.

## **30. Alternative Approach to Tariff Design:**

In the Consultation Paper the following alternatives for Alternative Approach to Tariff Design are mentioned;

- Normative tariff by Benchmarking of Capital Cost;

- Normative Tariff by fixing AFC as a percentage of Capital Cost;
- Normative Tariff by fixing each component of AFC as a percentage of Capital Cost;
- Principles of Cost Recovery-Approach towards Multi-Part Tariff.

As may be perused all the above propositions are based on some norms and these norms are decided by the Commission on liberal basis and results in higher tariff which is not in the interest of beneficiaries and through the beneficiaries, the ultimate electricity consumer. The best tariff setting determined in deviation of norms is already contained in Regulation 48 of Tariff Regulations, 2014 but no generator or the transmission licensee has opted for determination of tariff under this Regulation. Thus, none of the above proposition favours the electricity consumer to whom the Commission has a statutory duty to safeguard his interest.

### **31. Transparency in Billing and Accounting of Fuel:**

The present regulatory framework provides for pass through of coal cost to the procurer directly on the basis of certification, it is therefore, necessary that there must be transparency in Billing and accounting of fuel for which a standard format be devised in consultation with the Discoms at the RPC level. The Discoms be informed and documents provided in respect of FSA and the coal procurement of coal from other sources.

### **32. Relaxation of Norms:**

The present regulatory framework provides for operating parameters based on norms. These norms are very liberal norms being the ceiling norms. Any relaxation in these norms would lead to inefficiency and should not be relaxed. No sanctity will be left in these norms if these norms are relaxed based on location. If the particular site is not economically viable, the other sources of generation may be examined by the Investor. The investor must not look for regulatory intervention which increases the cost of supply of power and unsettle the equilibrium which has been set by the Commission through its tariff setting.

**33. Merit Order Operation:**

The Regulatory intervention on an issue which is within the domain of the generator is not a desirable factor. The generator of old plants must find the ways and means to tackle the situation by reducing the operating cost. It is noted that the generator often brings the problem before the regulator whose resolution is within the generator for seeking regulatory solution which most times increases the cost of supply and thus such matters be left with the generator who are in a better position to resolve economically.

**34. Application for Tariff Determination: Review of Process in Transmission System**

The review of the process in case of transmission system involving large number of individual elements and the which are commissioned at different point of time owing to problems of ROW, forest clearance and matching of upstream/downstream system. The Regulatory intervention on an issue which is within the domain of the transmission licensee is not a desirable factor. The transmission licensee may give the Investment Approval only in respect of a project which is self contained and can be used by the beneficiaries. On the part of the Commission, the provision which provides determination of tariff element wise should be amended 'Project wise Contained in the Investment Approval'. This will provide resolution of the problem as contained in Para-41 of the Consultation Paper.

**35. Additional Comments:**

The existing provision of tariff determination on projected capital expenditure and anticipated commissioning of project within six months may be discontinued as there are too many revisions. Provisional tariff requirements for inclusion in PoC may also be done away. The Commission during hearings have also expressed it unhappiness on these provisions as it leads to multiple petitions on the same matter.

36. **Conclusion**

In view of the position explained in the foregoing paragraphs, it is requested that the comments/suggestions/objections of an electricity consumer may be considered while finalizing the terms and conditions of tariff regulations for the control period 2019-24. It is also submitted that the Commission has a statutory duty to Safeguard the interest of consumer and allow only the cost of electricity which is reasonable in accordance with Section 61 (d) of the Electricity Act, 2003 and the hidden benefits to the Utilities be plugged.

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