4911/2018/CRU-CERC

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टीएचडीसी इंडिया लिमिटेड
THDC INDIA LIMITED

(भारत सरकार एवं उ.प्र.सरकार का संयुक्त उपक्रम)
(A Joint venture of Govt. of India & Govt. of UP)
CIN : U45203UR1988GOI009822

सूचना का अधिकार
Right To Information

No: THDC/RKSH/COMML/C-01/51/834
Dt.: 02.07.2018

To,

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

Subject : Terms and Conditions of Tariff for the tariff period commencing from 1st April, 2019 - Consultation Paper thereof.

Ref: CERC's Public Notice no. No. L-1/236/2018/CERC Dated the 24th May' 2018

Sir,

This has reference to the Hon'ble CERC's Public Notice dtd.24.05.2018, vide which comments/ suggestions from the stakeholders on Terms and Conditions of Tariff for the tariff period commencing from 1st April, 2019 - Consultation Paper , have been invited.

06/07/18

As desired, comments/ suggestions on the Consultation Paper (3 sets) are enclosed herewith for your kind perusal and a CD containing soft copy of above information is also being sent alongwith this letter.

Chief (Finance)

Thanking you,

yours faithfully,
for & on behalf of THDC India Ltd.

02/07/2018

(Mukesh Verma)
Dy. General Manager (Commercial)

E.O/Secy
9/7/18

9-7-18

Encl: as above.

मुकेश कुमार वर्मा /M.K.Verma
उप महाप्रबंधक (वाणिज्यक)
Dy. General Manager (Commercial)
टीएचडीसी इंडिया लिमिटेड, ऋषिकेश
THDC India Limited, Rishikesh

THDC India Limited

Comments/ Suggestions of THDCIL on Hon'ble CERC's Consultation Paper dtd. 24.05.2018 on Terms and Conditions of Tariff for the control period from 01.04.2019 to 31.03.2024

Sl. No.	Particulars / Issues	Comments / Suggestions
5.2.7	a) There are concerns of the generating companies in respect of ensuring performance of the power purchase agreement. Some of the State utilities have initiated actions for cancellation of concluded Power Purchase Agreements with power producers, including surrender of power from centrally owned generating stations on the ground of changes in market conditions.	There may be stringent Regulation which should stipulate that once the PPA is signed and the project is sanctioned by the Government, beneficiary should not be allowed to back out. In case, it wants to back out, then the original beneficiary must arrange a new beneficiary on same terms & conditions. The beneficiary must compensate the developer, the pro-rata Capital Cost (in proportion to the capacity allocation) in case the beneficiary finally decides to pull out.
5.9(c)	Clause 5.5 provides that the Appropriate Commission shall fix time period for commissioning of Hydro Electric Project. The Commission will be required to consider this while determination of commercial operation date of HEPs for tariff purpose:	Due to various uncertainties encompassing geological, environmental, Rehablitational issues, a fixed time frame cannot be achieved. Special dispensation should be made for Hydro Project for time over-run due to factors beyond the control of developer i.e earthquake, flood, environmental & rehabilitation issues etc.

7.4.1 **7.4.2**	The two part tariff structure of hydro generating stations seems adequate in present scenario. However, in view of large capital cost, hydro generating stations often find it difficult to get dispatched due to resultant higher energy charges. In order to address this issue, for the hydro generating stations, the fixed charges and variable charges may need to be reformulated. The fixed component 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. The annual fixed cost can consist of the components of return on equity, interest on loan capital, depreciation, interest on working capital; and operation and maintenance expenses.	Hydro power should not be subjected to ‘Merit Order’. It should be on ‘Must Run’ basis. Hydropower to account for Hydropower Obligation (HPO), which must be essentially fulfilled by all the beneficiaries in order to encourage clean and green energy. Hydro tariff should be such that RoE is attractive enough for investment as the percentage of Hydro has dwindled to 14% on Pan – India basis. Ample care is to be taken so that variable component of RoE does not become dicey.
10.5(a)	Extend 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 for moderating upfront loading of the tariff.	Life is 35 years based on historical data. So it should remain as such. - For existing projects and the upcoming projects whose financial closure has been attained, depreciation should be actual (i.e correlated with Loan Repayment). - For upcoming projects, it may be endeavoured to get long term 18-20 years loan, provided Financial Institutions/ Banks agree.

10.5 (b)	Assign responsibility of operation of the hydro power stations and pumped mode operations at regional level with the primary objective for balancing. For this purpose, the scheduling of the hydro power operation (generation and pumped mode operation) may have to be delinked from the requirements of designated beneficiaries with whom agreement exists. The power scheduled to the hydro generation can be dispatched to designated beneficiaries through banking facility so that flexibility in scheduling can be achieved for balancing purpose and to address the difficulties of cascade hydro power station. Some part of fixed charge liability to the extent of 10-20% against the use of flexible operation and pumped operations may be apportioned to the regional beneficiaries as reliability charges.	The operation of hydro plants including PSP may have to be elaborately spelled out for the purpose of recovery of fixed charges. Pumped Storage Plant (PSP) should be commercially and technically treated as 'Grid Asset' in view of its excellent capability to balance the grid in the light of the heavy capacity addition of Renewable Energy.
11.7	There are also specific issues and challenges in respect of hydro generating stations. i) The trend of capital cost of hydro generating stations indicates that the hydro stations are becoming un-viable due to higher tariff. The present approach may need to be reviewed in view of sustainable benefits offered by hydro generation in terms of clean power and high ramping rates.	- In case of hydro, good RoE must be ensured for encouraging investment otherwise percentage share of hydro may further go down. - RoE during construction period may also be considered to be paid to the developers.

14	Depreciation is a major component of the annual fixed cost. Para 5.8.2 of the National Electricity Policy, 2006 provided that “depreciation reserve is created so as to fully meet the debt service obligation.” The regulatory principle evolved over time stipulates that there should be enough cash flow available to meet the repayment obligations of the generating company or transmission licensee during first 12 years of operation. The depreciation rate has been considered based on the above principle. The Tariff Policy, 2016 stipulates that the Central Commission may notify the rates of depreciation in respect of generation and transmission assets and the rates so notified would be applicable for the purpose of tariffs as well as accounting.	If it is uniformly spread over the entire 35 years, cash flow would be severely hit & repayment of loan shall become an issue. Therefore, present system must continue. Depreciable life to be aligned with the repayment terms to be allowed by Banks/ Financial Institutions.
15	Gross Fixed Asset (GFA) Approach	Present system should be continued.
16	. Debt:Equity Ratio	Present system i.e 70:30 should be continued. Increasing Debt : Equity ratio to 80:20 with greater depreciable life will be counter productive

18	Rate of Return on Equity	No change is envisaged. It should be rather enhanced to take care of the fact that there is no RoE during construction. Gestation period is 7-8 years with no RoE during this period. This needs to be compensated by enhancing RoE post COD.
18.7	Reduction of return on equity in case of delay of the project;	Must not be implemented as long as the developer is not responsible. Reduction in RoE shall discourage investment in Capital Intensive Hydro Projects as project construction is subject to several genuine uncertainties eg. geological surprises, flood, cloud bursts, rehabilitational & environmental issues etc.
19	Cost of Debt	Present system to be continued. Already, generator is incentivized for swapping of loan.
29	Sharing of gains in Auxiliary Consumption	Once the Auxiliary consumption is not allowed beyond the normative level, it should also not be subjected to benefit sharing it it falls below normative level. It should be done away with as it is very meager amount in hydro.

30	Late Payment Surcharge & Rebate	Late payment surcharge should not be touched. Higher LPS encourages the beneficiaries to make timely payment. It is a deterrant for late payment. Normally, beneficiaries are not giving priority for payment of LPS. As such , LPS on accrual basis should be adjusted first and then principal amount and Stringent Regulation is required for this purpose.
32	Standardization of Billing Process	Software may be developed by NRPC for symmetric billing by all the generators. It should help in standardization of billing and ease to all the utilities.
	EXTRA COMMENTS	- In case of Multi-purpose Hydro-electric projects, the cost of benefits other than power, must be evaluated for actual cost benefit analysis.
	EXTRA COMMENTS	- In existing guidelines for vetting of capital cost of hydro-electric projects by an independent agency or an expert is required. For Government owned organization, capital cost vetting by Government Authority should also be added in the said Regulation.