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TATA POWER-DDL

**Puneet Munjal**  
Chief (PM, Contracts & BD)  
Date: 31.07.2018

TPDDL/PMG/CERC/310718

**Mr. Sanoj Kumar Jha,**  
Secretary,  
Central Electricity Regulatory Commission  
3rd & 4th Floor, Chandralok Building,  
36, Janpath,  
New Delhi -110 001

**Subject:** Terms and Conditions of Tariff for the tariff period commencing from 1<sup>st</sup> April, 2019  
– Consultation Paper thereof.

**Reference:** CERC notification no. L-1/236/2018/CERC dated 24.05.2018

Dear Sir,

We write in reference to the notification issued by CERC dated 24.05.2018 seeking comments on the consultation paper pertaining to Terms and Conditions of Tariff for the tariff period commencing from 1<sup>st</sup> April, 2019.

In line with the same please find attached a copy of Tata Power-DDL's comments/suggestions on the subject matter.

Thanking You.

Yours Sincerely,  
For **Tata Power Delhi Distribution Ltd.**

**Puneet Munjal**  
Chief (Power Management, Contracts & BD)

59 (S.S.)

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Years

**TATA POWER DELHI DISTRIBUTION LIMITED**

(A Tata Power and Delhi Government Joint Venture)

Corporate Office : NDPL House Hudson Lines Kingsway Camp Delhi - 110 009

Tel. +91 11 66112231, Fax: +91 11 27468042

E-mail : puneet.munjal@tatapower-ddl.com Website : www.tatapower-ddl.com  
CIN No. : U40109DL2001PLC111526

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THE ECONOMIC TIMES

Tata Power-DDL Comments/Suggestions on Consultation Paper on Terms and Conditions of Tariff commencing from 1<sup>st</sup> April, 2019.

Clause No	Options for Regulatory Framework	Tata Power-DDL's Views and suggestion	Rationale
7.2.5 & 7.2.6	<p><b><u>Thermal Generating Stations –Tariff Structure</u></b>  <u>Three Part Tariff Structure for thermal generating stations</u>                      7.2.5 The tariff for supply of electricity from a thermal generating station could comprise of three parts, namely, fixed charge (for recovery of fixed cost consisting of the components of debt service obligations allowing depreciation for repayment, interest on loan and guaranteed return to the extent of risk free return and part of operation and maintenance expenses), variable charge (incremental return above guaranteed return and balance operation and maintenance expenses) and energy charges (fuel cost, transportation cost and taxes, duties of fuel).</p> <p>7.2.6 The recovery of fixed component could be linked to target availability, whereas variable component could be linked to the difference between availability and dispatch. Fuel charges could be linked with dispatch.</p>	<p>The recovery of fixed component of Annual Fixed Cost (AFC) should be linked to target availability, whereas variable component of AFC could be linked to the actual dispatch to the beneficiaries.</p> <p>The actual dispatch can be calculated as a percentage of actual generation to requisitioned schedule during peak hours of a beneficiary. For example for Delhi, the peak hours can be 0000 hrs. to 0400 hrs. and 1200 hrs. to 2400 hrs. during summer months (April to October) &amp; 0900 hrs. to 1300 hrs. and 1800 hrs. to 2000 hrs. during winters (December to March).</p> <p>In such case if a beneficiary has requested 100 MW power during peak hours in line with its allocation, but the Generator is able to deliver only 70% of the beneficiary requirement, then variable component of the fixed charge also should be restricted to only 70% payment. This may further be subjected to conditions mentioned under 26.3.13.</p>	<p>Three Part Tariff is beneficial for DISCOMS &amp; end consumers due to following reasons:</p> <ul style="list-style-type: none"> <li>• <b><u>O&amp;M cost:</u></b> Three Part Tariff segregates the O&amp;M cost between fixed and variable component which reflects the actual scenario. Under Two Part Tariff scheme, the Generator receives normative O&amp;M cost based on availability, even though it may not have incurred the same. <b>However, the basis of treating O&amp;M Expenditure as Semi Fixed expenditure shall require careful calibration</b></li> <li>• <b><u>Return on Equity:</u></b> ROE is a return provided to the Generator for the equity invested by it in the project. It should however, reflect market returns. Segregating of ROE in fixed and variable component shall maintain a balance between the interest of the generator and its beneficiaries.</li> <li>• Further, three part tariff would ensure that the Generators compete amongst themselves so as to fit under merit order. <u>Merit order could comprise of variable component of fixed charges and Variable charges (ECR)</u></li> </ul>

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7.3.4	<p><b>Thermal Generating Stations – Older than 25 years</b></p> <p>7.3.4 A clear policy/ regulatory decision are required in view of a number of thermal stations crossing the age of 25 years. Possible options could be (i) replacement of inefficient sub critical units by super critical units, (ii) phasing out of the old plants, (iii) renovation of old plants or (iv) extension of useful life etc. It is worth to note that performance of a unit does not necessarily deteriorate much with age, if proper O&amp;M practices are followed</p>	<p>As per the data available, presently 33 GW of coal based stations are more than 25 years old. Many of these stations are high polluting units and are unable to comply with the new pollution norms thereby requiring FGD installation which would increase the generation cost by 35 paise to 40 paise per unit and in the interim period shutdown would be required. This shall also lead beneficiaries to source power from elsewhere. Tata Power-DDL would suggest that the beneficiaries should be allowed to exit from PPA of a plant which has lived a life of 25 years.</p> <p>Further, one of the principal objective of Electricity Act is to move towards competition in generation. Extending the life of coal guzzling power plants results in the efficient thermal plants lying idle. The capacity of such efficient plants should be harnessed irrespective of ownership and preference in allocation of coal should also be based on efficiency of the plants. Accordingly, it is suggested that beneficiaries should be given an option to exit the PPAs once the useful life has ended and option should also be</p>	<p>A plant which has lived a life of 25 years has certain advantages and disadvantages associated with it. <u>On the positive side, these plants have already recovered most of the depreciation and completed loan repayments.</u> Accordingly, they may have financial advantage in terms of lower fixed cost. However, it has been observed that their <u>operational cost is generally high due to less efficiency,</u> such as high consumption of coal due to higher station heat rate (SHR). These plants <u>usually do not confirm with the new environmental and other norms also.</u> Accordingly, it calls for fresh investment which increases the cost of power.</p> <p>It may further be noted that the PLF of thermal power plants have reduced drastically from 77.50% in FY 2009-10 to 59.68% in FY 17-18. Under such a scenario, closure of old plants shall result in increase in PLF for new and efficient plants.</p> <p>Low PLF also results in increase in per unit capacity charges, as energy generated is less while the total capacity charges to be recovered by the generator remains the same.</p>

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		<p>given to such generators to either close down or participate in open markets like merchant power plants.</p>	<p>Considering both the pros and cons associated with old plants, it is best to leave it to the beneficiaries to decide whether it is a feasible source of supply or not, subject to the Plants meeting Environmental norms. The existing beneficiaries should be allowed to review and exit the PPA and not be forced to continue with a plant which cannot otherwise compete/survive in an open market. This will also result in:</p> <ul style="list-style-type: none"> <li>• Optimal utilization of stranded Generation Capacity &amp; higher off take from efficient less polluting supercritical coal based plants.</li> <li>• Would lead to reduction in the financial stress of IPPs having efficient plants and relief to their bankers and other lenders.</li> <li>• Will lead to reduction in overall procurement cost and the financial capacity of Discoms to purchase clean hydro, wind and solar power would increase thereby helping the environmental concerns and thereby promoting renewable procurement.</li> <li>• Would result in reduction in end consumer tariff thereby promoting economical growth.</li> </ul>

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7.4.2	<p><b>Hydro Generating Stations - Tariff Structure</b></p> <p>7.4.2 The fixed component may include debt service obligations, interest on loan and risk free return while the <b>variable component may include incremental return above guaranteed return, operation and maintenance expenses and interest on working capital.</b> 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.</p>	<p>The recovery of fixed component of Annual Fixed Cost (AFC) should be linked to target availability, whereas variable component of AFC could be linked to the actual dispatch to the beneficiaries.</p> <p>The actual dispatch can be calculated as a percentage of actual generation to requisitioned schedule during peak hours of a beneficiary. For example for Delhi, the peak hours can be 0000 hrs. to 0400 hrs. and 1200 hrs. to 2400 hrs. during summer months (April to October) &amp; 0900 hrs. to 1300 hrs. and 1800 hrs. to 2000 hrs. during winters (December to March).</p> <p>In such case if a beneficiary has requested 100 MW power during peak hours in line with its allocation, but the Generator is able to deliver only 70% of the beneficiary requirement, then variable component of the fixed charge also should be restricted to only 70% payment. This may further be subjected to conditions mentioned under 26.3.13.</p>	Please refer to our earlier comments for Clause No. 7.2.5 & 7.2.6
7.5.6	<p><b>Inter-State Transmission System - Tariff Structure</b></p> <p>7.5.6 The recovery of fixed component can be linked to the extent of access (Transmission Access Charge) and variable</p>	The said proposal may be implemented as it would ensure full recovery by Transmission Companies and at the same time would also help Discoms pay based	Please refer to Tata Power DDL's Views and Suggestions

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	<p>component can be linked to the extent of use, to be recovered in proportion to the power flow (Transmission Service Charge). The fixed component may be linked to evacuation system or on normative basis based on aggregate transmission charges of the identified transmission system under the contract. The variable component may be linked with yearly transmission charges based on actual flow or actual dispatch against long term access.</p>	<p>on the extent of usage. It would result in a more judicious recovery of transmission tariff. Accordingly, we propose that 50% interstate transmission charges should be recovered as fixed (proportional to contracted MW GNA) and 50% proportional to energy (MWh) injected and drawn (without netting).</p>	
7.6.3	<p><b>Renewable Energy Generation – Tariff Structure</b> 7.6.3 There can be <b>Two part tariff</b> structure for renewable generation covered under Section 62 of the Act, which comprises fixed component (debt service obligations and depreciation) and variable component (equal to marginal cost i.e. O&amp;M expenses and return on equity) - fixed component as feed-in-tariff (FIT) and variable component equal to capacity augmentation such as storage or back up supply tariff.</p>	<p>The said proposal may be implemented. However, the computation of availability has to be in a different manner as compared to a conventional plant. For example, peak availability of a wind generator or a solar plant at 100% on a particular day does not mean that the plant will be able to declare 100% availability on that day as its output will depend on wind and solar intensity. The hour to hour availability will also be different.</p>	<p>The two part tariff will support the already stressed renewable sector as currently there are no clear cut guidelines regarding recovery of cost in case a renewable source is backed down. Further, it will disincentivize backing down of renewable power by utilities and make them at par with the conventional tariff structure. This will also ensure that the utilities which have tied up Renewable PPA's do not end up getting less Renewable power on account of the same being backed down by states in which such plants are located.</p>
7.6.4	<p>7.6.4 In case of integration of the renewable generation with the coal/ lignite based thermal power plant, the following may be the alternatives. a) The renewable generation may be supplied through the existing tariff for the</p>		<p>The MoP has issued guidelines no.23/70/2017-R&amp;R dated 05.04.2018 allowing the thermal generating stations the flexibility to integrate renewable source while dispatching power to Discoms. The</p>

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	<p>contracted capacity of thermal power plant under PPA. In this alternative, the tariff of renewable generation may replace the energy charges;</p> <p>b) Tariff of renewable generation may be combined with the fixed and variable components of the thermal generation to the extent of contracted capacity under PPA. The operational norms of conventional plants may require revision such as higher target availability for recovery of fixed charges, higher plant load factor for recovery of incentive;</p> <p>c) The tariff for supply of power from renewable generation and thermal power generation may be recovered separately. The operational norms for recovery of tariff may have to be specified separately.</p>		<p>same may be considered while framing the regulations.</p>
<p><b>8.4</b></p>	<p><b>Deviation from Norms</b> 8.4 Possible option could be to develop for incentive and disincentive mechanism for different levels of dispatch and specifying the target dispatch expanding the scope of Regulation 48 above.</p>	<p>The Tariff Regulations, 2014 provides incentive when Plant Load Factor is more than 85%. This may be continued. Apart from this, three part tariff may be implemented which links recovery of part AFC through dispatch of power.</p>	<p>Three part tariff shall encourage the generators to be more competitive as part of their AFC shall be recovered only when they actually get dispatched and not just by declaring their availability.</p>
<p><b>9.3</b></p>	<p><b>Components of Tariff</b> 9.3 The question is whether the annual fixed charges and energy charges are to be determined to the extent of the capacity tied up under Section 62 of the Act or for the entire capacity. One approach could be to determine the tariff of the generating station for entire capacity and restrict the tariff for</p>	<p>The tariff of the generating station should be determined for entire capacity and restrict the tariff for recovery to the extent of power purchase agreement on pro-rata basis.</p>	<p>This shall result in passing the "benefit of scale" of plant on to the beneficiary. Further, it shall avoid any confusion regarding which component should be booked to which unit.</p>

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	recovery to the extent of power purchase agreement on pro-rata basis and balance capacity will be merchant capacity or tied up under Section 63, as the case may be.		
10.3	<p><b>Optimum utilization of Capacity</b></p> <p><b>Coal based Thermal Generation</b></p> <p>10.3 (a) Flexibility may be provided to the generating company and the distribution licensee to redefine the Annual Contracted Capacity (ACC) on yearly basis out of total Contracted Capacity (CC), which may be based on the anticipated reduction of utilization. Annual Contracted Capacity (ACC) may be treated as guaranteed contracted capacity during the year for the generating company and the distribution licensee and the capacity beyond the ACC may be treated as Unutilized Capacity (UC). The distribution licensee will have a right to recall Unutilized Capacity during next year and for securing such rights, some part of fixed cost, say 10-20% or to the extent of debt service obligations, may be paid;</p>	The said proposal may be implemented. (Details mentioned under Rationale)	The Annual Contracted Capacity can be changed as it would be similar to temporary reallocation of power. The same could be done on a seasonal basis as some beneficiaries may require power in a specific season which could be a lean period for the other beneficiaries. The change in Annual Contracted Capacity should be based on mutual consent between a Generating Company and its beneficiary with a flexibility of deciding 3 month prior to the actual implementation of the same.
10.5 (a)	<p><b>Optimum utilization of Capacity</b></p> <p><b>Hydro Generation</b></p> <p>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</p>	The said proposal may be implemented. (Details mentioned under Rationale)	The extension of the contracted capacity will reduce the initial fixed cost as the front loading will be reduced. This shall result in optimum utilization of hydro power and help in grid balancing. However, many hydro power station sites have been



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	from existing 10-12 years for moderating upfront loading of the tariff.		allotted to IPPs on BOOT basis by the State for a period of 35 years. Extending useful life to 50 years will not be revenue neutral for the IPP if it has to transfer the project to the State Govt. at the end of 35 years and accordingly necessary considerations towards such projects be made.
10.5 (b)	<p><b>Optimum utilization of Capacity</b></p> <p><b>Hydro Generation</b></p> <p>(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.</p>		The said Regulations allows socialization of fixed cost to the extent of 10-20% among the regional beneficiaries which shall ease the burden of fixed cost on the original beneficiaries. This shall also benefit the Hydro Gencos as it will result in optimum utilization of Hydro Plants. Further, it shall also contribute towards grid balancing and optimum utilization of the natural resources.
10.7	<b>Optimum utilization of Capacity</b>		This shall benefit both the Gas based plants as this will raise their PLF along with

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	<p><b>Gas based Thermal Generations</b>                      10.7 Scheduling and dispatch of gas based generating station may be shifted to regional level with the primary objective of balancing. After meeting the requirement of designated beneficiaries, the regional level system operator can use it for balancing power at the rate specified by the generating companies. Alternatively, all the gas based generating station capacities may be pooled at regional level. After meeting the requirement of designated beneficiaries, the balance generation may be offered for balancing purpose as and when required.</p>		<p>helping the grid balancing, Further the provision of apportioning of 10-20% of the fixed charge liability amongst the regional beneficiaries may also be made applicable for gas based generating stations.</p> <p>Further, the gas allocation from old and inefficient gas stations may be diverted to new and more efficient gas based stations. Accordingly, the old gas based stations may be phased out. This shall result in optimum utilization of limited cheaper gas options available to generation sector.</p>
11.9	<p><b>Capital Cost</b>                      11.9 Higher capital cost allows the developer return on higher base of equity deployed. <u>In the cost plus pricing regime, the developer envisages return on equity as per the original project cost estimation.</u> The regulations allow compensation towards increase in cost due to uncontrollable factor so as to place the developer to the same economic position had this uncontrollable event not occurred. <u>Therefore, in new projects, the fixed rate of return may be restricted to the base corresponding to the normative equity as envisaged in the investment approval or on benchmark cost.</u> <u>The return on additional equity may be restricted to the extent of weighted average</u></p>	<p>In new projects, the fixed rate of return may be restricted to the base corresponding to the normative equity as envisaged in the investment approval or on benchmark cost. The return on additional equity may be restricted to the extent of weighted average of interest rate of loan portfolio or rate of risk free return. Further, incentive for early completion and disincentive for slippage from scheduled commissioning can also be introduced.</p>	<p>The burden of increase in capital cost on account of uncontrollable factors is already passed on to the beneficiaries. Further, providing full ROE on the additional Capital Cost is not fair to the beneficiaries. Accordingly, the proposed rationalization of ROE is a welcome step and is fair to both the sides.</p> <p>Further, in case of hydro stations:</p> <ul style="list-style-type: none"> <li>The capital cost of the hydro generating stations should be approved against the previously defined benchmarks to be specified by Hon'ble CERC and the same</li> </ul>

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	of interest rate of loan portfolio or rate of risk free return. Further, incentive for early completion and disincentive for slippage from scheduled commissioning can also be introduced.		<p>should be linked to the MW capacity of the plant.</p> <ul style="list-style-type: none"> <li>• In the absence of such benchmarks, the generating company should provide the Capital cost Vetted by a DIA for the purpose of tariff determination.</li> <li>• Any project cost on schemes commissioned after the cut-off date should be approved only as an exception and with due care.</li> </ul>
12.	<b>Renovation &amp; Modernisation</b>	The Renovation & Modernisation of a plant should be done only after consent of beneficiaries, considering that most of the utilities are power surplus and do need power from old and inefficient stations.	<p>This is required as the beneficiaries have to bear the cost of R&amp;M and they should not be burdened with a capacity which does not fall under their merit order dispatch.</p> <p>Further, R&amp;M shall be allowed only when the tariff of the plant, post R&amp;M, is competitive. In absence of the same, R&amp;M just becomes a source of revenue for the generator while it burdens the beneficiaries.</p> <p>The R&amp;M after 25 years should be done without resetting of capital base.</p> <p>The beneficiary(s) should be allowed to exit the PPA in case R&amp;M is done without the consent of beneficiaries, or some beneficiary does not require power from the plant post R&amp;M.</p>

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14.6	<p><b>Depreciation</b></p> <p>a) <b>Increase the useful life of well-maintained plants for the purpose of determination of depreciation for tariff;</b></p> <p>b) Continue the present approach of weighted average useful life in case of combination, due to gradual commissioning of units;</p> <p>c) Consider additional expenditure during the end of life with or without reassessment of useful life. Admissibility of additional expenditure after renovation and modernization (or special allowance) to be restricted to limited items/equipment;</p> <p>d) Reassess life at the start of every tariff period or every additional capital expenditure through a provision in the same way as is prescribed in Ind AS and corresponding treatment of depreciation thereof;</p> <p><b>e) Extend useful life of the transmission assets and hydro station to 50 years and that of thermal (coal) assets to 35 years and bring in corresponding changes in treatment of depreciation.</b></p> <p>f) Reduce rates which will act as a ceiling.</p> <p>g) 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</p>	<p>The following proposals may be implemented:</p> <p>a) Increase the useful life of well-maintained plants for the purpose of determination of depreciation for tariff;</p> <p>e) Extend useful life of the transmission assets and hydro station to 50 years and that of thermal (coal) assets to 35 years and bring in corresponding changes in treatment of depreciation.</p> <p>f) Reduce rates which will act as a ceiling to allow depreciation only upto the gross value of the asset.</p> <p>Accordingly, we propose that option should be given to the beneficiaries to suggest that whether a plant can be put in the category of well-maintained plant or an option to exit the PPA in line with Clause 7.3.4 can be exercised by the beneficiaries.</p>	<p>Increasing the useful life of well-maintained efficient plants shall result in avoidance of front loading and hence ensure optimum utilization of efficient resources. This shall be in the best interest of all stakeholders involved including giving higher PLF to the Generating Stations as part of AFC would also be linked to actual dispatch of the plant.</p> <p>Reduction of Depreciation rates shall have similar effects. It may however, be noted that the interest on loan should also be provided on normative basis else the benefit of reduced depreciation rates and extended life shall be offset by interest payments.</p> <p>However, in case of Hydro Projects where sites have been allotted by the State Government on BOOT basis for 35 years, this may not be feasible.</p>

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	zero rate as depreciation in some of the year(s).		
15.1	<p><b>Gross Fixed Asset (GFA) Approach</b>                      15.1 The Commission in the previous Tariff Regulations has adopted GFA approach as it incentivizes the equity investors to efficiently operate and maintain the infrastructure, even after the plant has been fully depreciated. The internal resources generated by way of depreciation are reutilized for further capacity addition. CEA has estimated that in view of present demand growth rate and availability of commissioned and under construction capacity, no new coal based capacity may be required till 2027.</p> <p>15.2 An option could be to base the returns on the modified gross fixed assets arrived at by reducing the balance depreciation after repayment of loan in respect of original project cost.</p>	<p>15.2 this should be read as                      "An option could be to base the returns on the modified gross fixed assets arrived at by reducing the total depreciation allowed in respect of original project cost.</p>	<p>This clause should be treated in line with the concept of RRB- "Rate Regulated Base which aims at allowing returns on the actual capital invested in the business. In other words, any depreciation in excess of repayment of loans should be treated towards repayment of Equity.</p> <p>Alternately, an interest credit should be provided in the AFC on the amount of Depreciation allowed in excess of Normative Debt</p>
18.	<p><b>Rate of Return on Equity</b>                      18.6 According to CEA, the capacity addition is no more a major challenge and adequate installed capacity (along with currently under installation) exists to meet the demand for the next 8-10 years. Further, the rate of interest has also come down in recent times. Therefore, there is market dynamics which favors reduction of rate of return. However, any such reduction will</p>	<p>(a) Review the rate of return on equity considering the present market expectations and risk perception of power sector for new projects;</p> <p>(d) In respect of Hydro sector, as it experiences geological surprises leading to delays, the rate of return can be bifurcated into two parts. The first component can be assured whereas the</p>	<p>The rate of return on equity cannot be delinked from market as this shall affect the financial status of beneficiaries.</p> <p><b>Also, regulatory certainty and stability needs to be maintained with respect to applicable RoE, especially in view of Investments Decisions being based on the applicable RoE at that time.</b></p>

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	<p>have negative impact on the equity already invested in the existing and under construction projects, creating further financial stress on such projects. Different rate of return for new projects (where financial closure is yet to be achieved), may be thought of, with different rates for generation and transmission projects.</p> <p>18.7 (a) Review the rate of return on equity considering the present market expectations and risk perception of power sector for new projects;</p> <p>(b) Have different rates of return for generation and transmission sector and within the generation and transmission segment, have different rates of return for existing and new projects;</p> <p>(c) Have different rates of return for thermal and hydro projects with additional incentives to storage based hydro generating projects;</p> <p>(d) In respect of Hydro sector, as it experiences geological surprises leading to delays, the rate of return can be bifurcated into two parts. The first component can be assured whereas the second component is linked to timely completion of the project;</p> <p>(e) Continue with pre-tax return on equity or switch to post tax Return on equity;</p> <p>(f) Have differential additional return on equity for different unit size for generating station, different line length in case of the</p>	<p>second component is linked to timely completion of the project;</p>	

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	transmission system and different size of substation; (g) Reduction of return on equity in case of delay of the project;		
19.4 & 5	<p><b>Cost of Debt</b></p> <p>19.4 While allowing the cost of debt as pass through, options available for regulatory framework are either to consider normative cost of debt based on market parameters or actual cost of debt based on loan portfolio. As the tariff is determined for multi-year period and cost of debt varies based on changing market conditions, linking cost of debt to market parameters such as MCLR &amp; G-sec will bring a degree of unpredictability. The regulatory approach evolved so far has been to allow the cost of debt based on actual loan portfolio. This does not incentivize the developers to restructure the loan portfolio to reduce the cost of debt. The current incentive structure may need review to encourage developers to go for reduction of cost of debt.</p> <p>19.5 (a) 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 and generation projects;</p> <p>b) Review of the existing incentives for restructuring or refinancing of debt;</p>	Link reasonableness of cost of debt with reference to certain benchmark viz. RBI policy repo rate or 10 year Government Bond yield and have frequency of resetting normative cost of debt;	Although, the Tariff Regulations have provided incentive on restructuring of finances, the same has not been adopted by generating stations. This is on account of the pass through of cost of debt to the generating stations. Accordingly, the linking of cost of debt with reference to certain benchmark viz. RBI policy repo rate or 10 year Government Bond yield and have frequency of resetting normative cost of debt is required. This may ensure that the generating station tries to restructure its finance so that the cost of debt comes down. Further, this shall avoid the pass through of inefficiencies of generators.

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	c) Link reasonableness of cost of debt with reference to certain benchmark viz. RBI policy repo rate or 10 year Government Bond yield and have frequency of resetting normative cost of debt;		
20.3	<p><b>Interest on Working Capital (IOWC)</b> 20.3</p> <p>(a) Assuming that internal resources will not be available for meeting working capital requirement and short-term funding has to be obtained from banking institutions for working capital, whose interest liability has to be borne by the regulated entity, IWC based on the cash credit was followed during previous tariff period. Same approach can be followed or change can be made.</p> <p>(b) As stock of fuel is considered for working capital, <u>a fresh benchmark may be fixed or actual stock of fuel may be taken.</u></p> <p>(c) While working out requirement of working capital, maintenance spares are also accounted for. <u>Since O&amp;M expenses also cover a part of maintenance spares expenditure, a view may be taken as regards some percentage, say, 15% maintenance spares being made part of working capital or O&amp;M expenses.</u></p> <p>(d) Maintenance spares in <u>IWC</u> which is also a part of O&amp;M expenses results in <u>higher IWC for new hydro plants with time and cost overrun.</u> For old hydro stations, the higher O&amp;M expenses due to higher</p>	<p>(b) As stock of fuel is considered for working capital, <u>a fresh benchmark may be fixed or actual stock of fuel may be taken.</u></p> <p>(c) While working out requirement of working capital, maintenance spares are also accounted for. <u>Since O&amp;M expenses also cover a part of maintenance spares expenditure, a view may be taken as regards some percentage, say, 15% maintenance spares being made part of working capital or O&amp;M expenses.</u></p> <p>(d) Maintenance spares in <u>IWC</u> which is also a part of O&amp;M expenses results in <u>higher IWC for new hydro plants with time and cost overrun.</u> For old hydro stations, the higher O&amp;M expenses due to higher number of employees also yield higher cost for "Maintenance Spares" in <u>IWC.</u> Therefore, option could be to <u>de-link "Maintenance Spares" in IWC from O&amp;M expenses.</u></p> <p>(e) In view of increasing renewable penetration and continued low demand, the plant load factor of thermal generating stations is expected to be low. As per the present regulatory framework,</p>	<p>(b) The actual stock of fuel must be considered while calculating the IOWC. Fuel cost is pass through, and accordingly cost related to fuel shall be allowed only when it is incurred and not on normative basis. The generating stations reduce their declared capacity during shortage in supply of coal. Under such circumstance, the beneficiaries have to resort to short term arrangements which are usually costly. Accordingly, the cost on account of fuel stock should not be considered in IOWC as it shall further burden the beneficiaries who are already reeling with high short term cost.</p> <p>(c) Double benefit on account of considering the cost of maintenance spares should be avoided. Further, the cost of maintenance spares may be linked to actual dispatch.</p> <p>(d) The Maintenance Spares in IOWC for Hydro Generating stations should be delinked with O&amp;M cost. This should be benchmarked by Hon'ble CERC.</p>



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	<p><u>number of employees also yield higher cost for "Maintenance Spares" in IWC. Therefore, option could be to <b>de-link "Maintenance Spares" in IWC from O&amp;M expenses.</b></u></p> <p>(c) In view of increasing renewable penetration and continued low demand, the plant load factor of thermal generating stations is expected to be low. As per the present regulatory framework, the normative working capital has been provided considering target availability. <u>In case of wide variation between the plant load factor and the plant availability factor, the normative approach of linking working capital with "target availability" can be reviewed.</u></p>	<p>the normative working capital has been provided considering target availability. <u>In case of wide variation between the plant load factor and the plant availability factor, the normative approach of linking working capital with "target availability" can be reviewed.</u></p>	<p>(e) Several cost like O&amp;M cost, fuel cost etc. is directly linked to actual dispatch and accordingly, such cost should not be linked with target availability. This results in undue gain to the generators and unnecessary burden to the beneficiaries.</p>
21.7	<p><b>Operation and Maintenance (O&amp;M) expenses</b></p> <p>21.7 (a) Review the escalation factor for determining O&amp;M cost based on WPI &amp; CPI indexation as they do not capture unexpected expenditure;</p> <p>(b) Address the impact of installation of pollution control system and mandatory use of treated sewage water by thermal plant on O&amp;M cost.</p> <p>(c) Review of O&amp;M cost based on the percentage of Capital Expenditure (CC) for new hydro projects;</p>	<p>(c) Review of O&amp;M cost based on the percentage of Capital Expenditure (CC) for new hydro projects;</p> <p>(d) Review of O&amp;M expenses of plants being operated continuously at low level (e.g. gas, Naptha and R-LNG based plants).</p> <p>(e) Rationalization of O&amp;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;</p>	<p>(c) Linking of O&amp;M cost to Capital Expenditure results in enhanced O&amp;M cost as delay in commissioning of plant results in corresponding increase of O&amp;M cost. The O&amp;M cost of plants should be benchmarked and a normative O&amp;M cost may be specified.</p> <p>(d) Certain component of O&amp;M cost is linked to actual dispatch, accordingly some multiple factor may be introduces which is based on the actual dispatch of the station.</p> <p>(g) Treatment of income from other business may be shared between the</p>

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	<p>(d) Review of O&amp;M expenses of plants being operated continuously at low level (e.g. gas, Naptha and R-LNG based plants).</p> <p>(e) Rationalization of O&amp;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;</p> <p>(f) Have separate norms for O&amp;M expenses on the basis of vintage of generating station and the transmission system.</p> <p>(g) Treatment of income from other business (e.g. telecom business) while arriving at the O&amp;M cost.</p>	<p>(g) Treatment of income from other business (e.g. telecom business) while arriving at the O&amp;M cost.</p>	<p>generator and beneficiaries as is the case with transmission and distribution business.</p>
22.8	<p><b>Fuel – Gross Calorific Value (GCV)</b></p> <p>22.8 (a) Take actual GCV and quantity at the generating station end and add normative transportation losses for GCV and quantity for each mode of transport and distance between the mine and plant for payment purpose by the generating companies. <u>In other words, specify normative GCV loss between “As Billed” and “As Received” at the generating station end and identify losses to be booked to Coal supplier or Railways.</u></p> <p>b) Similarly, specify normative GCV loss between “As Received” and “As Fired” in the generating stations.</p> <p>c) Standardize GCV computation method on “As Received” and “Air-Dry basis” for</p>	<p>Fixing normative loss values of GCV and transportation is a welcome step. This would ensure that the inefficiencies of the Generating Companies and Coal Companies are not passed on to the end consumers.</p>	<p>(a) As per CEA recommendation to Tariff Regulations, 2014, there should be negligible loss between “as billed” and “as received” GCV. Hon’ble Commission is requested to consider the same while specifying the normative loss between “As Billed” and “As Received” GCV.</p> <p>(b) CEA has already provided its recommendation on the normative GCV loss between “As Received” and “As Fired” in the generating stations. The same may be adopted.</p>

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	procurement of coal both from domestic and international suppliers.		(c) Standardization of GCV computation is necessary. It cannot be that "as billed" GCV is measured on "Air-Dry basis" whereas "as received" GCV is measured on "Total moisture" basis. This leads to unnecessary burdening of the beneficiaries and end consumers in terms of the losses being passed on to the beneficiaries when the beneficiary has no role to play in the same.
23.	<b>Fuel - Blending of Imported Coal</b> 23.6 Normative blending ratio may be specified for existing plant as well as new plants separately in consultation with the beneficiaries.		Hon'ble Commission may specify the Normative Blending ratio, however the consent of beneficiaries should be must, as it is the beneficiaries who are mandated to follow merit order dispatch. Further, the details of the same should be provided in a transparent manner.
24.5	<b>Fuel - Landed Cost</b> 24.5 (a) All cost components of the landed fuel cost may be allowed as part of tariff. Or alternatively, specify the list of standard cost components may be specified; (b) The source of coal, distance (rail and road transportation) and quality of coal may be fixed or specified for a minimum period, so that the distribution company will have	(a) specify the list of standard cost components; (b) The source of coal, distance (rail and road transportation) and quality of coal may be fixed or specified for a minimum period, so that the distribution company will have reasonable predictability over variation of the energy charges while	The said information shall result in standardization and better predictability of cost. This shall help Discoms in optimizing its power procurement costs.

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	reasonable predictability over variation of the energy charges.	entering into short term bilateral sale/purchase contracts.	
25.	<p><b>Fuel - Alternate Source</b></p> <p>25.2 (a) Stipulate procedure for sourcing fuel from alternate source including ceiling rate;</p> <p>(b) Rationalize the formulation keeping in view the different level of energy charge rates, as the fuel cost has increased since 1.4.2014.</p>		<p>Procedure for sourcing fuel from alternate source including ceiling rate may be specified. However, all the generators must be mandated to make arrangement for coal corresponding to normative plant availability. Currently, there are several plants who do not have adequate arrangement of coal supply and hence fall short of coal at times when their requirement is most.</p> <p>Further, the consent of beneficiaries should be must as it is the beneficiaries who are mandated to follow merit order dispatch.</p>
26.3.13	<p><b>Normative Annual Plant Availability</b></p> <p>26.3.13 As per present regulatory framework, the recovery of annual fixed charges is based on cumulative availability during the year. There may be a chances of declaring lower availability during the peak demand period when the beneficiaries may be required to resort to procurement from short term market to meet their demand. However, during low demand period, the generating station may declare higher availability so as to achieve the target cumulative availability on annual basis to recover the full annual fixed charges. In this</p>		<p>We agree with views of the Commission. The payment of fixed charges should be done based on some weighted average of demand availability during peak and off peak period. In the event plant is not able to declare availability during peak hours, its availability during off peak hours should also be changed accordingly. Further SLDC/RLDC must be vested with the responsibility for suo motu checking of plant availability by making it run for 3 consecutive days in a month every month.</p>

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	process, the beneficiaries may not get the electricity when required at the time of high demand.		In the event, the plant is not able to demonstrate its availability, the fixed charges should be reduced for the entire month.
26.3.18	<p><b>Transit &amp; Handling losses</b></p> <p>26.3.18 A regulatory option could be that the generating station shall only pay for coal "As Received" at the plant plus normative transmission loss of GCV and quantity as per CERC norms. This can be addressed in the Tariff Regulation by indicating GCV as "As Received at plant end" and customization of Form- 15 regarding the GCV.</p>		This would result in better risk allocation as the Coal suppliers shall also bear the loss during supply of coal from mines to plants
26.5.1	<p><b>Transmission Availability Factor:</b></p> <p>Transmission Availability Factor Availability of Transmission System/ elements is expected to increase with Introduction of new technology like polymer insulators etc. Thus, the mechanism of payment of transmission tariff based on availability of Transmission system may need review.</p>	<p>Currently as per Tariff regulation 2014-19 Normative availability of Transmission system for recovery of full fixed charges is 98% for AC system and 95% for HVDC bi-pole links and HVDC back-to-back stations.</p> <p>For the purpose of incentive the same is considered as 98.5% for AC system and 96% for HVDC bi-pole links and HVDC back-to-back stations.</p> <p>1. In the above context we propose that the benefit of the technical advancements should be passed</p>	As per the details available on Ministry of Power website, "The availability of this huge transmission network is consistently maintained over 99% through deployment of state-of-the-art operation & maintenance techniques at par with global standards".

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		<p>on to the end consumers and normative transmission availability of for both the AC &amp; DC transmission systems should be pegged at 99% for the purpose of claiming incentive.</p> <p>Further, the calculation and Availability for region wise Transmission assets should be vetted by a third party agency before certification by the concerned agency.</p> <p>A system to monitor the Aggregated Transmission Capacity so as to ensure that the system is available across regional and state boundaries without any inter regional constraints should also be devised.</p>	
27.5	<p><b>Incentive</b>                  27.5 (a) Review linking incentive to fixed charges in view of variation of fixed charges over the useful life and on vintage of asset - Need for different incentives for new and old stations;                  (b) <u>Different incentive may be provided for off peak and peak period for thermal and hydro generating stations.</u> Differential incentive mechanism for storage and pondage type hydro generating stations may also be considered.</p>	<p>Currently the Incentive payable to the Hydro Generating Station is linked to the monthly capacity Charges. Relevant extracts of Tariff regulation 2014-19 has been reproduced below:</p> <p>“The fixed cost of a hydro generating station shall be computed on annual basis, based on norms specified under these regulations, and shall be recovered on monthly basis under capacity charge (inclusive of incentive)”</p>	<p>This is based on the fact that even if hydro plant is ensuring 100% availability, it cannot guarantee the full generation corresponding to its design energy, until and unless there is sufficient water availability.</p> <p>Further, In case of less generation on account of less water availability or any other reason beyond the control of the generator, the plant is eligible to recover the resultant shortfall</p>

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	<p>(c) Review the incentive and disincentive mechanism in view of the introduction of compensation for operating plant below norms.</p> <p>(d) Review the norms for availability of transmission system.</p>	<ol style="list-style-type: none"> <li>1. The incentive payable to a hydro station should be a separate component and the same should not be linked to the capacity charges and availability of the plant.</li> <li>2. It should be a fixed number (say in paisa per unit) based on actual energy generated by the station beyond its scheduled design energy.</li> </ol> <p>Provision of different incentive for off peak and peak period for thermal and hydro generating stations &amp; differential incentive mechanism for storage and pondage type hydro generating stations is a welcome move and the same would promote the operational efficiencies during the time of actual need of power.</p>	<p>(Rs.) in terms of MECR and MADE thereby ensuring the recovery of their full fixed cost. Hence incentivizing them for higher than normative availability is an extra burden on the consumers. In any case, recovery of the fixed charges should not be more than 100% of its AFC.</p>
28.	<p><b>Implementation of Operational Norms</b></p> <p>28.2 Comments and suggestions of stakeholders are invited whether the operational norms of the new tariff period should be implemented from the effective date of control period irrespective of issuance of the tariff order for new tariff period.</p>	<p>The operational norms of the new tariff period should be implemented from the effective date of control period irrespective of issuance of the tariff order for new tariff period.</p>	<p>The operational norms notified by the Commission in new tariff regulations take effect much after the date of coming into force of new tariff regulations. Consequently, the benefits of the improved operational norms are passed to beneficiaries only after time lag of few months.</p>

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			However, in case it is implemented after issuance of tariff order, the same should be done with carrying cost.
30.	<p><b>Late Payment Surcharge &amp; Rebate</b></p> <p>30.1 The present regulatory framework provides for late payment surcharge at the rate of 1.50% per month for delay in payment beyond a period of 60 days from the date of billing. In view of the introduction of MCLR, the rate of late payment surcharge may need to be reviewed. One option is to add some premium over and above MCLR.</p> <p>30.2 Further, as per the existing regulations, the rebate is provided if payment is made within 2 days of presentation of the bill. Valid mode of presentation of bill, (email, physical copy etc.), authorised signatory, definition of two days (working days or including holidays) may need elaboration.</p>	<p>30.1 In view of the introduction of MCLR, the rate of late payment surcharge may need to be reviewed. One option is to add some premium over and above MCLR.</p> <p>30.2 The Regulations should also specify the conditions for Rebate Availability, and should be allowed on payment made relating to undisputed amount of any bill</p> <p>Further, Rebate should be allowed on a pro-rata basis depending on the date of payment upto the Due Date. Presently, the Regulations don't provide any incentive to Beneficiaries for paying immediately (for getting maximum rebate of 2%) and the 30<sup>th</sup> / last day of the month, when the Rebate availability is reduced to 1%, with no rebate or LPSC for payment from day 31 to day 60.</p> <p>Lastly, inorder to avoid any disputes, a clear waterfall structure should be specified as to the order in which any payment received shall be adjusted, viz.</p>	<p>30.1 LPSC should not be a source of income to the generators. The current rate of LPSC is very high , considering the falling interest rates. LPSC should be MCLR with a small premium so as to disincentivize the Discoms from defaulting on payments.</p> <p>30.2 The Rebate and LPSC clause should be standard, especially for projects under Section 62. There should be no disparity between a government utility and a private utility as the cost ultimately gets passed on to the end consumers, which is same.</p>



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		against Outstanding Dues, Current Bill, etc.	
31	<p><b>Non-Tariff income</b> The principle of treatment of other income as applicable in case of transmission can be extended for the generation business.</p>		This should be implemented as is already applicable to both the transmission and distribution business.
32	<p><b>Standardization of Billing Process</b></p>	<p>Standardization of the Billing Process including formats, verification template and timelines should be made applicable. The hard copies of the bills should be done away with and details should be provided in excel sheets with linkages/formulae.</p>	<ul style="list-style-type: none"> <li>• Till date in spite of CERC mandate to bring transparency in the fuel cost borne by Gencos, Gencos have not been able to still comply with the same as there is lot of discrepancy in the grade of coal billed by CIL and grade of coal used by Gencos.</li> <li>• Form – 15 needs to be re-visited with proper justification of transportation and taxes levied.</li> <li>• Bill wise Coal cost details should be a part of true-up being filed by the gencos.</li> <li>• It has been observed that in the event of coal shortage the coal is sourced from different mines as per requirement, which further adds complication in the fuel cost details.</li> </ul>

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			<ul style="list-style-type: none"> <li>• All the information regarding fuel sourcing should be made available invoice wise by the gencos in excel for verification of the fuel costs.</li> </ul>
33	<p><b>Tariff mechanism for Pollution Control System (New norms for Thermal Power Plants)</b></p> <p>a) Possibility of reducing funding cost through suitable change in debt:equity requirements. Relaxation in funding from equity may be introduced and the rate of return on equity may be aligned with the interest on debt;</p> <p>b) "Debt Service obligation during construction period and recovery of depreciation" may be provided with the condition that such depreciation may be adjusted during the remaining period;</p> <p>As the level of emission is linked to actual generation, it would be appropriate to link recovery of supplementary tariff with the actual generation or availability or combination of both.</p>		<ul style="list-style-type: none"> <li>• Environmental impact and reduction in carbon foot prints is a genuine concern, however, cost benchmarking should be carried out and circulated prior to finalizing the regulations.</li> <li>• Also, plants which have exceeded a life of 20 years should not go for FGD because by the time FGD is completed the plant shall be nearing end of its useful life.</li> <li>• Also adding FGD cost of 35 paise per unit at the fag end of a plant life can prove to be uneconomical.</li> <li>• Consent from beneficiaries should be taken for plants more than 15 years old as certain beneficiaries might not find the same uneconomical and rather than continuing with the PPA's, may like to pay the share of their fixed costs and exit from the same.</li> </ul>

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35.	<p><b>Commercial Operation or Service Start date</b></p> <p>a. Addressing the shortcomings in existing methodology for the trial run of generating station and trial operation for transmission element through appropriate regulatory mechanism;</p> <p>b. Issue of trial operation and commissioning of the project when a generating station is ready but cannot be operated due to non-availability of load or evacuation system;</p> <p>c. Issue of acceptance of COD of transmission line if the generating project or upstream/ downstream transmission assets are not commissioned;</p> <p>d. Pre-requisite of completion of data telemetry and communication facilities for declaring COD of transmission system and operationalization of RGMO for declaring COD of generating station;</p> <p>e. Linking of commercial operation date with schedule commercial operation or schedule commencement date of the Power Purchase Agreement or Long Term Access Agreement respectively;</p> <p>f. Linking the commercial operation date of the transmission system with the commissioning of the generating units or stations;</p> <p>g. Separation of the commercial operation date of the unit or stations, the transmission</p>		<ul style="list-style-type: none"> <li>• For projects established under Section 63, first year tariff should be applicable in the subsequent financial year also, whenever the project is commissioned in the last quarter of a financial year. It has been observed that projects are being commissioned in the last month of a year just to avail the benefit of second year tariff by running the plant for one month only.</li> <li>• The projects must ensure sufficient arrangement of coal before commissioning of plants. It has been observed that plants have been commissioned without adequate arrangement of coal. This results in undue burden of transmission charges on the beneficiaries.</li> <li>• There should be indemnity agreement between the Transmission service provider, generating stations and the beneficiaries of the generating stations. The beneficiaries of the generating stations and transmission system should be liable for transmission charges only when both the transmission system and generating system are commissioned in line with prudent utility practices. The</li> </ul>

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	element or system from the service start date under the contract.		transmission service providers shall indemnify the generating stations in case transmission system has not been commissioned in time and vice versa.
36.	c) <b>Energy Storage System</b>		With the increasing portfolio of renewable generation, Discoms also need to plan for dynamic demand supply management considering the infirm nature of renewable power and hence it becomes necessary to adopt storage and demand response technologies to create ability to handle contingencies in supply.
37.6	<b>Normative Tariff by Benchmarking of Capital</b> a. Would it be advisable to undertake econometric analysis to arrive at benchmark capital cost? b. What are the variables that should be considered for the purpose of determining Capital Cost on normative basis? c. Any other methodology for benchmarking the capital cost for generation and transmission projects?	The Hon'ble Commission should continue with the existing Regulations/norms for allowance of the capital costs as the capital cost of the project should be allowed after prudence check, and requisite benchmarks, after considering the various factors like geographical conditions, demographics, various indices etc.	
37.9	<b>Normative Tariff by fixing AFC as a percentage of Capital Cost</b> <b>In this regard, views/ comments are solicited on the following:-</b> a. Whether it is a good idea to determine AFC as percentage of Capital Cost on normative basis?	The norms for all the components of AFC have been defined in the Regulations, therefore, the Hon'ble Commission should continue with the existing norms for allowance of the components of AFC.	

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	b. What could be the possible methodology to establish the relation between AFC and Capital Cost so that it meets the interests of both buyers and sellers?		
37.17	<p><b>Normative Tariff by fixing each component of AFC as a percentage of total AFC</b></p> <p>a. Whether clustering the components of AFC based on their nature to increase/ decrease in order? Any other possible method to cluster the AFC components?</p> <p>b. What methodology should be adopted to determine the escalable (increasing)/ non-escalable (decreasing) factors?</p> <p>c. Whether escalable (increasing) / non-escalable (decreasing) factors should remain same for all plants/transmission systems (or) they be separate for each of the plants/transmission systems based on vintage / capacity / fuel type/ fuel linkages etc.</p> <p>d. Whether isolation of “Additional Capitalization” as a separate stream of revenue would provide for recovery of AFC on a normative basis in realistic terms?</p> <p>e. Alternatively, do you suggest any other methodology to treat “Additional Capitalization” for determination of AFC on normative basis?</p> <p>f. Whether applicability of change in tariff principles in each control period for the new</p>	<p>The norms for all the components of AFC have been defined in the Regulations, therefore, the Hon'ble Commission should continue with the existing norms for allowance of the components of AFC. The existing norms already take care of escalable/ non-escalable factors.</p>	

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	plants would allow regulatory certainty to the existing plants?		
37.21	<p>a. Does the proposal of differential recovery of AFC by segregating into peak and off-peak periods balance the need for both the buyers and sellers?</p> <p>b. What could be the weightage factors for peak and off-peak periods along with the PAF for each segment?</p> <p>c. What could be other mechanisms to arrive at peak and off peak AFC tariffs?</p> <p>37.20 The proposition is to introduce the system of differential AFC recovery linked to peak and off-peak periods in the following manner:-</p> <p>a. Off-peak component of AFC: The generating station has to declare a PAF of 80% for the year, which allows recovery of 80% of the AFC. Any slippage to meet the above norm would result in reduction in 80% of AFC in proportionate manner.</p> <p>b. Peak component of AFC: The remaining 20% of the AFC is recoverable from the beneficiaries, if the generating station achieves a PAF of 95% for the peak period, say of 4 months. During the currency of peak period, adherence to the norm of 95% PAF will be reconciled on monthly basis and slippages from this norm i.e. 95% upto the limit of 80%, would result in reduction in higher peak AFC for that month.</p> <p>c. The peak and off-peak months for each generating station will be declared by the</p>	<p>We agree to the views of the Hon'ble Commission on differential recovery of AFC by segregating peak and off peak periods. Our views under Clause number 7.2.5, 7.2.6 and 26.3.13 may also be considered.</p>	<ul style="list-style-type: none"> <li>• Plant should be entitled to full AFC recovery subject to a minimum of 50% plant availability during peak hours of its beneficiaries/to be decided by RPC.</li> <li>• If peak hour AFC is to be given at an incentive, off peak hour AFC should be given in such a way that recovery beyond 100% AFC does not occur.</li> <li>• Similar methodology should be applicable for transmission also.</li> </ul>

**Tata Power-DDL Comments/Suggestions on Consultation Paper on Terms and Conditions of Tariff commencing from 1<sup>st</sup> April, 2019.**

Clause No	Options for Regulatory Framework	Tata Power-DDL's Views and suggestion	Rationale
	appropriate RLDC by considering load profile of beneficiaries.		
40	<p><b>Merit Order Operation</b> Alternative approach, if any, for economic operation of merit order</p>		<p>Tata Power-DDL would like to submit that the adherence to Merit Order principle is essential for optimization of cost. It may however be noted that the responsibility of the same should not only rest with Distribution Licensees as ultimately it is SLDC/RLDCs which schedules power. It is therefore submitted that in order to have clarity in scheduling power as per Merit Order, SLDC/RLDCs should be instructed to publish the list of must run plants on their website based on the seasonal demand/transmission constraints. The must run plants from merit order principle.</p>