

Ref: NETC/MD/CERC/2018-19/002

Date: 24.01.2019

To,
The Secretary,
Central Electricity Regulatory Commission
Third Floor, Chanderlok Building, 36,
Janpath, New Delhi-110001

Sub: The Suggestions/Comments/objections on draft CERC (Terms and Conditions of Tariff) Regulations 2019 for the Tariff period from 01.04.2019 to 31.03.2024

Ref: PUBLIC NOTICE No. L-1/236/2018/CERC Dated 14th December, 2018 and L-1/236/2018/CERC dated 07th January, 2019

Dear Sir,

We would like to thank CERC for giving an opportunity to submit our Suggestions/Comments/objections on the draft CERC (Terms and Conditions of Tariff) Regulations 2019 applicable for the Tariff period from 01.04.2019 to 31.03.2024.

Based on our experience, we would like to submit following Suggestions/observations/concerns which may be addressed suitably while finalizing Tariff Regulations commencing from 01.04.2019: -

- 1. Operation & Maintenance Expenses:** North East Transmission Company Ltd. is a single project company and is present in North Eastern part of the country. The transmission line is traversing through difficult terrains of Assam, Meghalaya and Tripura States, which is also influenced by insurgencies and vulnerable for land sliding due to heavy rainfall in this part of the Country (about 7-10 times more than All India Average) (**Refer table below**).

Average annual rainfall of the states of India

Sl. No.	State	Meteorological Divisions	Average annual rainfall (mm)
1	Assam	Assam and Meghalaya	2,818
2	Meghalaya	Assam and Meghalaya	2,818
3	Tripura	Nagaland, Manipur, Mizoram and Tripura	1,881
4	Average rainfall in India		300-600

The O&M of the transmission assets becomes a challenge in such difficult terrain and requires additional financial resources to compensate the additional cost due to hiring of more man power and establishment of additional site offices to mitigate the difficulty in movement of man and material in comparison to transmission assets in plain area. It costs additional money to the company. In addition to this, being a single project company, the corporate office expenses need to be compensated.

As the national average of O&M expenses being allowed by Hon'ble CERC in north east region also, it may not be able to meet Company's O&M expenses present in North Eastern part of the country. In the past 5 years, NETC has spent excess money towards O&M expenditure over and above CERC norms (**Refer table below**).

(Amount in Lakhs)

S.No.	Year	O&M Charges Spent By NETC	O&M Charges Allowed by CERC	Variance (short)/Excess	% tage (Short)/Excess
1.	2014-15	902.11	331.21	-570.90	-172.37%
2.	2015-16	1374.33	484.49	-889.84	-183.67%
3.	2016-17	1307.78	500.41	-807.37	-161.34%
4.	2017-18	1324.85	516.98	-807.87	-156.27%
5.	2018-19	1371.72*	534.20	-837.52	-156.78%

*O&M charges for the F.Y. 2018-19 have been taken on estimation basis.

As stated in the above table NETCL has spent average 166.08% more than the allowed by CERC. Hence, a separate mechanism needs to be evolved to address this genuine issue.

It is therefore prayed to allow a dispensation/allowance of additional 100% to 150% beyond the O&M norms for transmission operator solely operating in difficult terrain area like, North eastern state, Northern region state (Jammu & Kashmir) etc.

- 2. Additional Allowance:** The Hon'ble CERC has recognised the special consideration for north eastern region while notifying Tariff Regulations pertaining to hydro Generating Stations. *A special allowance of 5% for difficulties in north east region* has been allowed in regulation 37(3) of 2014-19 and also proposed in the said draft regulation 60 (3) of 2019-24 in respect of Norms of operation for Hydro Generating Stations.

Keeping in view, of the fact that there are higher level of difficulties in operating transmission lines due to traversing through larger area of difficult and inhabitable terrain in north eastern state and comparatively less capital cost involved in the transmission project against generating station, additional allowance under operation and maintenance expenses for transmission system in North East Region be allowed

while finalising the regulations to compensate the additional O&M cost as explained above.

It is our humble submission to allow a dispensation/allowance of 8% to 10% to transmission operator solely operating in difficult terrain area like, North eastern state, Northern state (Jammu & Kashmir) etc.

- 3. Return on Equity:** Regulation 30 (2) (i) of the draft regulation, may kindly be reviewed. There are various force majeure reasons in NE Region beyond control of the company for delay in completing the project in time like, Geographical area, difficult in forest clearances, difficulty in procurement of materials, rainy season and delay in the signing of agreements between the transmission company and beneficiaries and so on. Which has resulted in inordinate delay in almost all Hydro power/thermal power/transmission projects.

In view of the above, commission may relax this regulation to the extent that, wherever additional capitalisation after cut-off date within the original scope have been incurred on account of change in law events or force majeure, the ROE may be allowed as per regulation 30 (2) i.e. @15.5% instead of at the weighted average rate of interest on actual loan portfolio.

We humbly request that the ROE may be allowed@15.5% instead of at the weighted average rate of interest on actual loan portfolio.

- 4. Sharing of Saving in interest due to re-financing:** We take this opportunity to appreciate the recognition of efforts being made by the licensees for reducing the interest burden through re-financing of existing loan through proposed sharing of saving under regulation 71 of the draft regulation to 1:1 from 2:1 as per regulation 2014-19.

We humbly state that the regulation kindly be reviewed further, and an example/explanation towards sharing of re-finance benefit may be included there for better clarity.

Thanking you,

Yours' faithfully,

For-North East Transmission Company Limited,

(Satyajit Ganguly)
Managing Director