

**DRAFT CERC (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2019**  
**(FOR TARIFF PERIOD 2019-2024)**

S. No.	New Provision/ Deleted Provision/ Modified Provisions (in bold) of Draft CERC (Terms and Conditions of Tariff) Regulations, 2019	Observation and Suggestions of TERI
1.	(25) 'Force Majeure' for the purpose of these regulations means the event.... <b>(d) Delay in obtaining statutory approval for the project except where the delay is attributable to project developer;</b>	<p>We are in agreement with the proposed modification as the same is in line with industry requirements</p> <p>New sub-clauses may be added: (e) explosion, accident or breakage of transmission facilities to deliver power from the delivery points to the receiving sub-stations (f) radioactive contamination or ionising radiation originating from a source within or outside India.</p>
2.	(48) 'Operation and Maintenance Expenses' or 'O&M expenses' means the expenditure incurred for operation and maintenance of the project, or part thereof, and includes the expenditure on manpower, maintenance, repairs and maintenance spares , consumables, insurance and overheads and fuel other than used for generation of electricity , water charges and <b>security expenses;</b>	We are in agreement with this modification as the same is in line with industry requirements.
3.	<p>(79) 'Useful life' in relation to a unit of a generating station and transmission system from the COD shall mean the following, namely:</p> <p><b>(b) Integrated Mine of thermal generating station - As per approved Mining Plan</b></p> <p><b>(f) Hydro generating station including pumped Storage hydro generating stations - 40 years</b></p>	<p>In the Consultation Paper, the useful life of a hydro generating station was proposed as 50 years. In the Draft Regulations, it is proposed to be 40 years. We agree in-principle to extend the useful life on the basis of ground realities.</p> <p>We are in agreement with this modification as the same is in line with ground realities.</p>
4.	<p><b>8. Tariff determination:</b></p> <p><b>(4) Assets installed for implementation of the revised emission standards shall form part of the existing generation project and tariff</b></p>	New sub-regulations and regulations at different places (like Regulation 9, 14, 16 and 29) addressing revised emission

	<p><b>thereof shall be determined separately on submission of the completion certificate by the Board of the generating company.</b></p>	<p>standards have been added. We appreciate this addition of new provisions as the same is in line with environmental requirements.</p>
5.	<p><b>11. In-principle Approval in Specific circumstances:</b> The generating company or the transmission licensee undertaking any additional capitalization on account of change in law events or force majeure conditions may file petition for in-principle approval for incurring such expenditure after prior notice to the beneficiaries or the long term customers, as the case may be, along with underlying assumptions, estimates and justification for such expenditure if the estimated expenditure exceeds 10% of the admitted capital cost of the project or Rs.100 Crore, whichever is lower.</p>	<p>We are in agreement with this addition as the same will provide comfort to developers prior to taking additional capital works.</p>
6.	<p><b>18. Capital Cost:</b> (2) The Capital Cost of a new project shall include the following: (a) the expenditure incurred up to the date of commercial operation of the project; (b) Interest during construction and financing charges, on the loans (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed; (c) Any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed during the construction period; (d) Interest during construction and incidental expenditure during construction as computed in accordance with these regulations; (e) Capitalised initial spares subject to the ceiling rates in accordance with these regulations; (f) Expenditure on account of additional capitalization and de-capitalisation determined in accordance with these regulations; (g) Adjustment of revenue due to sale of infirm power in excess of fuel cost prior to the date of commercial operation as specified under Regulation 7 of these regulations; and</p>	<p>We are in agreement with the addition of new components to Capital Cost; the same is also in line with TERI's suggestions on CERC's Consultation Paper on Terms and Conditions of Tariff Regulations for Tariff Period 1.4.2019 To 31.3.2024</p>

	<p>(h) Adjustment of any revenue earned by the transmission licensee by using the assets before the date of commercial operation.</p> <p><b>(i) Capital expenditure incurred on the ash utilisation, handling including transportation facility as a part of ash disposal of thermal generating station;</b></p> <p>(j) Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal upto the receiving end of the generating station.</p> <p><b>(k) Expenditure on account of biomass handling equipment, if any, for co-firing;</b></p> <p><b>(l) Expenditure on account of emission control system necessary to meet the applicable emission standards of notified by Government;</b></p> <p><b>(m) Expenditure on account of fulfilment of any conditions for obtaining environment clearance for the project;</b></p> <p><b>(n) Expenditure on account of change in law and force majeure events.</b></p> <p>(o) Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under Perform, Achieve and Trade (PAT) scheme of Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries.</p>	
7.	<p><b>21. Controllable and Uncontrollable factors:</b> The following shall be considered as controllable and uncontrollable factors leading to cost escalation, IDC and IEDC of the project :</p> <p>...</p> <p>(2) The “uncontrollable factors” shall include but shall not be limited to the following:</p> <p>a. Force Majeure events;</p> <p>b. Change in law; and</p> <p><b>c. Time and cost over-runs on account of land acquisition except where the delay is attributable to the generating company or the transmission licensee;</b></p>	We are in agreement with this modification as the same is in line with ground realities.
8.	<p><b>28. Special Provision for thermal generating station which have completed 25 years of operation from commercial operation date:</b></p> <p>(1) In respect of a thermal generating station that has completed 25 years of operation from the date of commercial operation, the generating company</p>	Recourse in the event of non-agreement between the developer and beneficiary may also be specified. It is also suggested that this exercise may be completed prior to the completion of 25

	<p>and the beneficiary may agree on an arrangement where the total cost inclusive of the fixed cost and the variable cost for the generating station as determined under these regulations, shall be payable on scheduled generation instead of the pre-existing arrangement of separate payment of fixed cost based on availability and energy charge based on schedule.</p> <p>(2) The beneficiary will have the first right of refusal and upon its refusal to enter into an arrangement as above the generating company shall be free to sell the electricity generated from such station in a manner as it deems fit.</p>	<p>years of the thermal generating station so as to have seamless transition.</p>
<b>9.</b>	<p><b>34. Interest on Working Capital:</b></p> <p>(1) The working capital shall cover:</p> <p><b>(a) Coal-based/lignite-fired thermal generating stations</b></p> <p>(i) Cost of coal or lignite and limestone towards stock, if applicable, for 15 days for pit-head generating stations <b>and 20 days for non-pit-head generating stations</b> for generation corresponding to the normative annual plant availability factor or the maximum coal/lignite stock storage capacity whichever is lower;</p>	<p>The reduction in the number of days from 30 to 20 for non-pit head generating stations appears to be in order with the prevailing ground realities. However, this may be reviewed in the event coal supply being adequate and the generator maintaining the stock up to the limit specified herein as inadequate coal stock may hamper the generation in the event of strikes, <i>bandhs</i>, etc.</p>
<b>10.</b>	<p><b>51. Computation and Payment of Capacity Charge for Thermal Generating Stations:</b></p> <p>51. Computation and Payment of Capacity Charge for Thermal Generating Stations:</p> <p>(1) The fixed cost of a thermal generating station shall be computed on annual basis, based on norms specified under these regulations, and recovered on monthly basis under capacity charge. The total capacity charge payable for a generating station shall be shared by its beneficiaries as per their respective percentage share or allocation in the capacity of the generating station. <b>Capacity Charge for the month shall be recovered in two parts viz., Capacity Charge for Peak period of the month and Capacity Charge for Off-Peak period of the month.</b></p> <p>(2) The Capacity Charge rate for Peak hours shall be <b>25% more than that of Off-Peak hours.</b></p>	<p>Giving higher weightage to availability during peak hours is desirable and is in line with TERI's suggestions in CERC's Consultation Paper on Terms and Conditions of Tariff Regulations for Tariff Period 1.4.2019 To 31.3.2024</p>
<b>11.</b>	<p><b>51. Computation and Payment of Capacity Charge for Thermal Generating Stations:</b></p>	<p>Higher incentive for Peak period is appreciated; the same is also in</p>

	<p><b>(7) In addition to the capacity charge, an incentive shall be payable to a generating station or unit thereof @ 65 paise / kWh for ex-bus scheduled energy during Peak period and @ 50 paise / kWh for ex-bus scheduled energy during Off-Peak period corresponding to scheduled generation in excess of ex-bus energy corresponding to Normative Quarterly Plant Load Factor (NQPLF) as specified in Regulation 59 (B) of these regulations.</b></p>	<p>line with TERI's suggestions on CERC's Consultation Paper on Terms and Conditions of Tariff Regulations for Tariff Period 1.4.2019 To 31.3.2024</p>
12.	<p><b>59. Norms of operation for thermal generating station:</b> The norms of operation as given hereunder shall apply to thermal generating stations:</p> <p><b>(A) Normative Quarterly Plant Availability Factor (NQPAF)</b> (a) For all thermal generating stations, except those covered under clauses (b), (c), (d), &amp; (e) - 83%</p> <p>Provided that for the purpose of computation of Normative Quarterly Plant Availability Factor, annual scheduled plant maintenance shall not be considered.</p>	<p>Introducing Normative Quarterly Plant Availability Factor as opposed to Annual is a modification which goes to the advantage of beneficiaries.</p>
13.	<p><b>59. Norms of operation for thermal generating station:</b> Auxiliary Energy Consumption for coal based generating station of 300/330/350/500 MW series Steam driven boiler feed pumps is 5.75% as compared to 5.25% for 2014-2019; and Electrically driven boiler feed pumps is 8% as compared to 7.75%</p>	<p>Auxiliary Energy Consumption for 300, 500, 600, 660 and 800 MW units could be separately specified rather than clubbing a few of them together.</p>
14.	<p><b>66. Recovery of Statutory Charges:</b> (1) The generating company shall recover the statutory charges imposed by the State and Central Government such as Electricity duty, water cess by considering normative parameters specified in these regulations. In case of the Electricity duty is applied in the auxiliary consumption, such amount of electricity duty shall apply on normative auxiliary consumption of the generating station (excluding colony consumption) and apportioned to the each beneficiaries in proportion to their schedule dispatch during the month.</p>	<p>We are in agreement with the proposed provision as the same is in line with industry requirements.</p>