

**Comments/suggestions on the “Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 for the tariff period from 1.4.2019 to 31.3.2024”**

**1. Auxiliary Energy Consumption (Clause 3(5) of Chapter-1)**

DISCOMs/Beneficiaries will be deprived of the cheaper energy (at variable rates) if the energy is supplied from the power plants (with which they have PPAs) to the housing colonies, construction activities of expansion units and integrated coal mines. Since DISCOMs/Beneficiaries are servicing the entire capital costs of the generators, it is just that the energy generated in the power plants (excluding the auxiliary energy consumption) is supplied to them only. Therefore, suitable modification may be incorporated in the Clause to the effect that the power plants shall supply the entire energy generated in the power plants minus the auxiliary energy consumption to the DISCOMs/Beneficiaries only. The supply for housing colonies, construction activities of expansion units and integrated coal mines can be availed by the generators from the local distribution companies at appropriate Retail Tariff rates.

**2. Useful life (Clause 3(79) of Chapter-1)**

DISCOMs/Beneficiaries derive the benefit of lower per unit costs during later life of the power plants and transmission elements, as by then the loans are fully repaid. Further, the general observation is that these power plants and the transmission elements have been operating well beyond useful life defined in the draft Regulation. Therefore, the useful life of the thermal and gas power plants may be extended to 35 years, that of Hydel Stations and Transmission assets to 50 years.

**3. Return on Equity (Clause 30 of Chapter-8)**

As per the draft Regulation, during the useful life of the assets, the depreciation in the subsequent years will not be set-off against the equity after the normative loan is fully repaid. As a result, the generators would be getting higher effective rate of return than the norm on the equity component after the loan is fully repaid. Therefore, suitable provision may be made so that the effective ROE after the loan is fully repaid remains at normative value only (15.5% for FY 2019-24).

**4. Normative Plant Availability Factor (Clause 59(A)(a) of Chapter-12)**

The Normative Plant Availability Factor may be retained at 85% since the scarcity of the availability of coal is likely to be a short-term phenomenon only and may not continue for long- term. Further, the provision ‘for the purpose of computation of Normative Quarterly Plant Availability Factor, annual scheduled plant maintenance

shall not be considered' may be deleted keeping in view the fact that the maintenance schedules are already factored in, while arriving at the normative availabilities (which are significantly lower than 100%).

**5. Normative Auxiliary Energy Consumption (Clause 59 (E) of Chapter-12)**

Normative Auxiliary Energy consumption for 300/330/350/500 MW units may be retained as it is, as there is already a provision in the Grid Code for allowing compensation for operating the plants at lower loads. Further, the provision for allowing 0.8% extra auxiliary consumption in case tube mills are used may be deleted.

**6. Interest on working Capital (Clause 34(a) of Chapter-8)**

As the thermal stations are not maintaining normative coal stocks, Interest on Working Capital may be allowed on the lesser of actual or normative coal stock. For computing actual coal stock, daily average balance method may be adopted. Accordingly, it is requested to make suitable amendments to the Clauses 34(a)(i) and 34(a)(ii).

**7. Scrutiny of balance sheets and Profit Loss Accounts of CGS and PGCIL**

It is requested that the Profit and Loss Accounts and Balance sheets of CGS and PGCIL may be scrutinized thoroughly. If the profits (from the core business) are found to be way higher than the ROE permitted, the operational and financial norms may be pruned accordingly to bring down the undue profits and reduce the financial burden on consumers.

**8. Peak and Non-Peak Periods (Clause 59(3) of Chapter-11)**

Peak and Non-Peak periods may be different for each state depending on the load mix and local conditions like weather etc. Therefore, defining common peak and non-peak periods for all the states may not be appropriate. Further, RPCs in which utilities are the constituents, may be vested with the authority to declare the Peak and Non-Peak periods. Accordingly, suitable amendments may be made to the Clause.

**9. Late Payment Surcharge (Clause 69(1) of Chapter-13)**

Late Payment Surcharge of 1.25% per month or 15% per year is on higher side. The Bank Rate (MCLR + 350 basis points) of SBI may be adopted for Late Payment Surcharge also as discussed in the consultation paper.

**10. Rebate (Clause 68 of Chapter-13)**

Regarding the rebate of 2% for payment within two days of presentation of the bills, it may be explicitly specified that the two days shall be the working days excluding

any holidays and if the due date falls on a holiday, the next working day shall be considered as the due date.

**11. Sharing of gains (Clause 70, 71, 72, 73 & 74 of Chapter-14)**

Since DISCOMs/Beneficiaries are servicing the entire capital costs, it may be more appropriate if the share of their gain is fixed at higher percentage for example at 75%. Further, amounts realized from items like sale of fly ash, providing Right of Way (RoW) for laying of Telecom lines etc. may also be included in the Non-Tariff income.

**12. Norms of operation for Transmission system (Clause 61 of Chapter-12)**

Keeping in view the deployment of latest hardware based on advanced technology like polymer Insulators, GIS Substations, Modular systems for Busbars etc., the normative availability of transmission network elements may be kept at 99% (as per draft 98%) for A.C System and 98% (as per draft 95%) for the HVDC systems. The formula for allowing incentives for better performance exceeding the normative level may also be revised accordingly.

**13. Special allowance in lieu of R&M works (Clause 27 of Chapter-7)**

Renewable sources have been playing a significant role in the energy sector which is expected to grow even further in the near future. With the exponential trend observed in the progress of technology, cheap, scalable, convenient and non-polluting storage solutions, which solve the problem of intermittent nature of wind and solar based generation, are likely to be unveiled in the near future. The above developments coupled with the urgent need to protect the environment may force the phasing out of coal-based power plants. Therefore, under the present circumstances, upfront special allowances to meet the future R&M requirements of power plants beyond their useful lives may not be required.

Commercial/APPCC