



KERALA STATE ELECTRICITY BOARD LIMITED

(Incorporated under the Indian Companies Act, 1956)

Tariff and Regulatory Affairs Cell

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KSEB/TRAC/CG/Tariff Regulations 2019-24/ 2018-19

.1.2019

To

**The Secretary,
Central Electricity Regulatory Commission,
4th Floor, Chanderlok Building, 36, Janpath,
New Delhi 110 001.**

Sir,

Sub: Comments of KSEBL on the draft CERC(Terms and Conditions of Tariff) Regulations,2019 – reg:

Ref: Public notice . No.L-1/236/2018/CERC dtd.14-12-2018.

KSEBL may submit the following comments on the draft CERC(Terms and Conditions of Tariff) Regulations,2019 for kind consideration.

At the outset it is submitted that the notified draft Regulations does not include many of the alternatives/options considered by Hon'ble Commission while issuing the consultation paper on *Tariff Regulations 1-4-2019 to 31-3-2024, which were highly essential and aimed for improving the power sector and for removing the present shortcomings. Some of the welcome alternatives put forward by staff of Hon'ble Commission in the consultation paper were:*

1. Three part tariff structure for Generation with target PLF for recovery of part fixed charges set to a lower value at par with the present actual PLF of the stations.
2. Proposals for reducing the tariff of hydro stations through tariff restructuring.
3. Two part tariff structure for transmission. Back loading of transmission tariff.
4. Two part tariff structure for renewable.
5. Cost sharing of gas based plants.

It is humbly requested that the above proposals made in the consultation paper may be duly considered while issuing final Regulations.

Another aspect, which KSEBL had been continuously submitting before Hon'ble Commission is the need for having separate relaxed norms for stranded plants like Rajiv Gandhi Combined Cycle Power project (RGCCPP) of NTPC at Kayamkulam. In this matter, following are humbly submitted:

1. RGCCPP is the only plant regulated by Hon'ble Commission which is using naptha alone as fuel. RGCCPP has not been scheduled from 2016-17 onwards because of high cost of fuel and corresponding high variable cost of energy. Even prior to that the PLF of the plant was as low as 4.40% to 30%.
2. If a plant is shut down for prolonged period due to its excessive cost, there is no need to provide working capital for procuring fuel at normative PLF.
3. Allowing working capital on normative basis for such plants will lead to undue enrichment of the generators at the cost of the financially weak DISCOMs.
4. KSEBL is further aggrieved by the fact that the State Commission had disallowed the AFC of RGCCPP earlier approved for the tariff period 2014-19 in the ARR of KSEBL and had directed KSEBL to approach Hon'ble CERC for relaxed norms for the plant.
5. Accordingly, KSEBL had approached Hon'ble Commission through petition no.143/MP/2017 seeking relaxed norms for RGCCPP, considering that the plant is not scheduled. Hon'ble Commission had directed KSEBL and NTPC to arrive at a mutually agreed lower AFC for the plant. Through mutual negotiations the AFC of the plant was fixed at a lower value for the control period 2014-19, with a mutual undertaking that both NTPC and KSEBL will approach Hon'ble CERC for separate norms for such stranded plants in the next Tariff Regulations.
6. During the meeting convened by Ministry of Power on 13-12-2017 on the matter of excessive AFC of RGCCPP, wherein representative of Hon'ble CERC also participated, it was acknowledged that working capital on normative basis is not required for plants like RGCCPP, which are seldom scheduled. Secretary(Power), Government of India had opined in the meeting that it is fair and reasonable to rationalize the fixed cost of RGCCPP and had requested Hon'ble Commission to explore the possibility of reducing the burden of fixed cost on the State of Kerala.

7. A comparison of the actual working capital requirement of RGCCPP, Kayamkulam with the present fuel stock and price and with that of the proposed norms of Hon'ble Commission is tabulated below.

Sl.No.		Actual			Proposed Norms			Excess
		MT	Rate (Rs/MT)	(Rs.Cr)	MT	Rate (Rs/MT)	(Rs.Cr)	Rs Cr
1	Cost of fuel stock	15147.42	40346.84	61.12	36891.09	40346.84	148.84	
2	Liquid fuel cost for generation	0.00		0.00	18445.55	40346.84	74.42	
3	Receivables			20.37			256.69	
	Working capital			81.49			479.95	
	Interest on Working capital @ 13.50%			11.00			64.79	53.79

It is observed that by allowing fuel cost as per norms, the generator is enriched by around Rs.53.79 Cr per annum. The actual working capital as submitted above will not undergo much change as the plant is not intended for operation in the coming years.

8. Considering all the above, KSEBL humbly request Hon'ble Commission to allow separate working capital norms for RGCCPP/Naptha based plants based on the following parameters:

1. Stock of fuel : Actual stock maintained with the concurrence of the buyer
2. Cost of fuel for generation : Nil (Buyer shall provide adequate time for procuring fuel in case scheduling is requested. Interest cost during such unusual period may be passed through on actuals.)
3. Receivables equivalent to 45 days considering capacity charge alone.
4. Maintenance spares and O&M as per proposed norms.

Alternatively, it is suggested that Interest on Working capital may not be included under 'Annual Fixed Cost' for naptha plants(RGCCPP) and may be allowed separately based on actual scheduling.

9. It is also submitted that O&M requirements of generators is dependent on the number of hours of actual operation and thus, the proposed O&M charges may be reviewed based on actual requirement, since plant is seldom operational.

The comments of KSEBL on the various provisions in the draft CERC (Terms and Conditions of Tariff) Regulations, 2019 are attached as **Enclosure** for kind consideration.

Deputy Chief Engineer (Commercial & Planning)
With full powers of Chief Engineer