Uttarakhand Electricity Regulatory Commission

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No. UERC/6/TF-71/2018-19/2019/1569 Date: 06-Feb., 2019

To,

Shri Manish Chaudhari,
Deputy Chief,
Central Electricity Regulatory Commission (CERC),
3rd & 4th Floors, Chanderlok Building,
36, Janpath, New Delhi -110001

Sub.: Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 for the period from 01.04.2019 to 31.03.2024.

Sir,

This has reference to your e-mail dated 25.01.2019 vide which you have invited comments/suggestions of the Commission on the Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 for the period from 01.04.2019 to 31.03.2024. In this regard, comments/suggestion in the matter is enclosed as **Annexure-A**.

Yours sincerely,

Encl: As above

(Neeraj Sati)
Secretary
70.

Annexure 'A'

Suggestions on the proposed draft Tariff Regulations

The suggestions on the proposed draft CERC Tariff Regulations, 2019 for the tariff period from 01.04.2019 to 31.03.2024 are as below:

a) Return on equity has been proposed to retain on same level i.e. Post tax RoE of **15.50%** for thermal generating station, transmission and **16.50%** for the storage type generating stations including pumped storage hydro generating stations. In our view, the return on equity is very high as the expected return in the present fragile power sector is low. Therefore, return on Equity should be reduced to 14% plus actual tax which was prevailing during 2004-09 period.

b) The Commission has retained the normative Debt Equity Ratio at 70 : 30 (equity at 30% or actual whichever is lower). However, the funding is available in the market under various schemes at Debt Equity ratio of 80:20 and therefore, there is a case for change D:E Ratio.

c) Additional consideration for Gross Calorific Value of 85 Kcal/Kg allowed between the Coal received and coal fired in line with the recommendations of Central Electricity Authority (CEA). In our view, mechanism introduced in the 2014-19 tariff period should be retained and improved further to measure Gross Calorific Value on as billed basis as it is the generators responsibility to ensure that the fuel received is commensurate to the quality and quantity for which payment has been made. Presently, Central Institute of Mining and Fuel Research (CIMFR) is undertaking the third party sampling of coal and the test results are considered for payment to the fuel supplier. The State Commission is specifying the target for reduction of AT&C losses to bring efficiency at end consumer level. On the similar line, the Central Commission should also consider to reduce the GCV losses between loading end and unloading end to bring efficiency at input side. Therefore, the GCV measurement should be shifted on as billed by the Coal companies for working out the energy charges with adjustment of transit loss only.

d) Recovery of fixed charges separated during peak and off-peak with additional weightage of 25% to fixed charges during peak period with corresponding changed during off peak period. We are of the view that it is the obligations of the generator to make the power available as required by the distribution licensee and therefore, there should not be an additional incentive without additional obligations. The mechanism should be developed to impose obligations on the generating station to declare the power when it is required by the consumers.

e) Incentive for generation increased to 65 paise per unit for dispatch during peak period against existing 50 paise per unit. For remaining period, incentive of 50 paise per unit has been retained. The incentive should be reasonable to the tune of 25-30 paise/unit to the extent of additional operation & maintenance expenses only.

f) Bank rate is maintained to 350 basis points above MCLR for working capital which will facilitate the generating company or the transmission licensee to avail the working capital loan. The working capital loan is available at lower basis points and therefore, it may be reduced to 100 basis points. Some of the State Regulatory Commission has revised the same.

g) Land acquisition activity has been shifted to uncontrollable based on past experience which will enable the generating company or the transmission licensee to condone the delay attributable due to land acquisition. The land acquisition is a manual process and therefore, it should not be put as uncontrollable.

h) The Commission has recognized the mechanism for compensating the generator for degradation of Heat Rate, Auxiliary Consumption and Secondary Fuel Consumption. Since the norms have been defined based on actual performance as per tariff policy, the degradation has already been captured. The additional compensation due to low dispatch may lead to overlapping. Further, this approach is not consistent with the provision of Tariff Policy which inter-alia provides compensation due to low dispatch is considered, then savings in O&M expenditure should also be adjusted and passed on to the consumers.

i) Balance depreciation after the repayment of loan has been proposed to be adjusted against the capital cost on completion of useful life to reduce equity. The Commission has considered to pass on the benefit of net depreciation (after repayment of loan) to the consumer on completion of useful life. This proposition will deprive the consumer from benefit of depreciation for 12-13 years. In our view, the benefit of depreciation should be passed on to the consumer immediately reducing proportionate equity.

j) The Commission has not specified the normative transmission losses. Many State Regulatory Commission has specified the normative transmission losses.

k) The mechanism for capacity surrendered by a beneficiary may be first offered to the other existing beneficiaries of the project and only the balance capacity which is not tied up by the existing beneficiaries shall be available for market disposal. Moreover, in case of renovation / replacement of old units, while determining the tariff for such new units / renovation, commission may pass on the benefit towards land cost and usable infrastructure to beneficiaries. The proposed draft Tariff Regulations has not addressed this issue.