

Comments on the Draft First Amendment to The Tariff Regulation 2019

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Clause No./ Regulatio	Amendment	Comments
<p>4. Amendment of Regulation 9 of the Principal Regulations: And Regulation 42A</p>	<p>4.1. A new proviso, namely, Fourth Proviso shall be added to Clause (1) of Regulation 9 of the Principal Regulations as under: “Provided also that the generating company shall file an application for determination of supplementary tariff for the emission control system installed in the coal or lignite based thermal generating station in accordance with these regulations not later than 60 days from the date of operation of such emission control system.”</p>	<p>Difficult get financing without clarity on tariff. And actual recovery of tariff would start almost after a year of commissioning.</p> <p>It is may be considered to estimate a benchmark provisional tariff which would be applicable from the date of commissioning of emission control system(s). The benchmark provision tariff may be determined based on the benchmark costs and other parameters as approved /recommended by CEA or Hon’ble Commission.</p>

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12. Amendment of Regulation 30 of the Principal Regulation	12.1. In the first proviso under Clause (2) of Regulation 30 of the Principal Regulations, the words “excluding additional capitalization due to Change in Law,” shall be deleted and at the end of the said proviso, the words and expressions “or in the absence of actual loan portfolio of the generating station or the transmission system, the weighted average rate of interest of the generating company or the transmission licensee, as the case may be, as a whole, shall be considered;” shall be added.	<p>Additional capital cost is mandated through change in emission norms and is not through choice of generator. The risk for generator for additional equity is higher than the debt provided for plant or for FGD. Providing lower RoE penalizes the generator for reasons not in his control and also acts as a disincentive for implementation. It also does not put generator in a same economic condition as before installation of emission control equipment.</p> <p>It is thus requested that the existing norms of allowing a return on equity, of 15.5% (Post tax) on equity infused for the additional capitalization, may be retained for additional capitalization for emission control equipment.</p>

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15. Amendment of Regulation 34 of the Principal Regulations	15.1. A new clause, namely, Clause (aa) shall be inserted after Clause (a) of Regulation 34 of the Principal Regulations as under: “(aa) For emission control system of coal or lignite based thermal generating stations: Cost of limestone or reagent towards stock for 20 days corresponding to the normative annual plant availability factor;	To meet the availability commitments the generator will have to keep stock of reagent to last at least for a month to protect against supply disruptions, quality issues etc. It is thus suggested to include the norm of 30 days towards cost of limestone or reagent for generation corresponding to the normative annual plant availability factor

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16. Amendment to Regulation 35 of the Principle Regulation	<p>16.2. Sub-Clause (7) of Clause (1) of Regulation 35 of the Principal Regulations along with its proviso shall be substituted as under:</p> <p>“(7) The operation and maintenance expenses on account of emission control system in coal or lignite based thermal generating station shall be 2% of the admitted capital expenditure (excluding IDC & IEDC) as on the date of its operation, which shall be escalated annually at the rate of 3.5% during the tariff period ending on 31st March 2024:</p> <p>Provided that income generated from sale of gypsum or other by-products shall be reduced from the operation & maintenance expenses.”</p>	<p>There are too many unknowns in case of sale of gypsum. Cost of gypsum depends upon the quality which in turn depends upon the quality of Limestone, supply availability and distance etc. Thus it is requested not to consider any revenue from gypsum and other by-products sale. The same may be included once clear data on cost of byproducts is available and on actual basis.</p>

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21. Amendment of Regulation 42 of the Principal Regulations	21.1. In the proviso under the formula under Clause (2) of Regulation 42 of the Principal Regulations, the words “or installation of emission control system, as the case may be” shall be inserted after the words “Renovation and Modernisation”.	This regulations provides for recovery of O&M expenses and interest on loan for the period of shutdown for installation of emission control system, similar to that of R&M. It is to be noted that emission control equipment are installed while there is considerable life of plant is left and hence its not comparable to R&M. Providing only for O&M and interest on loan does not protect generator and does not put him in the same economic condition as before change in law event. Thus full recovery of fixed charges minus interest on working capital should be allowed for the period of shut down.

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23. Amendment of Regulation 43	<p>23.4. A new sub-clause, namely, sub-clause (aa) shall be inserted after sub-clause(a) of clause (2) of Regulation 43 of the Principal Regulations as under:</p> <p>“(aa) Supplementary ECR for coal and lignite based thermal generating stations:</p> <p>Supplementary ECR = $(\Delta \text{ ECR}) + (\text{SRC} \times \text{LPR} / 1000)$</p> <p>Where,</p> <p>$(\Delta \text{ ECR})$ =Difference between ECR with revised auxiliary consumption with emission control system equivalent to $(\text{AUXn} + \text{AUX en})$ and ECR with normative auxiliary consumption as specified in these regulations and revised;</p>	<p>It is suggested that the cost of regent consumed should be estimated on net energy generation i.e. after grossing up for auxiliary consumption of plant and emission control equipment as follows:</p> <p>Supplementary ECR = $(\Delta \text{ ECR}) + (\text{SRC} \times \text{LPR} / 1000) / (1 - (\text{AUXn} + \text{AUXen}))$</p>
23. Amendment of Regulation 43	<p>25.1. A new sub-clause, namely, sub-clause (bb) shall be inserted after sub-clause (b) of Clause (E) of Regulation 49 of the Principal Regulations as under:</p> <p>“(bb) Auxiliary Energy Consumption (AUXe) on account of emission control system of thermal generating stations:</p> <p>(1) For reduction of emission of sulphur dioxide:</p> <p>...</p> <p>a) Wet Limestone based FGD system (without Gas to Gas heater) – 1.0%</p>	<p>It is suggested that the higher AUXe as below may be considered:</p> <p>a) Wet Limestone based FGD system (without Gas to Gas heater) – 1.2%</p> <p>Further an additional auxiliary consumption of 0.2% for sea water treatment plant needs to be considered in case of costal plants</p>

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25. Amendment of Regulation 49 of the principle regulation:	25.2. A new clause, namely Clause (F) shall be added after Clause (E) of Regulation 49 of the Principal Regulations as under: (a) For Wet Limestone based Flue Gas De-sulphurisation (FGD) system: The specific limestone consumption (g/kWh) shall be worked out by following formula:	In addition to Sulphur in the flue gas, hydrogen fluorides and chlorides are also present which also react with limestone. It is thus suggested that the same should also be accounted in estimation of limestone consumption by adding 3-5% additional consumption.
25. Amendment of Regulation 49 of the principle regulation:	25.2. A new clause, namely Clause (F) shall be added after Clause (E) of Regulation 49 of the Principal Regulations as under: (a) For Wet Limestone based Flue Gas De-sulphurisation (FGD) system: The specific limestone consumption (g/kWh) shall be worked out by following formula: Provided further that the limestone purity shall not be less than 85%.	Availability, quality and cost of limestone would evolve as more FGDs are installed. It is suggested that the restriction of use of limestone with purity condition may be removed.