

BSES

BSES Yamuna Power Limited

Shakti Kiran Building, Karkardooma,

Delhi - 110032, India

CIN : U40109DL2001PLC111525

Tel. : +91 11 4124 7111

Fax : +91 11 4124 9765

www.bsedelhi.com

Ref No: RA/BYPL/2023-24/122

Date: 31.07.2023

To,

The Secretary,
Central Electricity Regulatory Commission,
Third Floor, Chandernagore Building,
36, Janpath, New Delhi-110001



Sub: BYPL comments on Terms and Conditions of Tariff for the period commencing from 1st April,2024 – Approach Paper thereof.

Ref: Hon'ble CERC's Public Notice No. L-1/268/2022/CERC dated 26.05.2023 & 03.07.2023 and 13.07.2023.

Sir,

We refer to the aforesaid Public Notices. We are providing our comments and suggestions on Approach Paper on Terms and Conditions of Tariff for the period commencing from 1st April,2024 enclosed as Annexure-A.

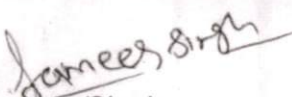
We hope that the same shall be considered by the Hon'ble Commission while finalizing the Terms and Conditions of Tariff for the period commencing from 1st April,2024

We may submit additional comments for any further information or clarification, if required.

Thanking You,

Yours faithfully

For BSES Yamuna Power Limited


Sameer Singh
(DGM-Regulatory Affairs)

Encl: 03 No.s Hard copies and 01 No. Soft copy (C.D.)



BSES Yamuna Power Limited

Shakti Kiran Building, Karkardooma,
Delhi - 110032, India
CIN : U40109DL2001PLC111525
Tel. : +91 11 4124 7111
Fax : +91 11 4124 9765
www.bsesdelhi.com

Ref No: RA/BYPL/2023-24/122

Date: 31.07.2023

To,
The Secretary,
Central Electricity Regulatory Commission,
Third Floor, Chanderlok Building,
36, Janpath, New Delhi-110001

Sub: BYPL comments on Terms and Conditions of Tariff for the period commencing from 1st April,2024 – Approach Paper thereof.

Ref: Hon'ble CERC's Public Notice No. L-1/268/2022/CERC dated 26.05.2023 & 03.07.2023 and 13.07.2023.

Sir,

We refer to the aforesaid Public Notices. We are providing our comments and suggestions on Approach Paper on Terms and Conditions of Tariff for the period commencing from 1st April,2024 enclosed as Annexure-A.

We hope that the same shall be considered by the Hon'ble Commission while finalizing the Terms and Conditions of Tariff for the period commencing from 1st April,2024

We may submit additional comments for any further information or clarification, if required.

Thanking You,

Yours faithfully
For BSES Yamuna Power Limited


Sameer Singh
(DGM-Regulatory Affairs)

Encl: 03 No.s Hard copies and 01 No. Soft copy (C.D.)

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
1.	Cl. 2.9 @ Pg. No. 16	<p><i>“With regard to Inter-State transmission systems, there have been massive capital investments in the past decade to strengthen the Grid which was carried out to cater to the anticipated growth in demand. The augmentation of the transmission system has enabled the Grid to adjust to the variability due to the increase in Renewable Penetration. As more and more Renewable generation is projected to be integrated with the Grid, augmentation of Grid is required on a continuous basis on commercial principles so that demand growth can be fulfilled in an economical way.”</i></p>	<p>(i) We welcome the suggestion for augmentation of the Grid on a continuous basis to adjust to the variability due to the increase in Renewable Energy (“RE”) penetration to meet the growth in the projected demand as well to ensure Grid security.</p> <p>(ii) Ministry of Power (“MoP”) in its ‘Scheme of Pooling of tariff of those plants whose PPAs’ have expired’ dated 20.04.2023 (“Pooling Scheme”) has noted that <i>“Although higher penetration of RE in the grid enhances energy sustainability, it also impacts grid stability and poses difficulties for the power network in for of RE intermittency, and supply-demand imbalances”</i>.</p> <p>(iii) However, it is suggested that budgetary support to be taken from the Government of India (“GoI”) for augmenting the Grid on a continuous basis on commercial principles so that demand growth can be fulfilled in an economical way. The said suggestion is made keeping in view the interest of the consumers i.e., avoiding the potential burden and additional cost of creation of Central Transmission Utility of India Limited’s (“CTUIL”) infrastructure to fall on the shoulder of end consumers.</p> <p>(iv) Even in the case of hydro based generating stations, MoP has provided budgetary support for funding cost of enabling infrastructure. [Ref. 2.6 of Approach Paper]</p> <p>(v) Hon’ble Commission may consider utilizing Power System Development Funds (“PSDF”) for augmentation of Grid in terms of CERC (Power System Development Funds) Regulations, 2019.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
2.	Cl. 3.2.3.1 (f) @ Pg. No. 24 - 26	<p><i>“Further, in case any additional capitalisation is incurred or is required, the petitioner may file a separate petition seeking approval of capital expenditure, and once such capital expenditure is allowed, the variation on account of additional, capitalisation on the AFC can be serviced by first computing the impact on the AFC and then adjusting the same through the same indexation mechanism as specified above. Such an adjustment can be carried out from the date of capitalisation of such additional capitalisation. The various possible options of allowing additional capitalisation post COD have been discussed in detail in Section 4 of this Approach Paper.</i></p> <p>...</p> <p><i>“In this context, comments/ observations from stakeholders are invited on the following points:</i></p> <p>...</p> <p><i>3) Whether the impact of additional capitalisation can also be allowed through the same indexation mechanism or through a separate revenue stream?”</i></p>	<p>Hon’ble Commission has proposed this approach for the first time in respect of generation. Since the Hon’ble Commission is in the process of seeking relevant data from the generators to set the benchmarks and indexations, beneficiaries / stakeholders will not be in a position to give their comments on the approach until the data is provided and the benchmarks and indexation are finalized.</p> <p>Although the impact of this approach is not known and can only be ascertained on the basis of the data provided by the generating companies (“Gencos”), following issues/ambiguities are foreseeable in case the said approach is operationalized: -</p> <ul style="list-style-type: none"> (i) How the multiple capitalization cost occurring in the projects will be addressed? (ii) Will every capital cost of the project have to go again the indexation mechanism? (iii) The proposed mechanism is being planned as simpler but with constant changes in indexation will make it harder? (iv) The indexation may change with the varying capacity and different technologies for each generating station. Further, additional capitalization depends upon various factors which are specific to each generating station and cannot be generalized. <p>In view of the above, for beneficiaries/ stakeholders to give their comments on the same and ascertain the impact, it is requested that the data be also provided to the beneficiaries/ stakeholders to enable them to provide suggestions/comments. Accordingly, it is further requested that till such a time the said approach may not be operationalized. In case the approach is operationalized without taking into account proper</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			analysis the same may be lead to ambiguities in implementation and may adversely impact the tariff of the consumers.
3.	Cl. 4.2.3 @ Pg. No. 30	<p><i>“4.2.3 Reference Cost for Approval of Capital Cost – Benchmark Cost V/s Investment Approval Cost Another aspect with regard to the approval of capital costs that has been debated while framing earlier Tariff Regulations is the reference cost that needs to be considered while approving capital costs. The existing methodology of relying on the investment approval cost was also debated; however, in the absence of a better reference/benchmark cost due to the paucity of reliable data and the complexities and difficulties involved, the reliance on investment approval has continued. However, the hard costs of recently commissioned projects of similar specifications are referred to for prudence checks. For a thermal generating station, it is observed that there are several differences with regard to site conditions, water handling, coal handling systems, etc., and one benchmarked cost may not be a true representation of all such plants on the basis of which actual costs can be disallowed. These issues are even more profound in the case of hydro generating stations, as the costs significantly depend on several aspects such as choice of technology, design, reservoir based/Pondage/ROR, etc. With regards to transmission systems, the cost is affected by tower design, terrain, soil type, and wind zones, and therefore it is generally argued that benchmarking will serve a limited purpose and may</i></p>	<p>(i) We supports the existing methodology of relying on investment approval cost.</p> <p>(ii) In respect of the issues highlighted by this Hon’ble Commission in its Approach Paper, it is suggested that this Hon’ble Commission may consider devising a procedure for approval which captures cost drivers and marks any deviation from the benchmark cost.</p> <p>(iii) Hon’ble Commission is urged to appreciate that capital cost has a direct correlation with the cost of fixed charges and consequently consumer tariff. Accordingly, fair value is required to be determined by this Hon’ble Commission itself.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<p><i>not be a better alternative to current project specific Investment Approvals.</i></p> <p><i>Comments and suggestions of stakeholders are invited on other efficient reference costs other than Investment Approval costs that can be considered for prudence checks.”</i></p>	
4.	<p>Cl. 4.2.3 & 4.2.4 @ Pg. No. 30-32</p>	<p><i>Capital Cost (Thermal & Hydro Generating Stations)</i></p> <p><i>“4.2.4 Capital Cost of Hydro Generating Stations</i></p> <p><i>... Comments and suggestions are further sought from stakeholders on ways to expedite the development of hydro generating stations especially the construction phase, and increase their commercial acceptability. Stakeholders are also required to consider the following aspects while making suggestions:</i></p> <p><i>1. Ways to expedite the construction phase by adopting alternate ways of awarding construction contracts.</i></p> <p><i>... 5. Higher return on investments/equity for projects completed in a timely manner</i></p> <p><i>... Comments and suggestions are sought from stakeholders to incentivise the developer if it executes the project faster/ or ahead of schedule and vice-versa if it delays.”</i></p>	<p>The comments and suggestions given on the above clause also applies to this clause and, therefore, may be considered accordingly. Additionally, Hon’ble Commission is requested to also consider:-</p> <p><i>Re. Ways to expedite the construction phase by adopting alternate ways of awarding construction contracts</i></p> <p>(i) Usually a single EPC (Engineering, Procurement, and Construction) contract is given by the project owner, thereby creating different secondary contracts for various categories of works. This approach ultimately leads to delay in construction period.</p> <p>(ii) It is suggested that to expedite the construction, various projects must be awarded to different EPC contractors instead of single contractor based on type of work e.g. electro-mechanical, civil, liaising, etc.</p> <p><i>Re. Higher return on investments/equity for projects completed in a timely manner</i></p> <p>(iii) Higher return on investments/equity could be achieved effectively if the project is completed within planned timelines. In this regard, this Hon’ble Commission may consider devising a procedure for keeping a check on progress of the project and timely compliances by the project developers.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			(iv) Hon'ble Commission may consider deciding on penalty as percentage on increase in Capital Cost due to delay and some percentage be fund by GoI. This suggestion is made since the same will reduce the cost burden of beneficiary on account of increase in capital cost due to delay.
5.	Cl. 4.3 @ Pg. No. 32	<p><i>“4.3 Capital Cost for Projects acquired post NCLT Proceedings</i></p> <p>...</p> <p><i>Comments and suggestions are sought from stakeholders on the following issues:</i></p> <p><i>1. Historical Cost or Acquisition Value whichever is lower should be considered for the determination of tariff post approval of Resolution Plan.</i></p> <p><i>2. Tariff provisions to be included to address the issue of the cost of debt servicing, including repayment, that were allowed as a part of the tariff during the CIRP process.”</i></p>	We suggest that this Hon'ble Commission may consider Cost of Acquisition or Historical Cost at the time of last tariff order, whichever is lower, for the determination of tariff post approval of Resolution Plan.
6.	Cl. 4.6 @ Pg. No. 38	<p><i>“4.6 Renovation and Modernisation (R&M)</i></p> <p>...</p> <p><i>As R&M allows the deferral of huge capital investments on the construction of new capacities and avoids seeking fresh approvals and clearances, it is a cost effective alternative and hence has been allowed in the past.</i></p> <p>...</p> <p><i>Comments and suggestions are sought from stakeholders on continuation of the existing provisions and on the above suggestion of continuing with Special Allowance, if opted at the beginning of the tariff period for the rest of the tariff period.”</i></p>	<p>(i) The objective of the Renovation and Modernisation (“R&M”) activity must not only confine to the extension of life beyond the useful life but also include the restoration of the lost capacity, up-gradation of capacity and improvement in the performance indices of the plant and equipment.</p> <p>(ii) No R&M expense shall be capitalized if it does not result into life extension along with capacity restoration or capacity up-gradation. R&M activity which does not disclose life extension with improved operational norms is actually an operation and maintenance (“O&M”) activity. The Generating companies especially the coal based thermal generating companies are no</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			<p>more interested in the R&M activities as this is no more an attractive proposition in comparison to the ‘Special Allowance’.</p> <p>(iii) Further, existing provisions of R&M be allowed provided there need to adherence to R&M schedules otherwise this Hon’ble Commission may consider adding provision of penalties or disallowance. This is suggested since non-adherence of R&M schedule leads to incurring more cost and is also reduces life of assets.</p> <p>(iv) The clause may be amended so as to require a condition that the generator is required to submit its Detailed Project Report with the beneficiaries at the time the same is submitted for the Central Electricity Authority’s (“CEA”) approval. This would give an opportunity to the beneficiaries to analyze the proposal and give their comments.</p> <p>(v) R&M on capital expenditure (“CAPEX”) may only be allowed after prudence check.</p>
7.	Cl. 4.8.1 @ Pg. No. 40	<p><i>“4.8.1 Delay towards obtaining Forest Clearance, the Commission included the delay on account of land acquisition in the list of uncontrollable factors along with Change in Law and Force Majeure. In this regard, it has been observed during the current period that, apart from land acquisition, delays on account of getting forest clearances may also be many times beyond the control of utilities and therefore have been condoned in the rightful cases. In view of the same, delays on account of forest clearances can also be considered for inclusion as uncontrollable factor provided that such delays are</i></p>	<p>It is suggested that the Commission may not consider delay on account of forest clearance under uncontrollable factors since: -</p> <p>(i) The demarcation of forest area and any notification in that regard is usually accessible to any project developer/ Utility planning to set up a project. In this regard, it is incumbent on Utility to carry out due diligence and find out such areas, that are demarcated as forest areas, during initial planning period.</p> <p>(ii) Utility should assess all statutory requirements before setting up the project and accordingly estimate the time for the construction and completion of project.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<p><i>not attributable to the generating company or the transmission licensee.</i></p> <p><i>Comments and suggestions are sought from stakeholders on continued inclusion of delay on account of land acquisition as an uncontrollable factor and on the further inclusion of delay on account of forest clearances as an uncontrollable factor.”</i></p>	<p>(iii) In case there is delay in obtaining clearances is treated as uncontrollable factor, the same may lead to promoting inefficiency.</p> <p>Further, this Hon’ble Commission may consider giving exceptions on a case-to-case basis where the forest area is notified after clearance of project. In such a case, forest clearance may be considered under uncontrollable parameters.</p>
8.	Cl. 4.9 @ Pg No. 41-42	<p><i>“4.9 Differential Norms - Servicing Impact of Delay While dealing with various generation as well as transmission petitions in the past, it has been observed that in several cases the delays are attributable to lack of timely clearances, forest approvals, etc. which require constant and rigorous follow up. In most of these cases, it has been observed that these delays could have been restricted if the approvals were sought more assertively instead of merely through written correspondence. It is observed that it is always not possible for the Commission to ascertain if adequate efforts have been made at the senior level to get the clearances. Therefore, though impact of delay on account of uncontrollable factors may be allowed, in order to encourage rigorous pursuit of such approvals, even if delay beyond SCOD is condoned for any reasons, some part of the cost impact (Say 20%) corresponding to the delay condoned may be disallowed.</i></p> <p><i>Alternatively, servicing such costs at par with other capital expenditures may need to be relooked at, as servicing the cost overrun at RoE creates a perverse</i></p>	<p><i>Re. Encouraging rigorous pursuit of approvals from statutory authorities and even if delay beyond SCOD on account of clearances and approvals that are condoned, some part of the cost impact corresponding to the delay condoned may be disallowed.</i></p> <p>(i) We agree to encouraging rigorous pursuit of statutory approvals and clearances since this Hon’ble Commission and other State Electricity Regulatory Commissions are burdened with huge numbers of petitions for time overrun and cost overrun filed by Genco and transmission utilities (“<i>Trancos</i>”).</p> <p>(ii) It is pertinent to mention here that the time for completion of the project and investment approvals are well within the domain of Gencos and Transcos and they be held responsible. It will be meaningless if these agencies exercise power and authority without sharing the responsibilities. Further, the additional capital expenditure in respect of new project or existing project incurred or projected to be incurred within the original scope of work be completed within the cut-off date failing which, it must be presumed that these works were not essential for the project.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<p><i>incentive on the part of the project developer. The generating stations or transmission licensees are allowed such an impact, but at the same time, the cost of servicing such a delay should not result in an increase in RoE for such utilities; instead, such cost should be merely compensatory in nature.</i></p> <p><i>Contrary to the above, there is another school of thought as per which, if a project is delayed, even if the entire delay is condoned, the internal rate of return (IRR) for the project reduces due to deferment of future cash inflows, which automatically disincentivises the generating company or transmission licensees and therefore further disincentives may result in a double whammy for the utilities. In order to study the impact of an increase in gestation period on equity IRR, workings were carried out, and it was observed that if a project that was to be executed in 5 years is executed in 7 years with a 2 year delay, even if RoE is allowed at 15.50% and the entire delay is condoned, the Equity IRR reduces from around 12% to 11% and for every subsequent year of delay, the Equity IRR reduces further.</i></p> <p><i>In view of the above, comments and suggestions are sought on the following:</i></p> <p><i>1. To encourage rigorous pursuit of such approvals from statutory authorities, even if delay beyond SCOD on account of clearances and approvals that are condoned, some part of the cost impact (Say 20%) corresponding to the delay condoned may be disallowed.</i></p>	<p>(iii) Beneficiaries may be allowed the right to re-valuate the terms of the arrangements for stations where there is inordinate delay in commissioning of the project. Further, in case of delay beyond Scheduled Commissioning Date (“SCOD”) on account of clearances and approvals, part of incremental cost (i.e., 30-50%) be disallowed and beneficiary should not be burdened with such cost.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<p>2. <i>Alternatively, RoE corresponding to cost and time overruns allowed over and above project cost as per investment approval may be allowed at the weighted average rate of interest on loans instead of a fixed RoE.</i></p> <p>3. <i>The current mechanism of treating time overrun may be continued, considering that utilities are automatically disincentivised if the project gets delayed. Comments and suggestions are sought from stakeholders on the above so that developers may make more efforts to control the delays.”</i></p>	
9.	Cl. 4.10 @ Pg. 43	<p><i>“.... However, there are no enabling provisions under which a generating station can seek approval of cost pertaining to Railway Infrastructure and its augmentation for transportation of coal up to the receiving end of the generating station (excluding any transportation cost and any other appurtenant cost paid to railways) which are not covered under the above provisions that may result in better fuel management and can lead to reduction in operation costs or shall have other tangible benefits. Therefore, in order to have an enabling provision under which such costs can be allowed with prior approval, a provision may be introduced to existing Regulation 26 to allow such expenses if it is established that such expenses will result in quantifiable benefits”</i></p>	<p>Hon’ble Commission is urged to consider following points: -</p> <p>(a) There is a common infrastructure which is used for common purposes like transportation of water and other material, and not coal alone. In such a case, expense should not be considered in power generation cost since this expense is already inbuilt in transportation cost or other costs.</p> <p>(b) Apart from the above, there is a dedicated infrastructure used only for transportation of coal to the coal plant. In such a case, Hon’ble Commission may consider allowing expenses incurred in repairing or augmenting the dedicated infrastructure in power generation cost.</p>
10.	Cl. 4.10.1 @ Pg. 44	<p><i>“4.10.1 Normative Add-Cap - Generating Station ... For generating stations that have already crossed the cut-off date as on 31.03.2024, the additional</i></p>	<p>We urge Hon’ble Commission to provide further clarification and elaborate on the suggestion made in the Approach Paper. Further, Hon’ble Commission may also consider on specifying an implementation mechanism.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<p><i>capitalisation for such generating stations can be considered as per the following.</i></p> <p><i>1. Thermal Generating Stations – Based on the analysis of actual additional capitalisation incurred by such generating stations in the past (15-20 years) and co-relating such expenses to different unit sizes such as 200/210 MW series, 500/660 MW Series and different vintages (5-10, 10-15, 15-20, 20-25 years post COD), a special compensation in the form of yearly allowance may be allowed based on unit sizes and vintage, which shall not be subject to any true up and shall not be required to be capitalised.</i></p> <p><i>2. Hydro Generating Stations – As each hydro generating station is unique owing to various factors, additional capitalisation of such generating stations may not be benchmarked as can be done for thermal generating stations. However, in the case of a specific hydro generating station, the additional capitalisation is recurring in nature, and hence station wise normative additional capitalisation may be approved in the form of special compensation which shall not be subject to any true up and shall not be required to be capitalised.</i></p> <p><i>3. While determining such special compensation for a thermal or hydro generating station, costs incurred towards works presently covered under Regulation 26 to Regulation 29, wherever applicable, may not be included as these expenses may be allowed separately.</i></p> <p>...</p>	

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<i>Comments and suggestions are sought from stakeholders on the above suggested approaches and other alternatives, if any.</i>	
11.	Cl. 4.10.2 @ Pg. 46	<p><i>“4.10.2 Normative Add-Cap – Transmission System Unlike generating stations, additional capitalisation post cut-off date is rarely required in the case of transmission systems unless due to completion of useful life, performance degradation, the need for induction of new and efficient technology, Obsolescence of assets, or the absence of support from Original Equipment Manufacturer (OEM). Therefore, for Transmission Systems, additional capitalisation post cut-off date may be allowed on technological obsolescence, change in law, force majeure, or due to replacement as presently allowed under Regulation 26 and 27 of the CERC Tariff Regulations, 2019.</i></p> <p><i>Comments and suggestions are sought from stakeholders on the above suggested approaches and other alternatives, if any.</i>”</p>	<p>(i) Such increase in Cut Off date may delay works. Instead, provision of providing extensions based on Change in Law etc be done.</p> <p>(ii) Cost be allowed separately provided there is adherence to schedule time for completion of activities. For e.g., under Regulation 27, R&M be done as per schedule period and in case of non-adherence additional cost may be incurred.</p>
12.	Cl. 4.11 @ Pg. No. 46	<p><i>“Increasing the Investors confidence by ensuring assured returns is important, and further considering the recent spikes in power tariffs in power exchanges indicating shortage of power availability, investment in Power sector needs a boost, and therefore the existing GFA approach, being a balanced approach, may be continued. However, comments/ suggestions are invited on alternate approaches, i.e. GFA/NFA/Modified GFA approach.”</i></p>	<p>(i) This approach is beneficial only to the Investor who gets unreasonable tariff under this approach which is contrary to the guidelines provided under section 61 of the Electricity Act, 2003 (“Electricity Act”) which gives the Utilities unreasonable tariff. It is, thus, necessary that the Commission may examine the Net Fixed Asset (“NFA”) approach as against the Gross Fixed Asset (“GFA”) approach as the concept of GFA goes against the interest of the consumer. The GFA approach is equitable and may be adopted with partial modification where gross capital may be divided in the ratio of loans and equity and the loan</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			<p>amount may be reduced to the extent of depreciation accrued. Once the loan amount is fully repaid and reduced to zero, further depreciation allowed should be used to reduce the equity component. Even the K.P. Rao Committee recommended that once the loan is reduced to zero, the equity component will be reduced progressively to the extent of further depreciation recovered. Thus, it is equitable and reasonable approach for adoption by this Hon'ble Commission. This approach would be in accordance with the provision contained in Section 61(d) of the Electricity Act.</p> <p>(ii) The debt equity ratio of 80:20 may even be considered for the existing plants as most generating companies and transmission sector under cost plus mechanism is the Government owned companies and there is no risk involved. This would make their tariff competitive vis-à-vis tariff determined by bidding process and thus be in the interest of these Utilities.</p> <p>(iii) The debt equity issue in respect of old assets wherein the Commission had adopted the 50:50 ratios needed proper structuring as the debt-equity ratio in large number of power schemes was notionally presumed in the ratio of 50:50 by the Commission. In fact, the notional debt-equity ratio of 50:50 was adopted based on the various notification issued by the Ministry of Power irrespective of the actual debt-equity ratio. The utilities have benefited enough on the normative debt-equity ratio and the electricity consumer has equally suffered on account of this normative capital structure. The structure for these assets may also be modified with 80:20 ratio.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			(iv) Regulation of this nature only inflict injury on the electricity consumer and provide unreasonable tariff benefits to the CPSUs which are in direct contradiction to the provisions of Section 61(d) of the Electricity Act, 2003.
13.	Cl. 4.12.1 Pg. No. 48	<p><i>“4.12 O&M Expenses ... The Commission observes that it is mostly in the case of employee expenses that such a onetime effect, mostly pay revision impact, is required to be given, and further, in the forthcoming tariff period, wage/salary revision is also anticipated, so O&M norms may be specified under the following two categories.</i></p> <ol style="list-style-type: none"> <i>1. Employee Expenses</i> <i>2. Other O&M Expenses comprise Repair and Maintenance and Administrative and General Expenses.</i> <p><i>However, considering that systems that are more automated will require less manpower and systems that are less automated will require more manpower, approving separate norms may result in inequity even though the total O&M expenses of such systems may be comparable. Therefore, the above suggestion may also be seen from the perspective that these expenses have historically been allowed as one expense, and any change in the methodology as suggested above may result in unnecessary complications.</i></p> <p><i>Alternatively, to give effect to the impact of pay/wage revision, 50% of the actual wage revision can be allowed on a normative basis.</i></p>	<p>(i) The O&M expenses should be segregated in three categories i.e., Employee, R&M and A&G expenses.</p> <p>(ii) The Commission may provide for capping on employee expenses. Any one time wage revision based on pay commission report etc be dealt separately.</p> <p>(iii) A&G and R&M expenses be allowed based on inflation and should be subject to prudence check.</p> <p>(iv) Once additional capitalisation is allowed to induce automation system then the impact of same on O&M expenses (on negative side) be taken after cutoff date.</p> <p>(v) Income on account of ‘other businesses’ shall be utilized for reduction in O&M cost.</p> <p>(vi) Reviewing of O&M expenses of plants being operated continuously with low Plant Load Factor (“PLF”) is necessary considering the rationale that lower utilization translates into lower expense.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<i>Comments and suggestions are sought from stakeholders on above suggestions and alternatives, if any."</i>	
14.	Cl. 4.12.3 @ Pg. No. 49	<p><i>"4.12.3 O&M Norms for Special Cases</i> <i>It is observed that the O&M expenses towards the upkeep of transmission systems in the North Eastern and hilly regions of India entail additional costs due to logistical challenges as well as the inadequate infrastructure growth of the region. Several representations have been made by various entities seeking additional O&M expenses for transmission licensees that are operating in these regions. In this context, possible solutions need to be explored so that the development of electrical infrastructure in these regions is encouraged.</i></p> <p><i>In view of the above, comments and suggestions are sought from stakeholders on whether additional O&M expenses can be given for transmission assets being operated in the North Eastern and Hilly Regions and the manner in which such additional costs can be considered."</i></p>	<p>Hon'ble Commission may consider following suggestions: -</p> <ul style="list-style-type: none"> (i) Preparing an Index taking into account the logistical challenges faced in upkeeping the transmission systems. (ii) This Index may allow additional O&M expenses for the Northeastern and Hilly Region, subject to Hon'ble Commission review and rationalize the costs allowed to the transmission systems on the easier terrains. <p>The above suggestion is made so that the increased cost is absorbed and there is no additional burden on the consumers.</p>
15.	Cl. 4.12.5 @ Pg. No. 50	<p><i>"4.12.5 Impact on account of Change in Law and Taxes</i> <i>It is observed that there are no provisions with regard to allowing additional expenses on account of any change in law resulting in an increase in O&M expenses. However, including the same may lead to recurring impacts, and claims that may result in regulatory overburden.</i></p> <p><i>Comments and suggestions are therefore sought from stakeholders on whether to include any</i></p>	<p>Hon'ble Commission is urged to consider: -</p> <ul style="list-style-type: none"> (a) Impact of change in law on variable cost parameter for O&M expenses. (b) Admissibility of any claims for additional expenditure on account of change in law should be subject to prudence check and it should be considered on case-to-case basis for each Station.

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<i>provisions with regard to allowing impact of a change in law on O&M expenses.”</i>	Therefore, no provision with regard to allowing impact of a change in law on O&M expenses should be considered by the Hon’ble Commission.
16.	Cl. 4.13 @ Pg. No. 51	<p><i>“4.13 Depreciation ... It is observed that while specifying the depreciation rate, the tenure of the loan considered is 12 years, whereas the life of most of the assets is between 25 and 40 years. It is observed that shorter loan duration and higher depreciation in the initial years have resulted in front loading of tariffs. Considering that nowadays loans are available for 15-18 years, the possibility of increasing the loan tenure for the computation of depreciation rates needs to be explored. Excessive front loading of tariffs increases resistance to future investments. For example, external loans have much lower interest rates, therefore, spreading depreciation over longer periods in the case of external loans can be a viable option for reducing costs in the initial years, which shall, however, include FERV factor and other financing cost. Therefore, there is a need to create a balance and align the depreciation rate with the actual loan tenure and life of the assets.</i></p> <p><i>In view of the above, a depreciation rate may be specified considering a loan tenure of 15 years instead of the current practice of 12 years. Further, additional provisions may also be specified that allow lower rate of depreciation to be charged by the generator in the initial years if mutually agreed upon with the beneficiary(ies).</i></p>	We appreciate the proposal of the Commission to specify depreciation rate for 15 years for all conventional sources. Reduction of depreciation rates for initial period is a welcome step as it will lower impact cost of power in initial periods.

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<i>Comments and suggestions are therefore sought from stakeholders on the above proposal and any modifications required, if any.”</i>	
17.	Cl. 4.14.1 @ Pg. No. 52-53	<p><i>“4.14.1 Weighted Average Rate of Interest and FERV</i></p> <p><i>... To simplify the approval of interest on loans, the weighted average actual rate of interest of the generating company or transmission licensee may be considered instead of project specific interest on loans. Further, the cost of hedging related to foreign loans be allowed on an actual basis, without allowing any actual FERV.</i></p> <p><i>Comments and suggestions are sought from stakeholders on the above suggestions and alternatives, including in respect of treatment of FERV/cost of hedging”</i></p>	We welcome the approach of the Hon’ble Commission to consider weighted average rate of interest since the project specific debt rates are lesser comparatively to the working debt interest.
18.	Cl. 4.16.4 Pg. Nos. 56-59	<p><i>“4.16.4 Methodology</i></p> <p><i>... Comments and suggestions are sought from stakeholders on the following issues:</i></p> <p><i>1. Review of Rate of RoE to be allowed, including that to be allowed on additional incentivized in that is carried out on account of Change in Law and Force Majeure.</i></p> <p><i>2. Whether the revised rate of RoE to be made applicable to only new projects or to both existing and new projects?</i></p> <p><i>3. Whether timely completion of hydro generating stations can be incentivized to attract investments?</i></p>	<p>(i) The standard procedure for the regulator in a cost-plus approach is to provide the standard procedure to establish a ‘rate base’ representing the presumed ‘fair value’ on which a ‘fair rate of return’ is to be required.</p> <p>(ii) Hon’ble Commission had earlier provided Return on Equity (“RoE”) of: -</p> <p>(A) 16% during tariff period 2001-04,</p> <p>(B) 14% during tariff period 2004-09,</p> <p>(C) 15.5% during tariff period 2014-19, and</p> <p>(D) 15.5% for thermal power plant and 16.50% for hydro plants in 2019-24. This ROE was little above than cost of debt available by 1%.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<p>4. <i>Merit behind approving different Rate of RoE to thermal, hydro generation and transmission projects with further incentives for dam/reservoir based projects including PSP.</i></p> <p>5. <i>Merit in allowing RoE by linking the rate of return with market interest rates such as G-SEC rates/MCLR/RBI Base Rate.”</i></p>	<p>(iii) In view of the above, we urge the Hon’ble Commission to: -</p> <p>(A) consider the present market dynamics which clearly favors reduction in the ROE.</p> <p>(B) appreciate that the contention that any such reduction will have a negative impact on the equity is without any basis. The capital invested earlier or at present has no relevance as worth of capital is determined by the Net Present Value (“NPV”) a method used for evaluating investment whereby the NPV of all cash outflows (investment) and cash inflows (returns) is calculated using a given discount rate.</p> <p>(C) consider that RoE is a tax-free return as the taxes on the return are also passed on to the consumers. Tax-free return of this order is unreasonable and, accordingly, this may be reduced at least by 1.5% to be fair to consumer and also to the Central Public Sector Undertakings (“CPSUs”).</p> <p>(iv) In line with additional returns given to incentivize the project developer for timely completion, Hon’ble Commission is urged to formulate a penalizing mechanism for delay in project completion. This would encourage prudence on the part of project developers.</p>
19.	Cl. 4.16.5 @ Pg. Nos. 59- 61	<p><i>“Rate of Return – Old Thermal Generating Station ... Possible options to encourage higher availability and generation from old generating stations can be as follows.</i></p>	<p>Existing regulations already provides Incentive in Paisa/ Kwh for generation beyond target PLF. In this regard, Hon’ble Commission may consider: -</p> <p>(i) Not allowing further incentive for old stations; and</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<i>1) Allowing additional incentive in the form of paise/kWh apart from those currently allowed may be allowed to such generating stations against generation beyond the target PLF.</i>	(ii) stricter operational norms for the all stations which do not operate and/or are inefficient or has low PLF or stands low on Merit Order Dispatch (“ MOD ”) list since the same results in high cost and environmental issues.
20.	Cl. 4.18.1 @ Pg. Nos. 64-65	<p><i>“4.18.1 Working Capital Requirement ... With regard to gas based generating stations, from the operational data in recent years, it is observed that the PLF of such generating stations is around 20%-25%. As power from these plants is costlier it is generally scheduled by beneficiaries only to meet peak requirements. It is anticipated that these generating stations will continue to operate at such low PLFs in the next tariff period, and therefore, the current practice of allowing working capital requirements considering generation at normative PLF may need review. Comments and suggestions are invited on any modification that may be required in the norms of old gas generating stations to factor in the actual generation while allowing for the working capital requirement for gas based generating stations.”</i></p>	<p>Hon’ble Commission is urged to take into consideration following points: -</p> <p>(i) The provision related the interest on working capital needs review as the same is unreasonable, since: -</p> <p>(A) Pan India level PLF is low. Availability is generally higher.</p> <p>(B) Coal stocks reports are low than the notified levels</p> <p>(ii) Normative working capital should be linked with PLF and not Plant Availability Factor (“PAF”) since: -</p> <p>(A) PLF, in relation to thermal generating station or unit for a given period, means the total sent out energy corresponding to scheduled generation during the period, expressed as a percentage of sent out energy corresponding to installed capacity in that period.</p> <p>(B) PAF, in relation to a generating station for any period, means the average of the daily declared capacities (“DC”) for all the days during the period expressed as a percentage of the installed capacity in MW less the normative auxiliary energy consumption</p> <p>(C) considering that the working capital is utilised only for the period the plant is operational.</p> <p>(iii) Working capital requirements on account of fuel stock shall be done on annual average daily basis for last two years.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			<p>(iv) Hon'ble Commission should also consider the same methodology for working capital computation during true-up.</p> <p>(v) Interest on working capital to be allowed on actuals.</p>
21.	Cl. 4.19 @ Pg. No. 66-67	<p>4.19 Life of Generating Stations and Transmission System <i>“the useful life of coal based thermal generating stations and transmission sub-stations may be increased to 35 years from the current specified useful life of 25 years ... As the need for higher repairs will still be required, the current dispensation of allowing a special allowance or provision of R&M may be continued after 25 years. Comments and suggestions are sought from stakeholders on the above proposal and the necessity of further changes, if required.</i></p>	<p>Hon'ble Commission is urged to consider following points: -</p> <p>Re. Useful Life</p> <p>(i) Consultation Paper on the Tariff Regulations, 2019 issued by this Hon'ble Commission in 2018 wherein options in respect of thermal generating stations which have completed 25 years was discussed and it was noted that there was a need for a clear policy in view of a number of thermal stations crossing the age of 25 years.</p> <p>(ii) Draft Tariff Regulations for Control Period 2019-24 issued on 14.12.2018 by this Hon'ble Commission with proposed Regulation 28 (which came to be renumbered as Regulation 17) providing a mechanism to either extend or discontinue the agreement to schedule power from 25-year-old thermal power stations. This came in view of developments in the Sector related to promotion of renewable energy and schemes to curb air pollution as also increased awareness / concerns regarding phasing out of the old / inefficient thermal power plants.</p> <p>(iii) Even in the present approach paper, this Hon'ble Commission has recognised that: -</p> <p>(A) There is RE penetration; and</p> <p>(B) While efficiency of generating stations has to be rewarded, generating stations that cannot be operated economically after useful life (i.e., 25 years) or the</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			<p>generating stations that cannot comply with environmental norms should decommission.</p> <p>(iv) Useful life has an effect on the depreciation and other components of tariff of the generating station.</p> <p>(v) Electricity Act as well as the National Electricity Policy and National Electricity Plan emphasise the need for cost effectiveness, efficiency and optimum use of resources. In this regard, if useful life of an inefficient coal based thermal generating stations and transmission sub-stations is increased to 35 years from 25 years, same would be against the intent and aim of the Electricity Act.</p> <p>Re. MoP in its Pooling Scheme dated 20.04.2023</p> <p>(vi) MoP in its Pooling Scheme dated 20.04.2023 has proposed to create a Genco-wise common pool (CP) of the plants (excluding Hydro) which have completed or are going to complete 25 years of service, for maintaining grid stability until development of the appropriate storage capacity, to cater the need of increased RE integration. Therefore, if the thermal generating stations, having completed 25 years, are added to a common pool in terms of Pooling Scheme, Hon'ble Commission may consider to not change the useful life of thermal generating stations from 25 years to 35 years. The same is suggested to avoid ambiguity and confusion in implementation of the MoP's scheme and Hon'ble Commission's Regulation.</p> <p>(vii) We urge the Hon'ble Commission to provide guidance on implementation of MoP's Pooling Scheme vis-à-vis the proposal of</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			<p>the Hon'ble Commission in Approach Paper <i>inter alia</i> on following issues/concerns:-</p> <p>(A) If useful life of thermal generating stations' is considered to increase to 35 years, will they be added to common pool in terms of MoP's Pooling Scheme after 25 years?</p> <p>(B) If yes, how will the tariff be determined for such thermal generating stations after 25 years?</p>
22.	<p>Cl. 4.21 @ Pg. No. 68 & Cl. 7.1.28 @ Pg. No. 101</p>	<p><i>"Sharing of Gains ... Comments and suggestions are sought from the stakeholders on the following: 1. Ways to increase non-core revenues through optimal utilisation of available resources. 2. Any modification in the sharing mechanism that may be required."</i></p> <p><i>"7.1.28 Sharing of Gains 66. Ways to increase non-core revenues through optimal utilisation of available resources. 67. Any modification in the sharing mechanism that may be required."</i></p>	<p>(i) Monetization of asset and generation of Non-Tariff Income can generate good revenue. The same can be done through advertisement, leasing of land bank, training centres etc. A stakeholder workshop be called for taking approach in this effect and way forward.</p> <p>(ii) The heat rate is a crucial parameter as it has substantial impact on tariff. The net income as a non-tariff shall be shared in the ratio of 25:75 between generator and beneficiaries, respectively.</p> <p>(iii) Under the Tariff Regulations, 2019, Hon'ble Commission provided for true up of the tariff by the generating companies on the three controllable parameters on monthly basis with annual re-conciliation. In this regard, financial gains were to be computed as per formulae prescribed and this gain was to be shared between the generating station and the beneficiaries in the ratio of 50:50. This benefit is not being passed on the beneficiaries as generator does not comply with the Regulation in the absence of any penal provision in the Regulation.</p> <p>(iv) Presently, the norms of operation as set out by this Hon'ble Commission are the ceiling norms. The regulation provides for agreement between the generator and the DICs for improved</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			<p>norms. In case improved norms are agreed to, such improved norms are applicable for determination of tariff.</p> <p>(v) Hon’ble Commission may consider that: -</p> <p>(A) Benefits be shared in the ratio of 25:75 between the generating station and the beneficiaries; and</p> <p>(B) Generator be mandated to inform the beneficiaries about the detailed calculation of actual operational parameters on monthly basis in the prescribed format by Hon’ble Commission. The said format can be like Form-15 prescribed by the Hon’ble Commission under Regulation 40 of Tariff Regulation, 2019.</p>
23.	Cl. 4.23 @ Pg. No. 69	<p><i>“4.23 Treatment of interest on differential tariff after truing up</i></p> <p>...</p> <p><i>As per the above, the differential amount of tariff needs to be recovered or refunded with simple interest in six equal monthly instalments. However, stakeholders have raised concerns over the method of charging interest on the differential amount up to the liquidation of the last instalment.</i></p> <p><i>In order to streamline the rate of interest on the differential amount, the current practice of allowing a simple interest rate as per Regulation 10(7) in the 2024-29 tariff block may be continued. Further, interest may be allowed to be charged on the differential amount by the utility only until the issuance of the order, and no interest may be allowed during the recovery in six equal monthly instalments.</i></p>	<p>We welcome the suggestion of the Hon’ble Commission for giving clarification regarding the interest that will be allowed to be charged on the differential amount by the generating and transmission utilities only until the issuance of the order, and no further interest will be allowed during the recovery in six equal monthly instalments.</p> <p>In line with this suggestion, we urge this Hon’ble Commission to also consider providing clarification on the following points in Tariff Regulations for FY 2024-25 to FY 2028-29: -</p> <p>(i) Will beneficiaries be entitled to rebate on differential tariff payable in six (6) equal installments?</p> <p>(ii) Various central generating and transmission utilities while seeking recovery of the change in law claims and other claims (pending approval and/or approved by this Hon’ble Commission) are not allowing rebate on the amounts claimed against change in law claims or other claims. This is contrary to Regulation 58 of Tariff Regulations, 2019 which categorically</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<i>Comments and suggestions are sought from stakeholders on the above approach and alternative ways, if any.</i>	provides for rebate on “bills” raised by the generating company and does not provide for any exclusion of a particular category or class of “bills”. In this regard, Hon’ble Commission may provide further clarity in the Tariff Regulations for FY 2024-25 to 2028-29.
24.	Cl. 5.1.1 @ Pg. No. 71	<p><i>“5.1 Normative Annual Plant Availability Factor (NAPAF) 5.1.1 Review of Existing Norms ... In view of the above, the existing norms of NAPAF may need review by considering past years’ PAF, the procurement of coal from alternate sources, other than designated fuel supply agreements, changes in hydrology, etc.”</i></p> <p><i>“In case of purely run-of-river power stations, declared capacity means the ex-bus capacity in MW expected to be available from the generating station during the day (all blocks), as declared by the generating station, taking into account the availability of water, optimum use of water and availability of machines;”</i></p> <p><i>Comments and suggestions are sought from stakeholders on the above suggested option and any other methodology that can be considered for the computation of plant availability for ROR based hydro generating plants”</i></p>	<p><i>Re. Methodology for computing PAF of hydro plants (both ROR and with pondage/Storage):</i></p> <p>(i) Existing Regulation provides for computation of plant availability factor (“PAF”) considering at least three (3) hours as certified by nodal load dispatch center. Contrary to the existing methodology, Hon’ble Commission may consider reviewing and revising the formula for computing PAF considering on average DC during all blocks in a day based on availability of water and machines. The aforesaid suggestion is made since the existing methodology does not reflect the true and correct availability of the stations during the day.</p> <p>(ii) As hydro-plants are ‘must run’ plants and there is no backdown requested by Discoms so whatever Generating company is declaring is being scheduled to Discom. In such scenario generation should be linked with Normative Annual Plant Availability Factor (“NAPAF”). There are instances where PAF of hydro plants are over and above NAPAF, due to which they are recovering excess AFC from the beneficiaries which is ultimately burdening the consumers by way of higher tariff.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			(iii) In the interest of the consumer we recommend that the recovery of the AFC shall be capped to the AFC as approved by the Hon'ble Commission.
25.	Cl. 5.2 Pg. No. 72-74	<p><i>“5.2 Peak and Off-Peak Tariff</i></p> <p><i>... It is observed that though the segregation of recovery through peak and off-peak periods has brought in more accountability, there have been some operational difficulties while declaring high demand and low demand season which need to be taken care of. The current provisions require the Regional Load Despatch Centres (RLDCs) to notify in advance the months of highdemand season and low demand season so that overhauling can be planned by the generators accordingly. The following issues have been brought before the Commission in this context: ... As recovery of reasonable costs is of prime importance for any infrastructure sectoral growth, comments/suggestions are sought on the possible interventions/modifications required to address the issues highlighted above. Specific suggestions are also sought on the following.</i></p> <p><i>1. Whether it would be advisable to limit the recovery based on daily peak and off peak periods.</i></p> <p><i>2. Suggestions on National versus Regional Peak as a reference point for recovery of fixed charges.”</i></p>	<p>Since the peak period for each States is different during the year, Hon'ble Commission may consider that peak and off-peak hours should be determined by respective Regional Power Committee (“RPC”)/ Regional Load Despatch Centres (“RLDCs”) after taking comments from the respective beneficiaries. The data which being considered by respective RPCs/RLDCs should be shared with the beneficiaries beforehand in order to enable them to provide comments.</p>
26.	Cl. 5.3 & 5.4 @ Pg. Nos. 74-75	<p><i>“5.3 Operational Norms</i></p> <p><i>... As these generating stations are operating at a much lower PLF, the actual performance data will also</i></p>	<p>Re. Approving the norms for generating station</p> <p>(i) As per the data shared in the Approach Paper in Fig. 11, in the year 2020-21, average PLF for central generating station is</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<p><i>have a degradation impact. Further, as the generating stations are separately allowed degradation impact due to low load operations, it is felt that the norms may be fixed considering the ideal loading of generating units.</i></p> <p><i>Comments and suggestions are sought from stakeholders on the above proposal and other key determinants to be considered while approving the norms.</i></p> <p>5.4 Operational Norms – Inefficient Generating Stations</p> <p><i>For those generating stations that have not been operating efficiently in the past and for which the Commission has been considering actual achievements to fix relaxed norms, in the interest of limited resources, such relaxation of norms may need re-consideration. This is necessary as the coal/lignite is limited resource that needs to be consumed efficiently and can be re-allocated to more efficient plants.</i></p> <p><i>Comments and suggestions are sought from stakeholders on the option to do away with relaxed norms currently allowed on the basis of actual performance for various efficiency norms of generating stations.”</i></p>	<p>63.4% which has increased to 74.67% in FY 2022-23. In light of the same, it is inferred that thermal power stations are optimally utilized and the same is evident from increasing trend of the average PLF. Accordingly, the Hon’ble Commission may strictly review the existing operational norms in the interest of the consumers.</p> <p>(ii) Further, it is proposed that operating parameters like actual GHR & Aux etc. of all generating stations be shared by Gencos on a monthly basis as details provided in Form 15.</p> <p>Re. Approving the norms for inefficient generating station</p> <p>(iii) It is suggested that Hon’ble Commission may do away with the relaxed norms currently allowed on the basis of actual performance for various efficiency norms of generating stations since the higher benchmarking will encourage the better efficiency and optimal utilization of resources.</p> <p>(iv) In order to utilize resources optimally, it is important that the fuel be diverted to efficient plants for achieving higher efficiency at optimized cost.</p> <p>(v) The above suggestion equally applicable for gas plants in States where Gas is allocated to lower efficient plants and, thereby, creating loss for consumers. Further, it is suggested that a clause to this effect be made for effective implementation.</p>
27.	Cl. 5.8 @ Pg. No. 78	<p>“5.8 Gross Calorific Value (GCV) of Fuel</p> <p>...</p> <p><i>The approach has found wider acceptance, however, it is observed that the variation in GCV “as billed”</i></p>	<p>(i) As per the CAG report as well as CEA there would be minor loss of GCV in as billed to as received to as fired value. Para 5.2 of CAG report provides as under :</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<p><i>and “as received” is significant due to loss of GCV at mine end and during transportation, often leading to grade slippages. Though, the magnitude of such losses has reduced in the past, they are still significant and may need to be accounted for in terms of risk sharing between the coal company, the railways and the generating station. At present, the generator pays for the coal based on GCV “as billed” and quantum of coal at the loading point. It is observed that the loss in GCV from “as billed” to “as received” has been allowed on an actual basis. As mentioned earlier, even though the loss in GCV “as received” vis-à-vis “as billed” has reduced, one can argue that as the actual loss has been allowed in the past, there have not been considerable efforts made by generators in minimising the loss. Comments and suggestions are sought from stakeholders on ways to reduce the gap between GCV “as billed” and “as received”.</i></p>	<p><i>“5.2 Reduction in heat value (GCV) of coal.....It was observed that GCV of coal progressively decreased from the ‘as billed’ stage to them ‘as fired’ stage, though as per CEA, the three GCV values, i.e., GCV ‘as billed’, ‘as received’ and ‘as fired’ should be approximately same barring minor losses due to storage...”</i></p> <p>Therefore, there must be a minor difference between as loaded and as received GCV values.</p> <p>(ii) CEA also prescribed loss of GCV in its Recommendation on operational norms of Thermal Power stations tariff Period 2014-2019 as under: -</p> <p><i>“... Para 13.4 It may be pertinent to mention that the billing of coal would be on the basis of dispatch GCV by the coal suppliers (which should be approximately same as “as received GCV”). Considering the issues of coal quality being faced by some of the stations with CIL, there could be variations between the dispatch GCV and as received GCV; however, difference between the as received GCV vis-à-vis “as fired GCV” would be very marginal and would be solely on account of marginal loss of heat during the coal storage...”</i></p> <p>(iii) In Tariff Regulations, 2019, Hon’ble Commission has provided that the measurement of coal shall be carried out through sampling by third party to be appointed by the Gencos in accordance with the guidelines issued by Central Government. In this regard, although MoP has proposed third party sampling, no information of third party sampling has been shared with the beneficiaries by Gencos. In this regard, Hon’ble Commission</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			<p>may strictly review the existing provision vis-à-vis the previous conduct of Gencos and may consider</p> <p>(A) Direct Gencos to share the test reports of the coal as submitted by the third party agencies to the beneficiaries as well as publish the same on their website.</p> <p>(B) Involve the representatives of the beneficiaries to verify the independence and correctness of third party sampling.</p> <p>(C) Formulating penalty mechanism for non-compliance by Gencos.</p> <p>(iv) Fuel Supply Agreement (“<i>FSA</i>”) with the coal companies provide for the delivery point to the Gencos at the mine end. Once the coal passes to the Gencos, it is Gencos that are liable to account for any drop in GCV thereafter. Hence, GCV as recorded at the mine end minus the existing normative transportation losses must be considered for billing to the beneficiaries.</p> <p>(v) Hon’ble Commission may consider setting target for reduction of losses and beyond those target, the loss need to be shared between Gencos, Railways and Coal Companies. Initially, grade slippages of all coal stations can be started for monitoring thereafter Hon’ble Commission can benchmark the stations which are better performing and efforts can be made to encourage all stations to achieve these target and thereafter benchmark for incentives & penalties may be decided. This is suggested since the benchmarking and Target setting for each plants may help in controlling the cost.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			(vi) Further, Hon'ble Commission is urged to review the provision so that no additional burden is put on the beneficiaries and ultimately on consumers.
28.	Cl. 5.9 @ Pg. No. 79	<p><i>“5.9 Blending of Coal In order to address the issue of depleting coal stocks and building stocks before the monsoon, the Ministry of Power issued an advisory dated 07.12.2021 to all domestic coal based power plants to import coal to meet their requirements by blending with imported coal to an extent of 4% by State generating companies & Independent Power Producers (IPPs). MoP again vide its letter dated 28.04.2022 directed the concerned stake holders to import at least 10% of their coal requirements for blending. Due to the easing out of the shortage situation, MoP again, issued revised directions vide letter dated 09.01.2023 wherein the domestic coal based generating stations are required to plan for 6% blending until September 2023. The generating companies are reported to be facing problems complying with the above directions of the Ministry of Power on account of the absence of permission by the concerned beneficiaries, which is required under Regulation 43(3) of the CERC Tariff Regulations, 2019. ... Linking the consent of beneficiaries with the percentage blending of imported coal instead of an increase in ECR may enable a swift response to an increase in demand by the generating company. Procurement of such coal (other than linkage coal)</i></p>	<p>(i) On 09.01.2023, MoP by communication issued to this Hon'ble Commission and central and state thermal power stations directing them to plan to import coal through a transparent competitive procurement for blending at 6% by weight so as to have coal stocks at the power plants for smooth operation till September 2023. These directions were passed in light of the recent surge in demand and consumption of electricity.</p> <p>(ii) On 14.02.2023, Hon'ble Commission in Suo Moto Petition No. 2/SM/2023 has exercised its power to relax under CERC Regulations, 2019 to relax the provision of Regulation 43(3) as under: - <i>“Provided that in such case, prior permission from beneficiaries shall not be a precondition for blending up to 6% by weight GENCO wise from alternate sources of fuel supply including imported coal, subject to technical feasibility, unless otherwise agreed specifically in the power purchase agreement.”</i> The above relaxation is to operate till 30.09.2023 or until further Orders.</p> <p>(iii) The above direction and Order were passed as an interim arrangement considering the adverse and unprecedented condition of coal shortage and surge in demand of electricity. As such, same should not be made a norm for business as usual circumstances.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<p><i>has to be done through a transparent competitive bidding process.</i></p> <p><i>Comments and suggestions are sought from stakeholders on the above proposal and any other alternative, if any.”</i></p>	<p>(iv) Hon’ble Commission has been exercising its power to relax to provide appropriate relief considering the facts and circumstances that emerge.</p> <p>(v) Without prejudice, even when such relaxations are given, blending should not be allowed by weight at Genco level. Hon’ble Commission may consider allowing blending only at individual station level of the respective Genco, since: -</p> <p>(A) Usually, Pit head plants do not require blending, but in the non-pit head plants blending is done at more than 6%.</p> <p>(B) Blending is allowed at Genco level, the non-pit plants for which blending is required are subsidized by pit head plants for which less blending is required.</p> <p>(C) Blending of coal at higher levels lead to increase in tariff for that particular station. On account of high tariff the station comes down in the MOD List due to which the beneficiaries are not able to schedule the power from such stations.</p> <p>(D) On account of the above, as there is no scheduling of power from these stations, the station remains idle and the coal allocated to such stations remains unutilised. This is counter-productive to the intent and purpose for which the Regulation is framed.</p>
29.	Cl. 5.10 @ Pg. No. 80	<p><i>“5.10 Incentives</i></p> <p><i>It is observed that the incentives linked to NAPLF, NAPAF and NATAF have been specified in existing Tariff Regulations. In this regard, it is observed that the incentive linked to availability is already allowed as per the prescribed formulation on a pro-rata basis</i></p>	<p><i>Re. Hydro power project</i></p> <p>(i) Under the existing Regulations, adequate incentives are provided to hydro generating station for achieving availability factor more than normative NAPAF/ design energy. For example:</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<p><i>and may be continued. However, incentives linked to generation in excess of target PLF/NAPAF especially during peak periods, in the case of hydro stations and old pit-head generating stations, may need a review in order to encourage higher generation from such plants.</i></p> <p><i>This will result in increased generation from such plants and will also benefit beneficiaries.</i></p> <p><i>Comments and suggestions are sought from beneficiaries on the above proposal and any other alternative options, if any.”</i></p>	<p>(A) Hydro generating stations are being incentivized in the form of increased capacity charge which is levied on beneficiaries every month.</p> <p>(B) If hydro generating station is generating more than the design energy, existing Regulations incentivizes the hydro generating station by additional recovery of AFC through secondary energy charges.</p> <p>Therefore, no further incentives are required for the hydro generating station irrespective of peak and non-peak period.</p> <p>Re. Old pit-head generating stations</p> <p>(ii) Under the existing Regulations, adequate incentives are provided to thermal generating station for scheduled energy during peak hours and non-peak hours corresponding to their PLF.</p> <p>(iii) Hon’ble Commission may consider that, in view of the RE integration, requirement from other sources of energy will decrease in the coming years.</p>
30.	Cl. 6.1 @ Pg. 82	<p><i>“6.1 Separate Norms for ROR/Storage Based Hydro Projects</i></p> <p><i>... Currently, the terms and conditions for tariff components, stipulated in the CERC Tariff Regulations, 2019, for all these types of hydro stations are the same except for the higher RoE allowed for storage based hydro stations and PSP. In addition to the cost components, in general, the NAPAF of storage based generating stations is higher than that of ROR based projects considering</i></p>	<p>(i) Pondage/ Storage based hydro station; and Pumped Storage Plants- Hydro Stations (“PSP”) are designed to meet peak demand. Their tariff is designed accordingly allowing a higher RoE in comparison to other conventional sources generating station. This higher tariff is being allowed for the entire period including the peak demand period. Therefore, there is no rationale to further incentivize these stations to meet peak demand.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<p><i>the ability of storage based generating stations to generate on demand.</i></p> <p><i>However, it is observed that there is a need for a more enabling framework or incentive mechanism for dam/reservoir based generating stations to operate as peaking plants.</i></p> <p><i>Considering the anticipated increase in peaking loads, these stations may be incentivised to operate as peaking plants. One way to do so is by providing additional incentives for energy supplied during peak periods.</i></p> <p><i>Comments and suggestions are sought from stakeholders on the above proposal and any alternative solutions, if any.”</i></p>	<p>(ii) Hon’ble Commission may consider to rather specifying disincentive / penalty/ compensation for these plants if they fail to provide power committed during peak period.</p> <p>(iii) Further, while finalizing the design energy of PSP, Hon’ble Commission must ensure availability of station to meet peak demand throughout the year including the monsoon months wherein the PSP may not be utilized and the demand for the beneficiary is on higher side.</p>
31.	Cl. 6.2 @ Pg. No. 84	<p><i>“6.2 Tariff Structure for Cost Recovery for Emission Control System</i></p> <p>...</p> <p><i>As not all generating stations have installed the emission control system, and most of these works are in the execution stage, therefore the existing tariff recovery mechanism may be continued. However, comments and suggestions are sought from stakeholders on alternatives to the existing tariff mechanism for recovering the impact of the installation of emission control systems.”</i></p>	<p>The coal based thermal generation is the biggest source of polluting the environment and it is for this reason the Government of India is notifying new environmental norms. Some of the new thermal power stations may have adequate pollution control system but for the old thermal power stations retrofitting or up-gradation of the environmental control equipment may not be possible. Thus, the huge investment on such thermal units can be avoided. It is, therefore, necessary that the thermal power station requiring pollution system control may undertake the field study to consider its requirement, capital investment and the economics of such proposal without any regulatory intervention.</p> <p>It is noticed that without adhering to CERC Regulation many Gencos (i) do not share proposals with beneficiaries before filing of the Petitions seeking in principle approval from this Hon’ble Commission; (ii) start billing supplementary AFC on account of emission control</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			system without getting the tariff approved from this Hon'ble Commission. Strict provisions/penalties should be made in the tariff regulations to create deterrent against such practices.
32.	Cl. 6.3 @ Pg. No. 84	<p><i>“Decommissioning of Generating Station and Transmission Assets With the growing concerns over inefficient generating stations and their impact on climate change, it is imperative to have appropriate provisions in the Tariff Regulations to deal with all eventualities. Also, there would be the scenario wherein any generating station or transmission system is decommissioned prior to the completion of its useful life in order to comply with any statutory orders or due to technological obsolescence duly approved by RPC or any other uncontrollable factors. It is observed that, on one hand, the disposal of such decommissioned generating station/system entails a cost (unrecovered depreciation) towards such pre-closure, on the other hand, these generating stations have some salvage value that can be realised. It is to be analysed how these costs and revenues can be accounted for so that they can be cost neutral to the generating or transmission company and also do not impact the beneficiaries. This would also reduce risk perception among investors and may provide necessary clarity on such matters thus reducing litigations.</i></p> <p><i>One approach could be that the net profit/loss post decommissioning and disposal of assets may be adjusted in one go from the beneficiaries, duly</i></p>	<p>We welcome the suggestion to frame a provision for decommissioning of generating station and transmission assets. However, this provision at present is limited to stations which have not completed its useful life and have to be decommissioned in compliance with statutory orders or due to technological obsolescence duly approved by RPC.</p> <p>We urge this Hon'ble Commission to frame mechanisms for decommissioning of old inefficient generating stations and transmission assets which have completed the useful life and have not availed R&M for life extension. This suggestion is made since the same would: -</p> <ul style="list-style-type: none"> (i) Reduce inefficiency; (ii) Be in consumer interest; and (iii) Be in furtherance with the scheme of the Electricity Act and CERC Tariff Regulations. <p>Further, it is suggested that: -</p> <ul style="list-style-type: none"> (i) Decommissioned value should be inclusive of land value apart from salvage value of equipments. (ii) Net profit/loss post decommissioning and disposal of assets may be adjusted in one go from the beneficiaries after factoring in the un-recovered depreciation admissible under the Tariff Regulations. (iii) Hon'ble Commission may consult stakeholders before finalizing the mechanism and seek their comments.

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<p><i>factoring in the un-recovered depreciation admissible under the Tariff Regulations.</i></p> <p><i>In view of the above, comments and suggestions are sought from stakeholders on the possible approaches to recover or refund the impact of decommissioning costs in case the generating stations/transmission systems are decommissioned before the completion of their useful lives, if such decommissioning is done in compliance of a statutory order or due to technological obsolescence duly approved by RPC.”</i></p>	
33.	Cl. 6.8 @ Pg. No. 89	<p>“6.8 Necessity to Review the need of Regulation 17 (2)</p> <p><i>The Commission, in its Tariff Regulations, 2019 introduced the following Regulation.</i></p> <p>“17. Special Provisions for Tariff for Thermal Generating Station which have Completed 25 Years of Operation from Date of Commercial Operation: (1) In respect of a thermal generating station that has completed 25 years of operation from the date of commercial operation, the generating company and the beneficiary may agree on an arrangement, including provisions for target availability and incentive, where in addition to the energy charge, capacity charges determined under these regulations shall also be recovered based on scheduled generation.</p> <p>(2) The beneficiary shall have the first right of refusal and upon its refusal to enter into an arrangement as above, the generating</p>	<p>It is requested that Regulation 17 of the Tariff Regulations be not amended since: -</p> <p>Re. Intent and purpose of Regulation 17 of the CERC Tariff Regulations, 2019</p> <p>(i) Regulation 17 was introduced for the first time under the CERC (Terms and Conditions for determination of Tariff) Regulations, 2019 (“Tariff Regulations, 2019”) as a special provision permitting beneficiaries to seek an arrangement from the Stations that have completed 25 years from Commercial date of Operation (“COD”).</p> <p>(ii) Completion of Useful Life i.e., 25 years is a material change in the circumstances of a Generating Station. The Station has completed its useful life and recovered its costs by way of depreciation. Thereafter, either more capital investment is required in the Station by way of Special Allowance or Renovation and Modernisation. Beneficiaries would have to incur additional costs for the said Station. In this regard it is noteworthy that: -</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<p><i>company shall be free to sell the electricity generated from such station in a manner as it deems fit.”</i></p> <p><i>As per Regulation 17 above, the generating stations and beneficiaries have the option after 25 years of operation to enter into a mutual agreement to recover capacity charges based on scheduled generation. However, the beneficiaries are allowed under 17(2) with the first right of refusal to such arrangement and can exit from the ongoing PPA. It is observed that generation, being a delicensed activity, is purely guided by terms and conditions of PPA and unilateral right to any party, bound by a contract, should not be allowed through Regulations.</i></p> <p><i>Further, commercial mechanisms and terms & conditions for transactions between a generator and beneficiaries are governed by the long term PPAs executed between them, which are generally valid through the life of the PPA. It is noted that a number of generating stations, at times, operate beyond the tenure of the PPA, and that <u>such extended operations should also be governed by the PPA as in the case of the original PPA period, and any interventions in the PPA through tariff Regulations, that too, every five-year, including such a unilateral exit clause, may not be desirable as it may <u>violate contract sanctity</u> and could be <u>inequitable.</u></u></i></p> <p><i>In view of the above, the provision under Regulation 17(2) of Tariff Regulations, 2019 may result in</i></p>	<p>(A) The COD of a Generating Station has specific significance in tariff fixation as the capitalization of the assets and its usage has been accounted from this date. The developer has a specific significance of this milestone of COD as the project starts generating the revenue stream from this point for the purposes of Tariff. The useful life of an asset is the period over which an asset is expected to be available for use by an entity as per the scheduled generation from the asset by the entity. Useful Life for thermal coal based generating stations has been specified in the respective Tariff Regulations as 25 years.</p> <p>(B) Depreciation is a major component of the annual fixed cost. Para 5.8.2 of the National Electricity Policy, 2006 provides that “depreciation reserve is created so as to fully meet the debt service obligation.” Depreciation depends on three factors, viz., rate base (gross fixed assets on which the rate of depreciation applied), which includes subsequent additions, method of depreciation and useful life.</p> <p>(C) Depreciation is allowed to a maximum of 90% of the capital cost and the remaining 10% is considered as the salvage value. Therefore, once the station is fully depreciated i.e., it has recovered all the depreciation over its useful life, the capital cost of the station is fully recovered and what remains is the scrap value of the asset. Thus, once the capital cost has been recovered through depreciation and the original useful life is completed, the</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
		<i><u>further complication and being seen as inequitable for the generator, is required to be modified.</u></i>	<p>beneficiaries have fully serviced the capital cost of the Station.</p> <p>(iii) Regulation 17 (1) enables parties to a Power Purchase Agreement (“PPA”) to mutually discuss and arrive at a mutual arrangement on completion of the 25-year term or exit the PPA. The right of refusal under Regulation 17(2) has been provided for the beneficiary and its end consumers who have already paid towards the capital cost of the old generating stations including depreciation, servicing of debt and equity throughout its useful life. The arrangement can only be based on a mutual agreement and cannot be forced upon any party more particularly a beneficiary.</p> <p>(iv) Tariff Regulations, 2019 were specified by this Hon’ble Commission under Section 61 of the Electricity Act. Section 61(c) to (e) provides for protection of consumer interests, efficient and economical use of its resources, reward efficiency in performance and generation of electricity from renewable sources of energy. The intent and purpose of the Electricity Act is to liberalize the electricity sector and to ensure that the distribution and supply of electricity is conducted on commercial principles. The legislature intended to promote factors to encourage efficiency, competition, economical use of resources, optimum investments, principles rewarding efficiency and safeguarding the interest of the consumers vis-à-vis recovery of cost of electricity in a reasonable manner as envisaged under Section 61.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			<p>(v) Regulation 17 furthers the aim and objectives of the Electricity Act to inter alia reduce undue burden of increased tariff of old, inefficient thermal generating stations upon the consumers. Regulation 17 is not a mechanism to perpetuate costly and inefficient power purchase agreements with generating stations which are environmentally not benign. Regulation 17 is perfectly aligned with the mandate of the Electricity Act, 2003 as it:</p> <p>(A) Promotes and rewards efficiency: Being old and obsolete these plants are less efficient and require more coal to produce the same amount of station heat rate and power than new stations. Due to their high coal usage, these plants are environmentally hazardous. Ministry of Environment, Forest, and Climate Change by its Notifications has mandated installation of Emission Control System in these stations Incurring additional expenditure on these stations will not be prudent and will lead to further increase in the tariff of these stations. Stations with new technologies are available as an alternative source of power.</p> <p>(B) Safeguards consumer interest: Power purchase cost from plants is a pass through in Tariff and is charged to the consumers. In spite of the fact that these stations have recovered their capital cost, tariff of these stations is comparatively higher than the market sources as well as Renewable Energy ("RE"). Regulation 17(2) safeguards the consumers interests since once a Station completes 25</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			<p>year from COD, consumers cannot be compelled to pay higher tariff and bear the burden of running an old and financially unviable generating plant especially if the market offers more efficient, environmentally benign, competitive, and economical power, and</p> <p>(C) Encourages generation of electricity from renewable sources: Replacing power from the old and inefficient stations with Renewable Energy sources will encourage generation from renewable sources and also lead to substantial savings in the consumers' tariff.</p> <p>(vi) Tariff in terms of Regulation 17 to be allowed in terms of scheduled generation, in effect, meets the objects of the Electricity Act in particular Section 61 read with the National Electricity Policy and the Tariff Policy by lowering the tariff to be paid by the end consumers, rationalizing the tariff and safeguarding interests of both the utility and its consumers. It is settled law that the interest of the consumers is equally important as that of the generating companies. Reliance is placed on the judgment of the Hon'ble Supreme Court in the case of <i>A.P. Electricity Regulatory Commission v. R.V.K. Energy (P) Ltd.</i>, (2008) 17 SCC 769.</p> <p>(vii) Modification/ Amendment/ Removal of Regulation 17 would be against the objects and purpose of the Electricity Act, 2003 since it would encourage continued operation of Stations that are old and obsolete, environmentally hazardous, have completed 25 years from COD and have fully recovered their capital cost. In case plants such Stations are allowed to continue without any</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			<p>option to exit and Discoms are forced to schedule power from these stations, it will come at the cost of consumers (health, environmental and monetary). It will discourage investment in the sector and also development of RE power.</p> <p>(viii) The intent and scheme of Regulation 17 is evidenced from: -</p> <p>(A) National Electricity Plan issued in January 2018 by the Central Electricity Authority under Section 3(4) of the Electricity Act and in accordance with the National Electricity Policy proposing for retirement of various generating stations during period 2022-27.</p> <p>(B) Consultation Paper on the Tariff Regulations, 2019 issued by this Hon'ble Commission in 2018 wherein options in respect of Thermal Generating Stations which have completed 25 years was discussed and it was noted that there was a need for a clear policy in view of a number of thermal stations crossing the age of 25 years.</p> <p>(C) Draft Tariff Regulations for Control Period 2019-24 issued on 14.12.2018 with proposed Regulation 28 (which came to be renumbered as Regulation 17) providing a mechanism to either extend or discontinue the agreement to schedule power from 25-year-old thermal power stations. This came in view of developments in the Sector related to promotion of renewable energy and schemes to curb air pollution as also increased awareness / concerns regarding phasing out of the old / inefficient thermal power plants.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			<p>(D) Explanatory Memorandum on the Draft Tariff Regulations, 2019 issued in December 2018 by this Hon’ble Commission stating as under: -</p> <p style="padding-left: 40px;"><i>“3.5.8 Besides Special Allowance, the Commission has also proposed an alternate provision for thermal generating station which have completed 25 years of operation. This provision will be available to those thermal generating stations, which have neither undertaken R&M nor availed Special Allowance. Under this special provision, the generating company and the beneficiary may agree to enter into an arrangement, wherein the total cost (fixed and variable) of the generating station, as determined under these regulations, shall be recovered on scheduled generation basis. Further, under this provision, the beneficiary shall have first right of refusal and in the event of such refusal, the generating company shall be free to sell the electricity generated from such station in a manner it deems fit.”</i></p> <p>(E) Statement of Objects and Reasons for the Tariff Regulations, 2019 issued on 22.03.2019 wherein it was noted that <i>“The objective of the Regulation was to introduce an enabling provision, where the recovery of both capacity charges and energy charges shall be linked to scheduled generation. Further, this provision is only optional, which may be exercised after completion of</i></p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			<p style="text-align: center;"><i>useful life of a thermal generating station, if both the beneficiary and the generating company agree.”</i></p> <p>Re. Apprehension of Hon’ble Commission that Regulation 17 of Tariff Regulations, 2019 may result in further complication and being seen as inequitable for the generator</p> <p>(ix) By Regulation 17, this Hon’ble Commission is not altering the contracts or providing an inequitable right to Discoms and is merely providing a special tariff regime for stations that have completed 25 years from the COD (as also the Useful Life under the Tariff Regulations). Throughout useful life of the plant, beneficiary and its end consumers pay the capital cost of the generating stations including depreciation, servicing of debt and equity. On completion of 25 years, both parties have the right to mutually discuss and arrive at a mutual arrangement. The arrangement can only be based on a mutual agreement and cannot be forced upon any party more particularly a beneficiary. If the arrangement is not agreeable by either of the parties:</p> <p>(A) Beneficiary has the right of refusal under Regulation 17(2); and</p> <p>(B) Generator is free to sell power in any mode.</p> <p>As such, refusal on the part of the Beneficiary does not restrict the right of Generator to trade power by selling the power to other buyers either through PPA or through power exchanges. Further, this Hon’ble Commission specified Regulation 17 under the Tariff Regulations, 2019 after considering comments/suggestions from all concerned stakeholders.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			<p>(x) This Hon'ble Commission regulates the tariff and operations of the Central Generating Stations in terms of the Electricity Act. Regulation 17 is an alternate mechanism for regulation of the tariff of such stations. Power to regulate is of broad import, having a broad meaning, and is very comprehensive in scope, including plenary powers.</p> <p>(xi) Further, the Regulations framed by this Hon'ble Commission under the Electricity Act, 2003 have primacy and overriding effect on the PPA. Terms of PPA / SPPA cannot be in contravention and derogation of statutory Regulations. Reliance is placed on <i>PTC v. CERC</i>, (2010) 4 SCC 603 [<i>Para 54-55 and 58</i>] and <i>CLP (India) (P) Ltd. v. Gujarat Urja Vikas Nigam Ltd.</i>, (2020) 5 SCC 185 [<i>Para. 22-23</i>].</p> <p>(xii) Under most of the PPAs reference and reliance is made on the existing tariff regulations. Therefore, the PPAs have to be governed by the Tariff Regulations framed by this Hon'ble Commission. Under various PPAs there are no exit routes provided to the Discoms and the Generators have the unilateral right to continue the operations of the PPA. In many instances the Discoms and their consumers are made to bear substantial amounts of fixed charges without even having scheduled power from these stations for over years. The said Stations also have the option of selling the power to other beneficiaries, however, are unable to do so as they have tied up long term contracts with a particular Discom. An exit route has to be provided and regulated by this Hon'ble Commissions under the Tariff Regulations.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			<p>(xiii) It is pertinent to note that BSES Discoms have inherited legacy PPAs from DTL after unbundling. Discoms have little or no negotiation powers to determine the terms and conditions of the PPAs with the Central Generating Stations on account of their dominant position and high dependency of Discoms on them. Therefore, the Discoms ought to be given the right to seek an arrangement and in case no arrangement is agreed on, then the right of first refusal. This reduces the tariff for the consumers and also promotes efficiency. Discoms are best placed to analyse their requirements and try and reduce the consumer tariff by reducing their power purchase costs. Power Purchase costs is a major portion of the Annual Revenue Requirement of a Discoms and it is the Discoms right to endeavour to reduce the same in consumer interest.</p> <p>(xiv) There are various instances where the Regulations are framed to override the terms of the PPA, such as: -</p> <p style="padding-left: 40px;">(A) CERC (sharing of inter-state transmission charges and losses) Regulations, 2020 with respect to Accounting, billing, late payment surcharge, payment mechanism and consequences of non-payment of dues;</p> <p style="padding-left: 40px;">(B) CERC (Terms and Conditions of Tariff) Regulations, 2019 with respect to rebate and late payment surcharge.</p> <p>Re. Useful life</p> <p>(xv) Hon'ble Commission is requested to consider our comments on useful life in S. No. 21 for clause 4.19. Same are not repeated for the sake of brevity and to avoid prolixity.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
			<p><i>Re. MoP Pooling Scheme</i></p> <p>(xvi) Hon’ble Commission is requested to consider our comments on useful life in S. No. 21 for clause 4.19. Same are not repeated for the sake of brevity and to avoid prolixity.</p>

Addendum dated 03.07.2023 bearing File No. L-1/268/2022/CERC

S. No.	Proposed Clause	Extracted Clause	BYPL Comments
34.		<p><i>“A. FIXED COST</i></p> <p><i>a) Capital Expenditure One-time expenditure to be incurred in retrofitting of various measures to make the plant capable of low load operation.</i></p> <p><i>i. In case of old units (commissioned before 01.01.2004) which have not upgraded their plant control and instrumentation system previously, capex requirement may around Rs 30 crores for each unit.</i></p> <p><i>ii. It is estimated that measures essential, to operate at 40% load may require an estimated capital investment of around Rs 10 crores for each unit commissioned on or after 01.01.2004 and except units covered under para3(a)(iv).</i></p> <p><i>iii. Unit will be eligible for increased fixed tariff irrespective of actual operation once measures are implemented and exhibits desired low load operation. Considering five (5) years payback period the impact has been estimated as under Table-I.</i></p> <p>...</p>	<p>Hon’ble Commission is urged to provide clarification on following queries/points in respect of the Addendum before introducing the same in the Tariff Regulations for FY 2024-25 to 2028-29: -</p> <p>(a) What is the basis of calculating CAPEX requirement as 30 crores and 10 crores for making the plant capable of low load operation?</p> <p>(b) What is the prudence check considered by the Hon’ble Commission to declare a unit eligible for increased fixed tariff irrespective of actual operation?</p> <p>(c) What is the mechanism to ensure that Genco has implemented all measures to exhibit desired low load operation?</p> <p>(d) For some old thermal power stations retrofitting or up-gradation of the environmental control equipment may not be possible, Hon’ble Commission should consider avoiding such huge investment on such thermal units.</p> <p>(e) Hon’ble Commission should make it mandatory for the thermal power station requiring such huge investment for low load operation to undertake the field study and, accordingly, make</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.	Extracted Clause	BYPL Comments
	<p>b) <i>O&M cost due to increased Life Consumption (damage costs):</i> <i>Flexible operation also leads to a higher rate of deterioration of plant's components. This is observed in increased failure rate and more frequent replacement of components. The impact on life of components increases with increase in number of flexible operation instances and also with number of start stops the unit undergoes in a year. As a result, the operation and maintenance cost are significantly higher in units operated on a daily or weekly start-stop basis. Based on CEA Report "Flexibilization of coal fired power plants" the increase in annual O&M cost has been considered as 9%, 14% and 20% of O&M Cost at 50%, 45%, 40% loading respectively</i></p> <p>...</p> <p>8) VARIABLE COST</p> <p>a) <i>Cost due to increase in Net Heat Rate: It has been observed that the extent of deterioration in Net Heat Rate depends on the percentage unit loading. Units running minimum power load below 55% shall be additionally compensated in Electricity Charge Rate (ECR) to the extent of Net Heat Rate (NHR) deterioration. Based on the actual study/test conducted at few coal based power plants and Heat Balance Diagram (HBO) reports of major OEMs (BHEL/GE/Siemens) on unit size Net Heat Rate degradation, compensation has been proposed in variable part of tariff considering coal price Rs 2000.00 per</i></p>	<p>proposal before this Hon'ble Commission after consulting with the beneficiaries.</p> <p>(f) Hon'ble Commission should consider directing Gencos to calculate the capex requirement based on the study and approach this Hon'ble Commission by a Petition for seeking approval. In this regard, Hon'ble Commission should consider claim of the Gencos on case-to-case basis for each Station.</p>

BYPL Comments on CERC Approach paper on Terms & Condition of Tariff FY 24-29

S. No.		Extracted Clause	BYPL Comments
		<i>ton (estimated average cost of coal at pithead plants), Rs. 3300.00 per ton (estimated average cost of coal at non-pithead plants) and is as in Table-IV</i> ...”	