



DB POWER LIMITED

CIN: U40109MP2006PLC019008

Corporate Off. : 3rd Floor, Naman Corporate Link , Opp. Dena Bank, C-31, G, Block , Bandra Kurla Complex, Bandra (E) Mumbai – 51
Tel No +91-22-7156 6000, Fax No +91-22-2659 0264

Date: 31.07.2023

To,
The Secretary,
Central Electricity Regulatory Commission,
3rd & 4th Floor, Chanderlok Building,
36, Janpath, New Delhi- 110001

Sub: Comments on Approach Paper on the Terms and Conditions of Tariff Regulations for Tariff Period
01.04.2024 To 31.03.2029

Ref.:

1. CERC (Terms and Conditions of Tariff) Regulations, 2019
2. Approach Paper on the Terms and Conditions of Tariff Regulations for Tariff Period 01.04.2024
To 31.03.2029

Dear Sir,

We are writing this letter to submit our representation on certain aspects of the tariff structure as discussed in the Approach Paper issued by this Hon'ble Commission, concerning the Terms and Conditions of Tariff Regulations for the upcoming Tariff Period from 01.04.2024 to 31.03.2029.

The Tariff Regulations under consideration, as well as the previous ones, have been formulated with a focus on the generation stations that have entered into Power Purchase Agreements (PPAs) under Section 62 of the Electricity Act, 2003. These agreements follow a two-part/cost-plus tariff structure, which aims to ensure cost recovery for the generators. However, there is an issue concerning the pass-through/actual recovery of certain components under the Single-part/Variable (energy) charge PPAs executed between the generators and the State Discoms.

The root of this problem lies in Section 61(a) of the Electricity Act, 2003, which mandates the State Commissions to be 'guided' by the principles and methodologies specified by this Hon'ble Commission for determining the applicable tariff for generating companies. The tariff regulations of this Hon'ble Commission are based on the philosophy of recovery of the full cost (fixed + variable). Consequently, the parameters of the said regulations cannot be strictly applied to determine the tariff of generators with single-part/Variable (Energy) cost PPAs, as they can only recover variable charges as per the executed PPA with a particular beneficiary. As a result, there has been a significant under-recovery of the cost of generation for such power generators.

To address this issue effectively, we believe it is necessary for this Hon'ble Commission to consider all expenses/components as part of variable charges, which are directly incidental to the supply of power. These expenses vary with the quantum of supply and are incurred only when the power is supplied on a variable cost basis. By doing so, this Hon'ble Commission and the State Commissions can fulfill the



DB POWER LIMITED

CIN: U40109MP2006PLC019008

Corporate Off. : 3rd Floor, Naman Corporate Link , Opp. Dena Bank, C-31, G, Block , Bandra Kurla Complex, Bandra (E) Mumbai – 51
Tel No +91-22-7156 6000, Fax No +91-22-2659 0264

mandate of complete recovery of the cost of generation, as encapsulated under Section 61(d) of the Electricity Act, 2003.

In light of the above context, we would like to present the following points for the consideration of this Hon'ble Commission:

1. Inclusion of ash handling expenses along as a variable charge component

- a. We submit that the cost associated with ash handling is always incurred by the generators in proportion to the quantum of power supplied under the Variable Cost PPAs. Therefore, it deserves to be allowed by creating a separate heading for the computation of variable charge parameters for generators having the said Variable/Energy Cost PPAs.
- b. Hence, in order to ensure consistency and compliance with the guiding principles of this Hon'ble Commission under Section 61 of the Electricity Act, 2003, we request that the existing Tariff Regulations (2019) and the Tariff Regulations for FYs 2024-25 to 2028-29 provide a provision for allowing pass-through of ash handling expenses. We suggest aligning these provisions with various notifications on the utilization of ash published by the Ministry of Environment, Forest and Climate Change.

2. Inclusion of interest on working capital as a variable charge component

- a. Interest on working capital is currently considered part of the Fixed Cost only under the Tariff Regulations of this Hon'ble Commission. Consequently, State Commissions have treated it as part of the Fixed Cost of the generator. This approach does not allow for the recovery of such expenses pertaining to power supplied on a variable/energy cost basis.
- b. It is pertinent to mention that the interest on working capital sought by generators with respect to their respective variable charges PPAs is only applicable to the cost of coal, secondary fuel oil cost, fuel cost, and the cost towards handling of coal—these are all variable components of the tariff. Therefore, the interest on working capital related to such components should be made pass-through under the head of variable cost to avoid under-recovery of costs and to comply with the extant provisions of the Electricity Act, 2003.

In addition to the above, the Hon'ble Commission may consider inclusion of other variable components such as electricity duty on auxiliary consumption, water charges etc. as variable charge components.

Computation of differential ECR based on specific source of coal mapped to respective PPA

The Tariff Regulations stipulates consideration of weighted average of GCV of coal by considering all the sources of coal. There is no specific reference to a type of fuel/ coal which only needs to be considered while computing the weighted average. It is crucial to understand that the applicability of the tariff regulations extends not only to power generation companies wholly and solely supplying



DB POWER LIMITED

CIN: U40109MP2006PLC019008

Corporate Off. : 3rd Floor, Naman Corporate Link , Opp. Dena Bank, C-31, G, Block , Bandra Kurla Complex, Bandra (E) Mumbai – 51
Tel No +91-22-7156 6000, Fax No +91-22-2659 0264

power under Section 62 of the Electricity Act, 2003, but also to generation companies supplying power under multiple regimes/frameworks that include short/ medium / long term competitively bid PPAs under Section 63 of the Electricity Act, 2003 along with Single-part/Variable (energy) charge PPAs falling under Section 62 of the same Act from the same generating station.

Considering the phase-out of the old FSA regime (LoA based) and the adoption of new regimes with different PPA structures mapped to different categories of coal linkages (e.g., old FSA regime, SHAKTI B(iii), B(viii), B(ii), and more recently B(iv) and B(v))—varying in terms of end-use restrictions, mode of allocation/bidding, tenure, etc.—this concern has become more pertinent. State Regulatory Commissions, taking guidance from the extant regulations, continue to seek details of procurement of fuel from all sources (modes/schemes) irrespective of whether they are mapped to the respective PPA or not.

Therefore, it is necessary for this Hon'ble Commission to provide for computation of PPA (and fuel source) specific Energy Charge Rates (ECRs) instead of computing station-level ECRs for generation companies supplying power under multiple PPA structures based on multiple categories of coal procurement/allocation.

In conclusion, we believe that considering the points mentioned above during the formulation of the Tariff Regulations would lead to a fair and equitable tariff structure that safeguards the interests of all stakeholders involved in power generation and supply.

Thank you for your attention to this matter. We look forward to further dialogue and cooperation in shaping an effective tariff framework.

Yours faithfully,
For **DB Power Ltd**



(Authorised signatory)

Manu Krishnan Namboothiri,

Head (Strategy, Power sales & Corporate Relationships)

Email: manu.namboothiri@dbpower.in, Mob: +91 7506256244, Land Line: +91 22 7156 6011