

Comments/suggestions of DNHDDPDCL on Draft CERC Approach Paper

Approach Paper:

7.1.48-Necessity to Review the need of Regulation 17(2)

90. The provision under Regulation 17(2) of Tariff Regulations, 2019 may result in further complication and being seen as inequitable for the generator, is required to be modified.

Comments:

- As regards Regulations 17(2) of the Tariff Regulations, 2019, it is submitted that there is a need to see the said regulation in overall perspective. Existing CERC Regulations provided for Special Allowance / R&M for the plants which have completed the Useful Life and continue the power supply to the existing beneficiaries. By availing Special Allowance / R&M, some of the old plants have already consented to continue supplying power under Section 62 to the existing beneficiaries after Useful Life. Therefore, the suggestion in discussion paper is already equitable for these plants wherein Beneficiaries are willing to relinquish the PPA with such plant despite of paying higher tariff in terms of special allowance / R&M. For the Plants which have completed / completes useful life of 25 Years and not availed the benefit of Special Allowance / R&M, there may be an option for both Generator and Beneficiaries to Mutually Agree on continuing with the PPA.
- At para 4.19 of the Approach Paper, it is proposed to increase the useful life of coal based thermal generating stations to 35 years since more and more plants are operating beyond the existing useful life of 25 years. The Approach paper notes that this is due to better upkeep of the plants. In this regard, it is submitted that the Capex required for Renovation & Modernisation and Opex for ensuring better operations of generating plants beyond its existing useful life is being borne by the existing beneficiaries and in turn its consumers. Hence, benefit of extended life of such plants must be made available to these beneficiaries. **Accordingly, the provision of “first right of refusal” should be retained for the beneficiaries.**
- Further, in case of revision to the Regulation 17(2) as explored in the Discussion Paper, it may be ensured that such option is available to only those plants who have not availed Special Allowance / R&M Allowance. Alternatively, these plants are required to refund the amount corresponding to Special Allowance / R&M Allowance paid by the beneficiaries each year.
- Further, till date, many of the generating stations have completed their useful life of 25 years and continued to supply power under existing arrangements. If such a provision of “first right of refusal” is not retained, it could lead to CGS discontinuing

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the supply to the beneficiary unilaterally, basis its own commercial considerations, giving rise to shortfall in power supply and in turn may lead to large scale load shedding or exorbitant price increase of power purchase.

Suggestion: In the above background, it is suggested to retain the Regulation 17(2) of the Tariff Regulations, 2019.