

COMMENTS ON CERC APPROACH PAPER (TERMS AND CONDITIONS OF TARIFF REGULATIONS) 2023**OBJECTIONS/SUGGESTIONS/COMMENTS ON CERC APPROACH PAPER(TERMS AND CONDITIONS OF TARIFF REGULATIONS), 2023**

Hiranmaye Energy Limited(HMEL), is a Company registered under the Companies Act 1956 and is developing a green-field, 3x150 MW coal based Thermal Power Project (TPP) at Haldia in Purba Medinipur District of West Bengal. Presently, 2 units of HMEL have achieved COD, while the 3rd unit is still under construction. At the outset, we would like to thank the Hon'ble Commission for publishing the Approach paper. The Hon'ble Commission vide its notification no. L-1/268/2022/CERC dated 26.05.2023 & 13.07.2023 has sought comments and suggestions of stakeholders on the said Approach Paper which have bearing on terms and conditions of Tariff, latest by 31.07.2023. As desired by the Hon'ble Commission, HMEL hereby submits its comments/suggestion in order to ensure addressing of the same in final terms and Conditions of Tariff Regulation for the period 01.04.2024 to 31.03.2029.

Regulation No.	Clause as per Approach Paper	Suggestion/Comments
3.1	<p>Tariff Determination – General Approach Suggestions are sought as to how the present system of hybrid mechanisms of tariff setting under the cost plus approach can be made more efficient by moving closer to a normative or performance-based approach so that the same would positively impact the interests of consumers as well as utilities. Two possible options could be as follows.</p> <p>1. Approach 1: Shift to a normative tariff, wherein, once capital costs are approved on an actual basis after prudence check, all other AFC components are determined on normative basis.</p> <p>2. Approach 2: Further simplification of the existing Performance Based Hybrid Approach, wherein on the basis of admitted capital cost, AFC components can be approved based on actuals or norms as may be specified for the control period. Further, additional capitalisation may be allowed on certain counts on a normative basis.</p>	<p>➤ HMEL is of the view that once the capital cost is approved on an actual basis after prudence check, determination of all AFC components on normative basis based on indexation determined by the Hon'ble Commission may not be the optimum way on account of the variability in the nature of various ARR components such as Interest on Loan, Additional Capitalization, change in law etc. Further, some of the elements such as interest rates, insurance premium, tax rates etc. are market linked and do not have a fixed norm for change.</p> <p>Recommendation: Approach 2 may be adopted with due consideration to the above submission.</p>

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3.2	<p>Comments/ observations from stakeholders are invited on the following points:</p> <p>1) Whether clustering the components of AFC based on their nature to increase/ decrease will allow better projections? Any other possible method to cluster the AFC components?</p> <p>2) What other methodology can be adopted to determine the increasing/ decreasing factors?</p> <p>3) Whether the impact of additional capitalisation can also be allowed through the same indexation mechanism or through a separate revenue stream?</p>	<ul style="list-style-type: none"> ➤ Significant Deviation in tariff principles from existing Regulations may not provide regulatory certainty to the existing plants; in fact it would be detrimental to the existing plants, since the developers have considered the prevailing rules and regulations at the time of setting up the plant. Further, the Clustering of AFC components would call for complex and multi-variate analysis on the part of the Hon'ble Commission. The clustering of AFC components may also risk under-recovery of AFC which would not be desirable for any generating company. ➤ In addition, clustering of AFC components may not factor the changes in the AFC components such as inflation and its effect on O&M expenses, variation of interest rates, etc. It would also be difficult to generalise cost for projects already commissioned, as depreciation would have to be adjusted as per the life of the assets. Similarly, the applicable interest rate would be different. Changing such fundamental principles would also alter the level playing field between projects that have completed most of its useful life and the ones commissioned afterwards. All of this would eventually lead to unpredictable return to the investors. This will affect the financial viability of the current projects which have been executed as per the then prevailing regulations. In addition, estimating viability of future projects having unpredictable returns would become a hurdle, which would negatively affect the process of raising capital. Hence, clustering of AFC components will not be possible. Also, clustering of AFC components would not lead to accurate approvals and shall only oversimplify the AFC determination process. ➤ Prudent combination of WPI & CPI Index is the best reflection

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		<p>of the increase in wholesale and consumer prices and may be continued. The unexpected expenses may be allowed separately on case to case basis after the prudence check.</p> <ul style="list-style-type: none"> ➤ Additional capitalization may be allowed on actual basis subject to prudence check and not on the basis of indexation mechanism or through a separate revenue stream as there could be differential treatment of Tariff in case of additional capitalisation and Capital cost with regard to AFC components. i.e. there may be varying interest rates, RoE etc.
4.2.2	<p>Procurement of Equipment and Services Comments and suggestions are therefore invited from stakeholders on the following: 1. Need to mandatorily award work and services contracts for developing projects under the regulated tariff mechanism through a transparent process of competitive bidding, duly complying with the policy/guidelines issued by the Government of India as applicable from time to time.</p>	<ul style="list-style-type: none"> ➤ HMEL agrees to the need to award work and services contract through the transparent process of competitive bidding. The Hon'ble Commission in the existing Tariff Regulations of 2019-24 specifies the definition of Competitive Bidding and has provided for the provision of procurement of equipment's and services through the process of competitive bidding. While the Central/State generating companies follow the guidelines for procurement which have been specified by the respective Central/State government, the private Independent power producers get approval from their respective Board of directors/approving authorities for the procurement. While the IPPs may be allowed to continue to procure services and contracts as per their existing procedure, for the purpose of Regulatory approval subject to due diligence. If required, the Licensee may be also required to get the one-time approval as guidelines for procurement by Commission as approved in the Company. Recommendation: The existing provisions may be retained subject to the submission made above.
4.2.3	<p>Reference Cost for approval of Capital Cost-Benchmark cost vs. Investment Cost</p>	<ul style="list-style-type: none"> ➤ The Regulation 19 of the CERC Tariff Regulations 2019, defines in detail the components of Capital Cost. The benchmarking cost

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	Comments and suggestions of stakeholders are invited on other efficient reference costs other than Investment Approval costs that can be considered for prudence checks.	<p>may only be used a thumb rule in prudence check of capital cost and in guiding the new investor/ developers in the sector to set their own targets in accomplishing the desired level of cost and therefore target returns. However, if we compare two thermal generating stations, there are several differences with regard to site conditions, project parameters such as Skilled manpower, vulnerability of Fuel supply scenario, adoption of advance technology, continuous changes in conditions of MOEF, site conditions, 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. Further, for new projects In-principle capital cost may also be approved which may act as the benchmark cost for future investments.</p> <p>Alternatively, the benchmarking should not be limited only for hard cost but it should be done package-wise / asset-wise like for BTG, Railways, Coal Handling Plant, chemical plant, cooling towers, preoperative etc.</p> <p>Recommendation: Benchmark Cost may not be a true indicator for the purpose of determining Capital Cost.</p>
4.2.4	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.	No comments
4.3	<p>Capital Cost for Projects acquired post NCLT Proceedings</p> <p>Comments and suggestions are sought from stakeholders on the following issues:</p> <p>1. Historical Cost or Acquisition Value whichever is lower should be considered for the determination of</p>	<p>➤ It is evident that the projects which have been acquired post NCLT Proceedings were in financially stressed condition. The acquiring cost for a stressed project depends upon many factors such as location of the project, operational conditions of the plant, proximity to fuel source etc. Further, any capital investment may or may not be required in the acquired plant depending on the operational conditions of the plant. Any investor which has</p>

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	<p>tariff post approval of Resolution Plan.</p> <p>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.</p>	<p>invested in the stressed asset will be looking to recover the capital investment and should be ensured proper returns on its investment. Restricting the capital cost to the acquisition value will discourage the investors on investing in stressed assets and hence the acquisition value should not be considered.</p> <p>➤ Further with regard to the situation mentioned in the approach paper, wherein the acquisition price is higher than the historical price, it is submitted that in the recent past it has not been observed that the acquisition price of a project is higher than the historical price since all the projects acquired post NCLT proceedings have undergone the procedure of competitive bidding. Further, though there are lower chances of a project being acquired at a value which is more than the historical cost, however it is suggested that in such cases, the acquisition cost should be considered for the purpose of tariff as the price has been determined under the NCLT proceeding and the assumptions of viability of running the plant and resultant cash flow and return has to be based on that or otherwise chances could be the project again faces the same financial difficulty which is never the objective. Also, the same situation should apply to any other arrangement coming out of such restructuring exercise for viability. Also, special allowances or actual additional capitalisation as per the resolution plan should also be accorded the approval for tariff purpose.</p> <p>➤ With regard to the 2nd issue which has been raised that the Tariff Provision may be included to address the issues of debt servicing which were allowed as a part of Tariff, it is submitted that when the bidding is being undertaken for the purpose of acquisition , all the factors related to the Tariff approved till that period including debt repayment would have been considered by the bidding</p>

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		<p>company prior to the placement of those bids.</p> <p>Recommendation: For the purpose of determining Tariff in case of assets acquired post NCLT proceedings, acquisition Cost may be considered apart from the special allowances as mentioned above.</p>
4.4	<p>Computation of Interest During Construction Comments and suggestions are sought from stakeholders on the following options for allowing IDC:</p> <ol style="list-style-type: none"> 1. Existing mechanism wherein the pro-rata deduction (based on delay not condoned) is done on IDC beyond SCOD. 2. Pro-rata IDC may be allowed considering the total implementation period wherein the actual IDC till implementation of the project is pro-rated considering the period upto SCOD and period of delay condoned over total implementation period. 3. IDC approved in the original Investment Approval to be considered while allowing actual IDC in case of delay. 	<p>➤ HMEEL is of the view that Pro-rata IDC may be allowed considering the total implementation period wherein the actual IDC till implementation of the project is pro-rated considering the period upto SCOD and period of delay condoned over total implementation period since the maximum IDC is towards the end of the construction cycle, and any disallowance during this period will disproportionately reduce IDC</p> <p>Recommendation: Option 2 may be explored as discussed above.</p>
4.4.2	<p>In view of the above, comments and suggestions are sought from stakeholders on necessary changes in tariff forms and regulations, if any, to provide further clarity on the adjustment of LD.</p>	<p>➤ Recommendation: In order to avoid double deduction in the form of IDC and LD, auditor certificate may be asked from the concerned entities.</p>
4.5	<p>Price Variation: For allowing price variation, the utilities may be mandated to submit the statutory auditor certificate along with the petition duly certifying the price variation corresponding to delay and the same may be allowed on pro-rata basis corresponding to the delay</p>	<p>Recommendation: This provision may be adopted, however statutory levies and duties may be allowed on actual basis and should not be pro-rated.</p>

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	condoned. Further, a separate form may also be specified to submit the relevant information pertaining to price variation.	
4.6	<p>Renovation and Modernisation: 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.</p>	<p>➤ For the old generating stations that have outlived their useful life, both the provisions of R & M expenses and special allowance may be allowed. Since, R&M requires advanced planning, provisions related to special allowance in this approach paper can be considered. Recommendation: Special allowance provision may be adopted.</p>
4.8	<p>Delay towards obtaining Forest Clearance 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.</p>	<p>➤ HMEL is of the view that Delay on account of land acquisition may be included as an uncontrollable factor since many projects are delayed on account of delay in land acquisition. Recommendation: The Provision may be adopted.</p>
4.9	<p>Differential Norms - Servicing Impact of Delay</p> <ol style="list-style-type: none"> 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. 2. 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. 3. The current mechanism of treating time overrun may be continued, considering that utilities are automatically disincentivised if the project gets 	<p>➤ HMEL is of the view that the current mechanism of treating time overrun may be continued, considering that utilities are automatically disincentivised if the project gets delayed. Recommendation: Option-3 may be explored.</p>

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	delayed.	
4.10	<p>Additional Capitalisation: In order to have an enabling provision under which such additional capitalisation can be allowed with prior approval, a provision may be introduced to existing Regulation 26 to allow such expenses if they are found to be beneficial/essential for continued operations.</p>	<p>➤ Since there are many areas in a Thermal Generating stations wherein planned additional capitalization can reduce the daily expenditure of the generating company, this provision may be adopted. A few examples include Ash conveyor belt, Railway Infrastructure (<i>Coal transportation through Railways instead of Trucks</i>).</p> <p>Recommendation: The Provision may be adopted.</p>
4.10.1	<p>Normative Add-Cap - Generating Station</p> <p>1.By extending the cut-off date from the current 3 years to 5 years, which shall allow time to close contracts and discharge liabilities and eliminate the need to allow additional capitalisation post cut-off date unless in the case of Change in Law and Force Majeure.</p> <p>2. However, based on past data of similar existing generating stations, if there is a need to allow additional capitalisation that may be legitimately required post cut-off date other than those presently allowed under Regulation 26 to 29, the same may be allowed as special compensation as proposed in the case of existing station that have crossed the cut-off date.</p> <p>3. While determining special compensation for a thermal or hydro generating station, costs incurred towards works presently covered under Regulations 26 to 29, wherever applicable, may not be included as these expenses may be allowed separately.</p> <p>4. Further, any item that costs below Rs. 20 lakhs that is in the nature of minor assets, including Capital</p>	<p>1) HMEL is of the view that the cut-off date may be extended to 5 years from 3 years since a longer time duration is taken for closure of contracts and also there maybe various litigations/arbitrations which may not achieve finality at the end of 3 years. Hence, maximum time may be allotted for the cut-off date</p> <p>2) Even after the cut-off date is 5 years, if there is some balance requirement of additional capitalization it may be allowed through a special allowance.</p> <p>3) For the special compensation for a generating station, costs incurred towards works presently covered under Regulations 26 to 29, wherever applicable, may not be included and these expenses may be allowed separately.</p> <p>4) The Regulation specifies that any expenditure below Rs. 20 Lakhs may be separately allowed under O&M expenses and should not form a part of additional capitalization. In this regard it is submitted that additional capitalization forms a part of the Capital Cost and is recovered through components of AFC, however O&M expenses are approved on normative basis. Hence, any expenditure on account of Additional capitalization may be accounted for as additional capitalisation.</p>

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	<p>Spares below Rs 20 lakh, can be allowed only as part of O&M expenses and may not be considered as part of additional capitalisation in case of both thermal and hydro generating stations. Further, any major capital spares costing above Rs. 20 lakh may form part of the special compensation.</p> <p>5. Further, discharge of liabilities of works already admitted by the Commission as on 31.03.2024 may be allowed as and when such liability is discharged.</p>	<p>5. This provision may be adopted.</p> <p>Recommendation: Except point 4, all the provisions may be adopted.</p>
4.11	<p>GFA/NFA/Modified GFA approach</p> <p>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.</p>	<p>➤ Gross Fixed Asset (GFA) approach should continue in the interest of desired growth of the power sector. NFA approach will lead to unnecessary distortion in the investors return with age of the Plant and thus likely to reduce investment interest in this sector. Further, Modified GFA approach is not advisable in infrastructure company having long term exposure taken by lenders and investors otherwise projects would not get funding.</p> <p>Recommendation: GFA approach may be continued.</p>
4.12.1	<p>Segregation of Normative O&M Expenses:</p> <p>O&M norms may be specified under the following two categories.</p> <ol style="list-style-type: none"> 1. Employee Expenses 2. Other O&M Expenses comprise Repair and Maintenance and Administrative and General Expenses. <p>Alternatively, to give effect to the impact of pay/wage revision, 50% of the actual wage revision can be allowed on a normative basis.</p>	<p>➤ Currently, in the existing CERC Regulations the employee expenses are included as a part of O&M expenses. It is imperative to note that existing O&M norm is generally not sufficient to cover the actual O&M expenditure. Moreover, the employee expenses are uncontrollable in nature while the O&M expenses are controllable in nature. As rightly pointed out in the approach paper there are variations in employee expenses depending upon the level of automation in the plant .Hence, restricting the employee cost to a certain extent is considered as not reasonable and requires a review. Hence actual employee expenses being uncontrollable in nature, it may be approved separately based on prudence check.</p> <p>Recommendation: Actual employee expenses may be approved apart from normative O&M expenses.</p>

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4.12.3	<p>O&M for special cases: 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.</p>	<p>Recommendation: Additional O&M expenses may be given for transmission assets being operated in the North Eastern and Hilly Regions</p>
4.12.4	<p>Inclusion of Capital Spares: Initial Spares allowed on a normative basis. Alternatively, instead of including all such capital spares as part of normative O&M expenses, recurring and low value spares below Rs. 20 lakh may be made part of normative O&M expenses, while for capital spares with a value in excess of Rs. 20 lakh, utilities may submit the same on a case to case basis for reimbursement with appropriate justification for the Commission's consideration.</p>	<p>Recommendation: Initial Spares may be allowed on normative basis and should not form a part of normative O&M expenses.</p>
4.12.5	<p>Impact on account of Change in Law and Taxes Comments and suggestions are therefore sought from stakeholders on whether to include any provisions with regard to allowing impact of a change in law on O&M expenses.</p>	<p>➤ It is submitted that with Change in Laws which are uncontrollable factors, there is definitely an impact on O&M expenses and hence any impact may be allowed.</p>
4.13	<p>Depreciation 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).</p>	<p>➤ For thermal generation all of the PPAs are typically bid out for 25 years and the loan tenure is for 12 years. Before such tenure expires all the loans need to be repaid/investors need to get back their investments and the Banks/FIIs require their loans to be repaid at the earliest. The provisions relating to loan tenure of 12 years may be continued since existing projects have been planned considering payment of loans in 12 years. Recommendation: Existing approach may be continued</p>
4.14	<p>Interest on Loans To simplify the approval of interest on loans, the</p>	<p>➤ Recommendation: The weighted average actual rate of interest of the generating company or transmission licensee may be</p>

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	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.	considered. Further, the cost of hedging and the cost of raising funds may also be allowed separately
4.15	<p>Return on Equity (RoE) V/s Return on Capital Employed (RoCE)</p> <p>As in the past, much has been deliberated and discussed on the two approaches, and in view of the long-standing position of this Commission, the present system, or RoE approach, may be continued. Comments and suggestions are, however, sought from stakeholders on the continuation of the RoE approach.</p>	<p>➤ Recommendation: The present approach on RoE may be continued since the ROCE approach has various complexities as it requires computation of annual Weighted Average Cost of Capital (WACC) due to progressive change and reduction in capital employed . Further, It is to be calculated every year. It has to consider loan repayment details as Debt/Equity ratio changes with time.</p>
4.16	<p>Rate of Return on Equity</p> <p>Comments and suggestions are sought from stakeholders on the following issues:</p> <ol style="list-style-type: none"> 1. Review of Rate of RoE to be allowed, including that to be allowed on additional capitalisation that is carried out on account of Change in Law and Force Majeure. 2. Whether the revised rate of RoE to be made applicable to only new projects or to both existing and new projects? 3. Whether timely completion of hydro generating stations can be incentivised to attract investments? 4. Merit behind approving different Rate of RoE to thermal, hydro generation and transmission projects with further incentives for dam/reservoir based projects including PSP. 5. Merit in allowing RoE by linking the rate of return 	<ol style="list-style-type: none"> 1) The existing RoE rates may be continued because various investments have been done with the expectation of the current rates of return. 2) Alternatively if revised RoE rates it is to be implemented, then it is to implemented only on the new projects. 4) Keeping into consideration the location, construction methodology, time period required for construction, compliance requirements etc., the differential rate of returns should be decided and made applicable for Hydro and Thermal Power Projects. <p>Recommendation: The present rates of RoE may be continued.</p>

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	with market interest rates such as G-SEC rates/MCLR/RBI Base Rate.	
4.16.5	<p>Rate of Return – Old Thermal Generating Station Possible options to encourage higher availability and generation from old generating stations can be as follows.</p> <p>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.</p>	Recommendation: Additional incentive may be allowed for Old generating stations which have achieved higher PLF.
4.17	<p>Tax Rate In view of the above discussion and recent amendments to the Income tax regime, a domestic company shall fall under one of the following brackets, and the maximum tax amount that shall be payable is limited by the tax rates notified for the relevant category. Therefore, Base Rate of RoE may be grossed up as follows:</p> <p>1. At MAT rate (If not opted for Section 115 BAA) 2. At effective tax rate (if not opted for Section 115BAA) subject to ceiling of Corporate Tax Rate; or 3. At reduced tax rate under Section 115BAA of the Income Tax Act or any other relevant categories notified from time to time subject to ceiling of rate specified in the relevant Finance Act.</p>	No comments.
4.18	<p>Interest on Working Capital It is observed that the working capital norms are efficient, so the existing norms may be retained. However, comments and suggestions are invited on any modification that may be required in the norms.</p>	➤ Recommendation: The existing norms for Working Capital may be retained as suggested.
4.18.2	<p>Rate of Interest on Working Capital As per the existing Regulations, the Bank Rate for the</p>	➤ Recommendation: IoWC rate may be continued at one year SBI MCLR+350 basis points

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	purpose of computing the Interest on Working Capital (IoWC) is defined as one-year MCLR plus 350 bps.	
4.19	<p>Life of Generating Stations and Transmission System</p> <p>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.</p>	<p>➤ For thermal generation most of the PPAs are typically bid out for 25 years. Before such tenure expires all the loans need to be repaid/investors need to get back their investments and recover all costs from the project. In view of this increasing the life of the project to more than 25 years would not help the generation projects.</p> <p>➤ Recommendation: The useful life of a Thermal Power Plant may be kept at 25 years.</p>
4.20	<p>Input Price of coal – Integrated Mine</p> <p>Comments and suggestions are sought from the stakeholders on any modifications that may be required to current tariff provisions with regard to the determination of the input price of coal and lignite from integrated mines.</p>	<p>➤ Recommendation: The existing provisions may be retained.</p>
4.21	<p>Sharing of Gains:</p> <p>Comments and suggestions are sought from the stakeholders on the following:</p> <ol style="list-style-type: none"> 1. Ways to increase non-core revenues through optimal utilisation of available resources. 2. Any modification in the sharing mechanism that may be required. 	<p>➤ Recommendation: The existing provisions relating to sharing of gains i.e. gains on account of controllable parameters such as Operational gains on account of Station Heat rate, SFOC, Aux. consumption, and other financial gains incentive the utilities to enhance the performance of their plants. Hence, this provision may be retained.</p>
4.22	<p>Treatment of arbitration award – Servicing of Principal and Interest Payment</p> <p>The principal amount may be capitalised and the</p>	<p>➤ CERC Tariff Regulations, 2019 provides for allowing Additional capitalisation including liabilities, to meet an award of arbitration. The financial impact associated with these matters is</p>

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	interest amount may be allowed to be recovered in instalments from the beneficiaries. However, such a recovery of interest may also involve carrying cost.	<p>high, and capitalising the entire award amount may result in increased AFC, leading to an additional recurring burden on the beneficiaries over the remaining useful life of the asset. Hence, the beneficiary may be allowed principal cost and interest cost may be allowed in instalments along with carrying cost.</p> <p>➤ Recommendation: The proposed provision may be adopted</p>
4.23	<p>Treatment of interest on differential tariff after truing up:</p> <p>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.</p>	<p>➤ The current CERC Regulations specifies that the difference in tariff shall be recovered/refunded to the beneficiaries with simple interest at the rate equal to the prevailing bank rate in six equal monthly Instalments. Since under/over recovery in Tariff should not be a burden for either the beneficiaries or the generating company, the existing provisions may be retained.</p> <p>➤ Recommendation: The existing provisions may be retained.</p>
5.1	<p>Normative Annual Plant Availability Factor (NAPAF):</p> <p>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.</p>	<p>➤ The NAPAF may be revised after due study of all the generating stations and after taking into consideration the actual PAF of plants, Fuel availability etc.</p>
5.2	<p>Peak and Off-Peak Tariff:</p> <p>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</p>	<p>➤ Recommendation: The current mechanism of computation of monthly capacity charge based on daily peak & off peak periods may be retained. However, the determination of peak & off-peak period may be made state specific rather than region specific.</p>

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	<p>issues highlighted above. Specific suggestions are also sought on the following.</p> <ol style="list-style-type: none"> 1. Whether it would be advisable to limit the recovery based on daily peak and off-peak periods. 2. Suggestions on National versus Regional Peak as a reference point for recovery of fixed charges. 	
5.3	<p>Operational Norms:</p> <p>As the generating stations are operating at a much lower PLF, the actual performance data will also 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.</p>	<p>➤ Recommendation: Separate operational norms for SHR, Auxiliary consumption etc. may be defined based on the PLF achieved by the thermal generating station may be formulated.</p>
5.4	<p>Operational Norms – Inefficient Generating Stations</p> <p>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.</p>	<p>➤ No comments.</p>
5.6	<p>Operational Norms - Emission Control System</p> <p>As only very few of such emission control systems have been commissioned, and in the absence of sufficient data on actual operational performance and its impact on auxiliary consumption, the current tariff norms may be continued for the next</p>	<p>➤ Recommendation: The existing norms may be continued till the next control Period, however modification in the norms is necessary and needs to be taken up in the next control Period.</p>

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Regulation No.	Clause as per Approach Paper	Suggestion/Comments						
	control period. However, comments and suggestions are sought from stakeholders on the continuation of the existing norms, or is there a need to modify the same?							
5.7	<p>Compensation for Part-Load Operations</p> <p>Comments and suggestions are sought from stakeholders on the earlier norms and any changes that may be required to compensate the generators to operate the plants in a flexible manner to support the Grid.</p>	<p>➤ Central Electricity Authority (CEA) had published a report titled "Flexibilisation of coal fired Power Plants in Feb.2023 in which the power plant is to compensated for both fixed cost and variable charges on account of part load operation. In regard to clause 5.7, Hon'ble CERC has asked for comments on the compensation methodology. The following components have been dealt in the document:</p> <p>a) Increase in Fixed Cost: One time expenditure is required to be incurred in retrofitting to make the plant capable of low load operation. A one-time capital cost of Rs. 30 crores is required for plants commissioned before 01.01.2004 and Rs. 10 Crores for plant commissioned after 2004.</p> <p>Recommendation: HMEL is of the view that the Compensation in this regard based on the study of CEA may be adopted by the Hon'ble Commission in the Regulations since the avg. PLF of the thermal generating stations have reduced with the onset of RE must run power plants.</p> <p>b) O&M cost due to increase Life consumption: Flexible operation of the plant leads to higher deterioration of the assets of the plants which leads to increased O&M expenses. The increase in O&M expenses for 200 MW unit size is as under:</p> <table border="1" data-bbox="1124 1284 1753 1426"> <thead> <tr> <th data-bbox="1124 1284 1335 1353">Loading(%)</th> <th data-bbox="1335 1284 1545 1353">Increase O&M(%)</th> <th data-bbox="1545 1284 1753 1353">Proposed increase in O&M cost(Rs. Cr.)</th> </tr> </thead> <tbody> <tr> <td data-bbox="1124 1353 1335 1426"></td> <td data-bbox="1335 1353 1545 1426"></td> <td data-bbox="1545 1353 1753 1426"></td> </tr> </tbody> </table>	Loading(%)	Increase O&M(%)	Proposed increase in O&M cost(Rs. Cr.)			
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Regulation No.	Clause as per Approach Paper	Suggestion/Comments									
		<table border="1" data-bbox="1126 277 1753 389"> <tr> <td>55-50</td> <td>9%</td> <td>6.58</td> </tr> <tr> <td>50-45</td> <td>14%</td> <td>10.23</td> </tr> <tr> <td>45-50</td> <td>20%</td> <td>14.62</td> </tr> </table> <p data-bbox="1126 469 1872 564">Recommendation: Since there will be an increase in O&M expenses on account of part load operation, the computations doen by CEA may be adopted.</p> <p data-bbox="1077 612 1872 932">c) Cost due to increase in Net Heat Rate: It is a known fact that deterioration in Net Heat Rate depends on the unit loading percentage. Hence, there is an increase in variable tariff due to lower loading of the plant. The computations done by CEA may be adopted. The generating companies of 200 MW if operating between 40% to 55% loading have an increase in variable tariff by 15.86% to 9.91% respectively. The loss incurring to the generating company should be compensated. Recommendation: The Compensation in this regard based on the study of CEA may be included as a part of the Regulations.</p> <p data-bbox="1077 1043 1872 1219">d) Cost due to additional Oil consumption for additional EFOR(Equivalent forced Outage Rate) Recommendation: The proposed SFOC norms may increase from 0.5 ml/kWH to 0.7 ml/kWH. Hence compensation of 1 paisa/unit may be included in the Regulations.</p>	55-50	9%	6.58	50-45	14%	10.23	45-50	20%	14.62
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5.8	<p data-bbox="353 1225 810 1257">Gross Calorific Value (GCV) of Fuel</p> <p data-bbox="353 1305 1012 1401">Comments and suggestions are sought from stakeholders on ways to reduce the gap between GCV “as billed” and “as received”.</p>	<p data-bbox="1034 1225 1872 1362">➤ Recommendation: Provision for Watch & Ward expenses may be introduced to keep a continuous vigilance during loading, transit and unloading of coal in addition to taking up the matter with coal companies to restrict grade slippage.</p>									

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5.9	<p>Blending of Coal:</p> <p>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) has to be done through a transparent competitive bidding process.</p>	➤ No Comments
5.10	<p>Incentives:</p> <p>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. This will result in increased generation from such plants and will also benefit beneficiaries.</p>	➤ No Comments