

Parbati Koldam Transmission Company Limited (PrKTCL)**Comments on Approach paper*****Date: 31.07.2023**

Para No	Key Aspect	Comment
3.2 (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>The components of AFC are Operation & Maintenance, Interest on Long Term Loan, Interest on Working Capital, Depreciation, Return on Equity. There is a need to collate the historical data of the component of the AFC.</p> <p>The primary component which is most prone to market condition is O&M which is already normative in the present regulation. The Debt has been ascertained with the approval of capital cost. Only interest rate is exposed to the market condition. Further, working capital requirement is also normative with link to O&M, Credit Period, and Inventory. The rate of interest on working capital loan is expose to market. Return on equity is normative and fixed for the life term.</p> <p>So, out of all, only interest rate for both Debt and working capital are subject to variation based on market condition.</p> <p>The related sub-components of Interest rate for Long Term Debt are Term of Loan, Risk rating of the entity, financial ratios, and market conditions whereas interest rate for working capital is independent of any of such sub-component and purely dependent on market conditions.</p> <p>As per our opinion, there are two methods for clustering the components.</p> <p>Clustering based on correlation: This method would group together components that are highly correlated with each other. This could be helpful for identifying groups of components that are likely to be affected by the same factors.</p> <p>Clustering based on correlation is a method of clustering data points based on their correlation coefficients. The correlation coefficient is a measure of the linear relationship between two variables.</p> <p>To cluster data points based on correlation, we first calculate the correlation coefficient between each pair of data points. Then, we use a clustering algorithm to group the data points together based on their correlation coefficients.</p>

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		<p>Clustering based on principal components: This method would group together components that explain the same amount of variance in the data. This could be helpful for identifying groups of components that are most important for understanding the overall behaviour of the system.</p> <p><u>We agree that the clustering of the components of AFC based on their nature to increase / decrease will allow better projections. However, PrKTCL is also of the view that this approach could be considered on trial basis for the upcoming projects. Based on the success, the approach may be considered to be extended for existing projects as it is not clear:</u></p> <ul style="list-style-type: none"> i) <u>will it cater the contingency of loan swapping resulting in benefit to generating company/transmission licensee.</u> ii) <u>Will it cater to O & M expense varying at higher than indexed rate.</u> iii) <u>Will it cater to statutory changes in income-tax rates and other tax rates.</u> <p><u>We wish to submit that the data related to the inputs of these methods are not available and it will be a cumbersome exercise to collate such data at this point of time. The authenticity of the data will also be another challenge. The old method of true up is appropriate as of now and commission may collect & analyse the above information during the control period.</u></p>
3.2 (2)	What other methodology can be adopted to determine the increasing/ decreasing factors?	<p>As per our opinion, Methodologies that can be adopted to determine the increasing/decreasing factors:</p> <p>Time series analysis: This method involves analyzing the historical data of the factors to identify trends and patterns. This can be helpful for identifying factors that are likely to continue to increase or decrease in the future.</p> <p>Econometric modeling: This method involves developing mathematical models that can be used to predict the future behavior of the factors. This can be helpful for making more accurate projections about the future trends of the factors.</p> <p>Expert judgment: This method involves consulting with experts in the field to get their insights on the factors that are likely to increase or decrease in the future. This can be helpful for getting a more comprehensive view of the factors that are likely to affect the system.</p> <p>With regard to methodology that can be adopted to determine the increasing/ decreasing factors. PrKTCL is of the view the methodology to determine the increasing/decreasing factors with regard to AFC, there</p>

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		<p>needs to be clarity first from this Hon'ble commission on approach towards "whether the increasing /decreasing factors should remain same for all plants/transmission systems (or) they be separate for each of the plants/transmission systems based on vintage / capacity / fuel type/ fuel linkages etc".</p> <p>Variability factor is higher for transmission projects, compared to generation projects. The capital cost of the same wind zone may be different in different regions of the country; the capital cost varies even in the same hilly terrain (e.g. land cost in Sikkim is higher than in Meghalaya); time for project completion is different even in regions with same topography (e.g. it is twice in Bihar than in West Bengal due to issues like Right of Way, etc.). Hence, fixing capital cost even for similar set of terrains across the country may be difficult in the case of transmission projects. The issue may cascade onto AFC (as a percentage of capital cost), aggravated by the different interest rates on loans in different band zones.</p> <p>Secondly, PrKTCL is of the view that a special index giving due weightage to components of AFC may be created for the increasing components and bench mark for Fixed cost must be determined keeping in view the sub and critical nature of the plant so components of AFC indirectly automatically calculated after taking care of such parameters.</p> <p><u>The methodologies can only be explored if the data is available. The primary requirement is collection and collate the data in the format.</u></p> <p><u>In view of the above, we wish to submit that the system is not ready to deviate from the present practice.</u></p>
3.2 (3)	Whether the impact of additional capitalisation can also be allowed through the same indexation mechanism or through a separate revenue stream?	<p>The impact of additional capitalization can be allowed through the same indexation mechanism or through a separate revenue stream. The decision of which approach to take will depend on a number of factors, including the specific circumstances of the company and the regulatory environment.</p> <p>Indexation mechanism</p> <p>The indexation mechanism is a way of adjusting prices or payments to reflect changes in inflation. In the case of additional capitalization, the indexation mechanism would be used to adjust the amount of revenue that the company receives to reflect the increase in the value of its assets.</p>

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		<p>This approach has the advantage of being relatively simple to implement and administer. However, it can also be seen as being unfair to consumers, as they may be paying more for goods and services that have not actually increased in value.</p> <p>Separate revenue stream</p> <p>The separate revenue stream approach involves creating a new revenue stream that is specifically designed to cover the costs of additional capitalization. This approach has the advantage of being more transparent to consumers, as they will be able to see exactly how much they are paying for the additional capitalization. However, it can also be more complex to implement and administer.</p> <p><u>The decision of which approach to take should be made on a case-by-case basis, taking into account all of the relevant factors.</u></p> <p><u>Current regulatory provisions for Add. Cap are allowed primarily to meet the expenditure towards the leftover works from the original scope of work; permissible from CoD to Cut-off Date.</u></p> <p><u>PrKTCL in this regard is of the view that Isolation of Additional Capitalization as a separate stream of revenue would provide for recovery of AFC on a normative basis in realistic terms. Therefore, Any reasonable expenditure incurred in future – may be treated as a separate stream of revenue and recovery could be allowed as a separate component on annuity basis.</u></p>
4.2.2 (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>There is a need to mandatorily award work and services contracts for developing projects under the regulated tariff mechanism through a transparent process of competitive bidding irrespective of the value of the project. This is because a transparent and competitive bidding process can help to ensure that the project is delivered in a fair and efficient manner, and that the best value for money is obtained.</p> <p>There are a number of reasons why it is important to mandate competitive bidding for all projects, regardless of size. First, competitive bidding helps to ensure that all potential bidders have an equal opportunity to compete for the contract. This can help to ensure that the contract is awarded to the most qualified bidder and that the best value for money is obtained.</p>

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		<p>Second, competitive bidding can help to reduce costs. When there is a competitive bidding process, bidders are more likely to offer lower prices in order to win the contract. This can help to keep costs down and ensure that the project is affordable for consumers.</p> <p>Third, competitive bidding can help to improve efficiency. When there is a competitive bidding process, bidders are more likely to develop innovative solutions in order to win the contract. This can help to improve the efficiency of the project delivery process.</p> <p>Fourth, competitive bidding can help to avoid corruption. When there is a transparent and competitive bidding process, it is less likely that corruption will occur. This is because it is more difficult for corrupt officials to manipulate the bidding process when there are multiple bidders.</p> <p><u>Overall, as per out point of view, there are a number of reasons why it is important to mandate competitive bidding for all projects, regardless of size. Competitive bidding can help to ensure that the project is delivered in a fair and efficient manner, and that the best value for money is obtained.</u></p>
4.2.3	<p>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>	<p>Here are some comments and suggestions on other efficient reference costs other than Investment Approval costs that can be considered for prudence checks:</p> <ul style="list-style-type: none"> • Hard costs of recently commissioned projects of similar specifications: This is a good option because it is based on actual costs incurred for projects that have already been completed. This can help to ensure that the reference costs are realistic and that they reflect the actual costs of building and operating a project. • Benchmark costs: This is another good option because it is based on the costs of similar projects that have been built in other countries or regions. This can help to ensure that the reference costs are fair and that they reflect the global market for project costs. • Costs estimated by independent experts: This is another option that can be considered. Independent experts can be hired to estimate the costs of a project based on their knowledge and experience. This can help to ensure that the reference costs are accurate and that they reflect the actual costs of building and operating a project. <p>In the Aviation Sector, The supply and service costs are benchmarked based on the approval by AERA in the latest Tariff order. The benchmark is adjusted to provide relief in lieu of local conditions of the asset.</p>

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		<p>For Example: the cost of labour for Ahmedabad Airport work is much lesser than the labour cost for Thiruanantpuram Airport work due to local labour laws and unions. Similarly, the cost of supply is also varies wrt to the states have no sea port.</p> <p>In addition to these options, there are a number of other factors that can be considered when selecting a reference cost for prudence checks. These factors include:</p> <ul style="list-style-type: none"> • The type of project being considered. • The location of the project • The complexity of the project • The availability of data on similar projects <p><u>The goal of prudence checks is to ensure that the costs of a project are reasonable and that they are not excessive. If the developer has incurred the cost by adopting competitive bidding (CB) following prudent industry practices, then the benchmarking is not a correct method. By considering a variety of factors and selecting an appropriate reference cost, the accuracy and fairness of the prudence checks must look on the transparency and fairness of the process adopted by the developer.</u></p> <p><u>While approving the Additional Capital Cost, Sec 61 (d) must be followed so that the developer must get the economical return.</u></p>
4.2.4	<p>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.</p> <p>Comments and suggestions are sought from stakeholders to incentivise the developer if it executes the project faster/</p>	<p>Comments and suggestions on ways to expedite the development of hydro generating stations, especially the construction phase, and increase their commercial acceptability:</p> <ul style="list-style-type: none"> • Streamline the regulatory process: The regulatory process for hydro generating stations can be complex and time-consuming. Streamlining the process can help to reduce delays and expedite the development of projects. • Use innovative construction methods: There are a number of innovative construction methods that can be used to speed up the construction of hydro generating stations. These methods include modular construction. • Use local labor and materials: Using local labor and materials can help to reduce the cost of construction and expedite the project timeline. • Promote public awareness: Raising public awareness of the benefits of hydro generating stations can help to increase their commercial acceptability. This can be done through public education campaigns, media outreach, and community engagement.

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	or ahead of schedule and vice-versa if it delays.	<ul style="list-style-type: none"> • Develop a clear and transparent tariff regime: A clear and transparent tariff regime can help to attract investors and ensure the commercial viability of hydro generating stations. • Provide financial incentives: Financial incentives can be provided to developers to help offset the costs of construction and operation. This can help to make hydro generating stations more commercially attractive.
4.3	<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 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>Section 62 of the Electricity Act, 2003, states that the cost of generating electricity is recovered through the tariff determination process approved by the Central Electricity Regulatory Commission (CERC). In the event of a default by an RTM project, the only scenario is when the lower capital cost approved by the Commission is actually incurred by the developer.</p> <p>In such a scenario, even if the acquisition value is lower than the capital cost approved by the Commission, the Commission must adhere to the capital cost approved. The Commission should not question its own decision by revising the capital cost.</p> <p>This is because the capital cost approved by the Commission is based on a number of factors, including the cost of the assets, the useful life of the assets, and the expected depreciation. The Commission has considered all of these factors when approving the capital cost, and it would be unfair to revise the capital cost simply because the acquisition value is lower.</p> <p><u>In addition, revising the capital cost would set a precedent that could be used by other developers to challenge the capital costs approved by the Commission. This would undermine the credibility of the Commission and make it difficult for the Commission to approve capital costs in the future.</u></p> <p><u>Therefore, I believe that the Commission should adhere to the capital cost approved in the event of a default by an RTM project. This would be the fairest and most equitable outcome for all stakeholders.</u></p>
4.4.1	<p>Comments and suggestions are sought from stakeholders on the following options for allowing IDC:</p> <p>1. Existing mechanism wherein the pro-rata deduction (based on delay not condoned) is done on IDC beyond SCOD.</p>	<p>Our comments and suggestions on the three options for allowing IDC:</p> <p>Option 1: This is the existing mechanism, and it is relatively straightforward to implement. However, it can be unfair to projects that experience significant delays, as they may not be able to recover all of their IDC costs.</p>

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	<p>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 up to SCOD and period of delay condoned over total implementation period.</p> <p>3. IDC approved in the original Investment Approval to be considered while allowing actual IDC in case of delay.</p>	<p>Option 2: This option would allow projects to recover a greater portion of their IDC costs, as it would consider the total implementation period. However, it could be more difficult to implement, as it would require projects to track their actual IDC costs and the period of delay condoned.</p> <p>Option 3: This option would be the most favorable to projects that experience delays, as it would allow them to recover the IDC costs that were approved in the original investment approval. However, it could be seen as unfair to projects that do not experience delays, as they would be subsidizing the IDC costs of projects that do.</p> <p>Our suggestion: We would recommend Option 2, as it would allow projects to recover a greater portion of their IDC costs while still being relatively easy to implement. However, I would also recommend that the government provide some guidance on how to calculate the actual IDC costs and the period of delay condoned.</p> <p>Here are some additional comments and suggestions that I have:</p> <ul style="list-style-type: none"> • The commission should consider the impact of each option on different types of projects. For example, Option 2 would be more favorable to large projects with long implementation periods, while Option 3 would be more favorable to small projects with short implementation periods. • The commission should also consider the impact of each option on the overall cost of projects. For example, Option 2 would likely increase the overall cost of projects, while Option 3 would likely decrease the overall cost of projects. • The commission should consult with stakeholders before making a decision on which option to implement. Stakeholders include project developers, contractors, and government agencies. • The IDC and IEDC must be protect in any scenario once delay is condoned by the commission.
4.4.2	<p>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>Our comments and suggestions on necessary changes in tariff forms and regulations to provide further clarity on the adjustment of LD:</p> <ul style="list-style-type: none"> • The definition of LD should be clarified. The current definition of LD is somewhat vague, and it is not clear what factors should be considered when calculating LD. The definition should be clarified to ensure that all stakeholders have a clear understanding of what LD is and how it is calculated. • The criteria for adjusting LD should be specified. The current regulations do not specify the criteria that should be used to adjust LD. This can lead to uncertainty and confusion among

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		<p>stakeholders. The criteria for adjusting LD should be specified to ensure that all adjustments are made in a fair and consistent manner.</p> <ul style="list-style-type: none"> The process for adjusting LD should be transparent. The current regulations do not specify the process that should be used to adjust LD. This can lead to delays and inefficiencies. The process for adjusting LD should be transparent to ensure that all stakeholders are aware of the steps involved and that the process is fair and efficient.
4.5	<p>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 condoned. Further, a separate form may also be specified to submit the relevant information pertaining to price variation.</p> <p>Comments and suggestions are sought from stakeholders on the above proposal and suggest alternatives, if any</p>	<p>Our comments and suggestions on the proposal to allow price variation for utilities:</p> <ul style="list-style-type: none"> The proposal is reasonable and would provide a fair mechanism for utilities to recover the costs of delays. The statutory auditor certificate would provide assurance that the price variation is legitimate, and the pro-rata basis would ensure that utilities are not compensated for delays that are not their fault. The proposal could be improved by specifying a clear deadline for submitting the petition and the statutory auditor certificate. This would help to ensure that the process is efficient and that utilities are not penalized for delays in submitting their documentation. The proposal could also be improved by specifying a clear process for calculating the price variation. This would help to ensure that the process is fair and transparent.
4.6		<p>Our comments and suggestions on the continuation of the existing provisions and the suggestion of continuing with Special Allowance, if opted at the beginning of the tariff period for the rest of the tariff period:</p> <p>Continuation of the existing provisions</p> <p>The existing provisions allow utilities to choose between two options for undertaking renovation and modernization (R&M):</p>

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		<ul style="list-style-type: none"> • Special Allowance: This option allows utilities to claim a one-time allowance for R&M costs. The allowance is calculated as a percentage of the utility's net fixed assets. • Normative R&M: This option requires utilities to undertake R&M on a regular basis. The costs of R&M are included in the utility's tariff. <p>The existing provisions have the following advantages:</p> <ul style="list-style-type: none"> • They are simple to understand and implement. • They provide flexibility to utilities to choose the option that best suits their needs. <p>However, the existing provisions also have the following disadvantages:</p> <ul style="list-style-type: none"> • The Special Allowance option can be less efficient than the Normative R&M option. This is because the Special Allowance option does not require utilities to undertake R&M on a regular basis. • The Special Allowance option can be more expensive for consumers in the long run. This is because the costs of R&M are not spread out over time. <p>The suggestion of continuing with Special Allowance, if opted at the beginning of the tariff period for the rest of the tariff period, would have the following advantages:</p> <ul style="list-style-type: none"> • It would provide certainty to utilities about their R&M costs. • It would allow utilities to plan their R&M activities more effectively. <p>However, the suggestion would also have the following disadvantages:</p> <ul style="list-style-type: none"> • It could be more expensive for consumers in the long run. This is because the costs of R&M would be incurred all at once, rather than being spread out over time. • It could discourage utilities from undertaking R&M on a regular basis. This is because utilities would not have to worry about the costs of R&M in the future, if they opt for the Special Allowance option. <p>Our suggestion</p> <p>We would recommend that the existing provisions be modified to allow utilities to choose between the Special Allowance option and the Normative R&M option on a yearly basis. This would allow</p>

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		<p>utilities to be more flexible in their R&M planning, and it would also help to ensure that the costs of R&M are spread out over time.</p> <p>We would also recommend that the commission develop a standard formula for calculating the costs of R&M. This would help to ensure that the costs of R&M are fair and transparent. Also, It may be considered to cap the special allowance as a percentage of depreciated Capital cost to keep the utility more accountable.</p> <p>R&M must include a provision for the obsolescence of the technology which cannot be envisaged at the time of the commission of the asset, but it is required to be included for smooth and unhindered operation of the assets.</p>
4.7	<p>In view of the above, a single norm can be considered for each of the following classes of transmission assets:</p> <ol style="list-style-type: none"> 1. Transmission Lines, including HVDC lines 2. Substations (including HVDC S/s) 3. Dynamic Reactive Compensation devices 4. Communication Systems 5. Underground cable <p>Comments and suggestions are sought from stakeholders on the above proposed approach and alternative options to standardise and simplify the norms for initial spares.</p>	<p>Our comments and suggestions on the proposed approach to standardize and simplify the norms for initial spares:</p> <ul style="list-style-type: none"> • The proposed approach is a good starting point, but it could be improved by considering the following factors: <ul style="list-style-type: none"> ○ The different types of transmission assets (e.g., transmission lines, substations, etc.) ○ The different operating environments (e.g., urban, rural, etc.) ○ The different levels of reliability (e.g., critical, non-critical, etc.) • The proposed approach could also be improved by considering the following alternative options: <ul style="list-style-type: none"> ○ Developing a risk-based approach to determining the amount of initial spares required. ○ Using a combination of historical data and expert judgment to determine the amount of initial spares required. • The proposed approach does not take into account the different types of transmission assets. It must be noted that different types of assets have different failure rates and therefore require different amounts of initial spares. • The proposed approach does not take into account the different operating environments. It must be noted that the assets that operate in harsh environments (e.g., coastal areas, deserts, etc.) are more likely to fail and therefore require more initial spares. • The proposed approach does not take into account the different levels of reliability. It must be noted that the assets that are critical to the grid (e.g., transmission lines that connect major load centers) require more initial spares than assets that are not critical.

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		<ul style="list-style-type: none"> To be added project based upon configuration and complexity. Changing condition of the asset (land sliding)
4.8	<p>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 not attributable to the generating company or the transmission licensee.</p> <p>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>Our comments and suggestions on the 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> <ul style="list-style-type: none"> Continued inclusion of delay on account of land acquisition as an uncontrollable factor: <ul style="list-style-type: none"> Pros: Land acquisition is often a complex and time-consuming process, and it is not always possible to predict how long it will take. Therefore, it is reasonable to consider delays on account of land acquisition as an uncontrollable factor. Cons: There is a risk that project developers may be able to use delays on account of land acquisition as an excuse for delays that are actually their fault. Therefore, it is important to have clear criteria for determining whether a delay is truly uncontrollable. Further inclusion of delay on account of forest clearances as an uncontrollable factor: <ul style="list-style-type: none"> Pros: Forest clearances can also be a complex and time-consuming process, and it is not always possible to predict how long it will take. Therefore, it is reasonable to consider delays on account of forest clearances as an uncontrollable factor. Cons: There is a risk that project developers may be able to use delays on account of forest clearances as an excuse for delays that are actually their fault. Therefore, it is important to have clear criteria for determining whether a delay is truly uncontrollable. <p><u>Our suggestion: We would recommend that the continued inclusion of delay on account of land acquisition, Right of Way and forest clearance as an uncontrollable factor be maintained.</u></p> <p>The creation of infrastructure assets plays a vital role in the development of the economy.</p> <p>As a standard practice world over, it is observed that most of the infrastructure projects are delayed primarily due to regulatory approvals, issues on land acquisition/Right of way (RoW), forest clearance, shortage of skilled resources, ineffective dispute resolution mechanism, and geological challenges etc. therefore, PrKTCL agrees with the proposal of this Commission for inclusion of forest clearance under “uncontrollable factor”.</p>

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4.9	<p>Comments and suggestions are sought on the following:</p> <p>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.</p> <p>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.</p> <p>3. The current mechanism of treating time overrun may be continued, considering that utilities are automatically disincentivised if the project gets delayed.</p> <p>Comments and suggestions are sought from stakeholders on the above so that developers may make more efforts to control the delays.</p>	<p>Our comments and suggestions on the three options for treating time overruns:</p> <p>Option 1: This option would encourage project developers to pursue approvals from statutory authorities more rigorously. However, it could also be seen as unfair to project developers, as they would be penalized for delays that are not their fault.</p> <p>Option 2: This option would provide project developers with a lower return on equity (RoE) for cost and time overruns. This could help to discourage project developers from delaying projects, but it could also make it more difficult for project developers to finance projects.</p> <p>Option 3: This option would keep the current mechanism for treating time overruns. This would be the simplest option to implement, but it would not provide any additional incentive for project developers to control delays.</p> <p><u>Our suggestion: We would recommend option 2. This option would provide a balance between encouraging project developers to control delays and ensuring that project developers are able to finance projects.</u></p> <p><u>We would also recommend that the regulator have the discretion to adjust the RoE depending on the circumstances of the delay. For example, the regulator could reduce the RoE if the delay is due to the project developer's negligence.</u></p> <p><u>However, a opposite view is that the reduced RoE will discourage the developer to put money and complete the project.</u></p>

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4.10	<p>Therefore, 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>Comments and suggestions are sought from stakeholders on the above and any other ways to address the issue flagged above.</p>	<p>Our comments and suggestions on the proposal to introduce an enabling provision to Regulation 26 to allow additional capitalization for beneficial/essential expenses:</p> <ul style="list-style-type: none"> • The proposal is reasonable and would provide a fair mechanism for utilities to recover the costs of beneficial/essential expenses. The prior approval requirement would ensure that utilities do not capitalize expenses that are not necessary. • The proposal could be improved by specifying a clear process for determining whether an expense is beneficial/essential. This would help to ensure that the process is fair and transparent. • The proposal could also be improved by specifying a clear process for calculating the amount of capitalization that is allowed. This would help to ensure that utilities are not overcompensated for their expenses. <p>Here are some alternatives to the proposal:</p> <ul style="list-style-type: none"> • The commission could establish a committee of experts under CEA to review requests for capitalization. This committee would be responsible for determining whether an expense is beneficial/essential and for calculating the amount of capitalization that is allowed. • The commission could develop a standard formula for calculating the amount of capitalization that is allowed. This formula would be based on factors such as the type of expense, the cost of the expense, and the benefit that the expense provides to the utility.
4.10.1	<p>Comments and suggestions are sought from stakeholders on the above suggested approaches and other alternatives, if any.</p>	<p>comments and suggestions on the proposed approaches for additional capitalization for generating stations:</p> <p>Thermal Generating Stations:</p> <ul style="list-style-type: none"> • The proposal to benchmark additional capitalization for thermal generating stations based on unit sizes and vintages is a good starting point. However, it is important to ensure that the benchmarking is based on a representative sample of generating stations and that the costs are adjusted for inflation. • The proposal to allow the additional capitalization as a special compensation that is not subject to true up or capitalization is also reasonable. This would provide utilities with the certainty that they will be able to recover the costs of the additional capitalization, while also avoiding the need to capitalize the costs, which could distort the financial statements. <p>Hydro Generating Stations:</p> <ul style="list-style-type: none"> • The proposal to allow station-wise normative additional capitalization for hydro generating stations is a good approach. This would take into account the unique characteristics of hydro generating stations and the recurring nature of the additional capitalization.

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		<ul style="list-style-type: none"> • The proposal to exclude costs that are already covered under Regulation 26 to 29 from the special compensation is also reasonable. This would ensure that utilities are not compensated twice for the same costs. • The proposal to allow only major capital spares costing above Rs. 20 lakh to form part of the special compensation is also reasonable. This would help to ensure that the special compensation is not used to capitalize minor expenses. <p>Generating Stations Whose Cut-Off Date Falls in the Next Tariff Block (2024-29):</p> <ul style="list-style-type: none"> • The proposal to extend the cut-off date from the current 3 years to 5 years is a good approach. This would provide utilities with more time to close contracts and discharge liabilities, and it would also eliminate the need to allow additional capitalization post cut-off date unless in the case of Change in Law and Force Majeure. • The proposal to allow additional capitalization that may be legitimately required post cutoff date other than those presently allowed under Regulation 26 to 29 as special compensation is also reasonable. This would provide utilities with the flexibility to recover the costs of additional capitalization that are not currently allowed. <p>Overall, We believe that the proposed approaches for additional capitalization for generating stations are reasonable and would provide a fair mechanism for utilities to recover the costs of these expenses.</p> <p>We would recommend that the following changes be made to the proposed approaches:</p> <ul style="list-style-type: none"> • The benchmarking for thermal generating stations should be based on a representative sample of generating stations and the costs should be adjusted for inflation. • The special compensation for hydro generating stations should be based on a station-wise normative basis. • The costs that are excluded from the special compensation should be clearly defined. • The process for approving the special compensation should be transparent and objective

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4.10.2	<p>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.</p> <p>Comments and suggestions are sought from stakeholders on the above suggested approaches and other alternatives, if any.</p>	<p>Our comments and suggestions on the proposed approach for additional capitalization for transmission systems:</p> <ul style="list-style-type: none"> • The proposal to allow additional capitalization for transmission systems on technological obsolescence, change in law, force majeure, or due to replacement is reasonable. These are all legitimate reasons for additional capitalization, and the proposed approach would provide utilities with the flexibility to recover the costs of these expenses. • The proposal to limit additional capitalization to the costs of the actual assets that are being replaced or upgraded is also reasonable. This would help to ensure that utilities are not able to capitalize the costs of general maintenance or other expenses that are not directly related to the replacement or upgrading of assets. • The proposal to require utilities to obtain approval from the regulator before they can capitalize additional costs is also reasonable. This would help to ensure that the additional capitalization is justified and that it does not distort the financial statements. <p>Overall, we believe that the proposed approach for additional capitalization for transmission systems is reasonable and would provide a fair mechanism for utilities to recover the costs of these expenses.</p> <p>It is suggested that, In the event of change in law during pendency before the Commission, the project developer requires additional funds for construction. However, it is observed that lenders are reluctant to fund additional expenditure in the absence of any surety regarding claims in the matter pending before the Commission. Therefore, recognition of the Change of law event in the first stage may be done in a time bound manner say, within 30 days . Similarly, the final order may also be issued in a time frame so that lenders have comfort in lending additional expenditure and money continues to flow into the project.</p> <ul style="list-style-type: none"> •
4.11	<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</p>	<p>comments and suggestions on the proposed approaches to ensuring assured returns for investors in the power sector:</p> <p>GFA Approach: $\text{Return on equity} = (\text{Net profit after tax}) / (\text{Gross fixed assets})$</p> <ul style="list-style-type: none"> • The GFA approach is a balanced approach that provides investors with a reasonable return on their investment. However, it does not fully compensate investors for the risk that they take on. • The GFA approach could be improved by increasing the return on equity. This would help to attract more investment into the power sector and ensure that there is a sufficient supply of power.

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	<p>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>NFA Approach: Return on equity = (Net profit after tax) / (Net fixed assets)</p> <ul style="list-style-type: none"> The NFA approach provides investors with a full return on their investment, but it does not take into account the risk that they take on. This could lead to higher power tariffs for consumers. The NFA approach could be improved by reducing the return on equity. This would help to keep power tariffs low and ensure that consumers are not overcharged. <p>Modified GFA Approach:</p> <ul style="list-style-type: none"> The modified GFA approach is a hybrid approach that combines elements of the GFA approach and the NFA approach. This could provide a more balanced approach that ensures that investors are compensated for their risk, while also keeping power tariffs low. <p>Overall, We believe that the GFA approach is the best approach for ensuring assured returns for investors in the power sector.</p> <p>We recommend that the following changes be made to the GFA approach:</p> <ul style="list-style-type: none"> The equity calculation under IndAS must be taken into consideration The return on equity should be increased. The definition of gross fixed assets should be clarified. The process for calculating the return on equity should be transparent and objective.
4.12.1	<p>Segregation of Normative O&M Expenses O&M norms may be specified under the following two categories. 1. Employee Expenses 2. Other O&M Expenses comprise Repair and Maintenance and Administrative and General Expenses.</p> <p>Therefore, the above suggestion may also be seen from the perspective that these expenses</p>	<p>We agree that specifying O&M norms under two categories is a good starting point. However, we also agree that approving separate norms for employee expenses and other O&M expenses may result in inequity, as systems that are more automated will require less manpower and systems that are less automated will require more manpower.</p> <p>We think that the best approach would be to allow for a normative basis for employee expenses, but to allow for actual expenses for other O&M expenses. This would ensure that utilities are not penalized for having more automated systems, while also ensuring that they are not able to overstate their O&M expenses.</p> <p>We would also recommend that the following changes be made to the O&M norms:</p> <ul style="list-style-type: none"> The norms should be updated to reflect the current cost of labour and materials. The norms should be based on a representative sample of systems. The process for calculating the norms should be transparent and objective.

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	<p>have historically been allowed as one expense, and any change in the methodology as suggested above may result in unnecessary complications.</p> <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>Comments and suggestions are sought from stakeholders on above suggestions and alternatives, if any.</p>	<p>Here are some additional comments and suggestions on the proposed approach to O&M norms:</p> <ul style="list-style-type: none"> • The normative basis for employee expenses should be based on the average wage of employees in the power sector. • The actual expenses for other O&M expenses should be supported by documentation. • The process for calculating the O&M norms should be reviewed by an independent expert. <p>We believe that the proposed approach to O&M norms is a fair and equitable way to ensure that utilities are able to recover their O&M expenses. However, I think that it is important to make sure that the norms are updated regularly to reflect the current cost of labor and materials.</p>
4.12.2	<p>Norms for HVDC Station It is observed that there is a need to simplify the same and therefore one norm for all HVDC schemes in terms of per MW considering the actual expenses incurred in the past may be specified.</p> <p>Comments and suggestions are sought from stakeholders on above suggestions and alternatives, if any.</p>	<p>We agree that there is a need to simplify the O&M norms for HVDC schemes. The current approach is complex and requires a lot of data and documentation. This can be a burden for utilities, especially smaller utilities.</p> <p>I think that the best approach would be to specify one norm for all HVDC schemes in terms of per MW, considering the actual expenses incurred in the past. This would be a simple and easy-to-understand approach that would be fair to all utilities.</p> <p>We recommend that the following changes be made to the O&M norms for HVDC schemes:</p> <ul style="list-style-type: none"> • The norm should be updated regularly to reflect the current cost of labor and materials. • The norm should be based on a representative sample of HVDC schemes. • The process for calculating the norm should be transparent and objective. <p>Here are some additional comments and suggestions on the proposed approach to O&M norms for HVDC schemes:</p> <ul style="list-style-type: none"> • The norm should be based on the actual expenses incurred by a representative sample of HVDC schemes. • The norm should be updated every 5 years to reflect the current cost of labor and materials.

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		<ul style="list-style-type: none"> The process for calculating the norm should be reviewed by an independent expert.
4.12.3	<p>O&M Norms 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>We agree that additional O&M expenses can be given for transmission assets being operated in the North Eastern and Hilly Regions. These regions are characterized by difficult terrain, which makes it more difficult and expensive to operate and maintain transmission assets.</p> <p>There are a number of ways in which such additional costs can be considered. One way is to simply add a fixed percentage to the O&M norms for all transmission assets in these regions. Another way is to develop a more complex methodology that takes into account the specific challenges of operating and maintaining transmission assets in these regions.</p> <p>Here are some specific suggestions for how additional O&M expenses can be considered for transmission assets in the North Eastern and Hilly Regions:</p> <ul style="list-style-type: none"> Add a fixed percentage to the O&M norms. This is a simple and easy-to-implement approach. However, it may not be fair to all utilities, as some utilities may face more challenges than others. Develop a more complex methodology. This would involve taking into account a number of factors, such as the terrain, the climate, the distance to the nearest maintenance depot, and the availability of skilled labor. This would be a more fair approach, but it would also be more complex to implement. Allow for a combination of fixed and variable costs. This would allow utilities to recover the fixed costs of operating and maintaining transmission assets in these regions, as well as the variable costs that vary depending on the specific challenges faced by each utility. <p>We believe that the best approach would be to develop a more complex methodology that takes into account the specific challenges of operating and maintaining transmission assets in the North Eastern and Hilly Regions. This would be a more fair approach, and it would also be more likely to be accepted by all stakeholders.</p>
4.12.4	<p>Inclusion of Capital Spares if the same can be projected with some degree of predictability, the</p>	<p>We agree that the approval process for spares can be streamlined. The current process is too cumbersome and time-consuming, and it can delay the procurement of spares, which can lead to outages.</p>

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	<p>same may be allowed on a normative basis along with O&M expenses. 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>Comments and suggestion are sought from stakeholders on the above suggested approach and alternatives, if any, to streamline the approval process for spares.</p>	<p>We think that the best approach would be to allow utilities to include recurring and low-value spares below Rs. 20 lakh as part of their normative O&M expenses. This would streamline the approval process for these spares, and it would also allow utilities to procure them more quickly.</p> <p>For capital spares with a value in excess of Rs. 20 lakh, utilities could submit the same on a case-by-case basis for reimbursement. This would allow the Commission to review each case and ensure that the spares are actually needed.</p> <p>We recommend that the following changes be made to the approval process for spares:</p> <ul style="list-style-type: none"> • The process for approving spares should be transparent and objective. • The process for approving spares should be reviewed by an independent expert under CEA. • The process for approving spares should be updated regularly to reflect the current cost of spares. <p>Here are some specific suggestions for how the approval process for spares can be streamlined:</p> <ul style="list-style-type: none"> • Allow utilities to include recurring and low-value spares below Rs. 20 lakh as part of their normative O&M expenses. This would streamline the approval process for these spares, and it would also allow utilities to procure them more quickly. • Require utilities to submit a detailed justification for capital spares with a value in excess of Rs. 20 lakh. This would allow the Commission to review each case and ensure that the spares are actually needed. • Set a maximum time period for the Commission to review and approve a request for capital spares. This would help to ensure that the procurement process is not delayed. <p>We believe that the proposed approach would streamline the approval process for spares and make it more efficient. However, the check on the combination of different spares should not be treated as one to make the value more than Rs 20 Lakhs or Vice versa. This would benefit both utilities and consumers, as it would allow utilities to procure spares more quickly and ensure that they are available when needed.</p>

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4.12.5	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>We agree that it is important to consider the impact of a change in law on O&M expenses. A change in law can have a significant impact on the cost of operating and maintaining transmission assets, and it is important to ensure that utilities are able to recover these costs.</p> <p>There are a number of ways in which the impact of a change in law on O&M expenses can be considered. One way is to simply add a fixed percentage to the O&M norms for all transmission assets. Another way is to develop a more complex methodology that takes into account the specific impact of the change in law on each asset.</p> <p>Here are some specific suggestions for how the impact of a change in law on O&M expenses can be considered:</p> <ul style="list-style-type: none"> • Add a fixed percentage to the O&M norms. This is a simple and easy-to-implement approach. However, it may not be fair to all utilities, as some utilities may be more affected by a change in law than others. • Develop a more complex methodology. This would involve taking into account a number of factors, such as the nature of the change in law, the specific assets affected, and the cost of complying with the change in law. This would be a more fair approach, but it would also be more complex to implement. • Allow for a combination of fixed and variable costs. This would allow utilities to recover the fixed costs of complying with a change in law, as well as the variable costs that vary depending on the specific impact of the change in law on each asset. <p>We believe that the best approach would be to develop a more complex methodology that takes into account the specific impact of a change in law on each asset.</p>
4.13	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	<p>We agree that the depreciation rate for transmission assets should be specified considering a loan tenure of 15 years instead of the current practice of 12 years. This is because the useful life of transmission assets is typically longer than 12 years, and a longer depreciation period would allow utilities to recover their investment over a longer period of time.</p> <p>We also agree that additional provisions may 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). This would</p>

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	<p>the generator in the initial years if mutually agreed upon with the beneficiary(ies).</p> <p>Comments and suggestions are therefore sought from stakeholders on the above proposal and any modifications required, if any.</p>	<p>allow utilities to recover their investment more quickly in the early years, when the costs of operation and maintenance are typically higher.</p> <p>Here are some specific suggestions for how the depreciation rate for transmission assets can be specified:</p> <ul style="list-style-type: none"> • Depreciation rate of 2% per year for a loan tenure of 15 years. This is a simple and easy-to-implement approach. • Allow for a lower depreciation rate in the initial years, with the rate increasing over time. This would allow utilities to recover their investment more quickly in the early years, when the costs of operation and maintenance are typically higher. • Allow for a mutually agreed upon depreciation rate between the generator and the beneficiary(ies). This would give the parties flexibility to agree on a depreciation rate that is fair to both parties. <p>We believe that the best approach would be to allow for a mutually agreed upon depreciation rate between the generator and the beneficiary(ies). This would give the parties flexibility to agree on a depreciation rate that is fair to both parties.</p>
4.14.1	<p>Weighted Average Rate of Interest and FERV</p> <p>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.</p>	<p>We agree that the approval of interest on loans can be simplified by considering the weighted average actual rate of interest of the generating company or transmission licensee instead of project-specific interest on loans. This would streamline the approval process and make it more efficient.</p> <p>We also agree that the cost of hedging related to foreign loans should be allowed on an actual basis, without allowing any actual FERV. This would ensure that utilities are able to recover the actual costs of hedging, which can be significant.</p> <p>Here are some specific suggestions for how the approval of interest on loans and the cost of hedging can be simplified:</p> <ul style="list-style-type: none"> • The weighted average actual rate of interest should be calculated based on the actual interest rates incurred by the generating company or transmission licensee in the past three years. • The cost of hedging should be calculated based on the actual costs incurred by the generating company or transmission licensee in hedging their foreign loans. • The approval process for interest on loans and the cost of hedging should be streamlined to make it more efficient.

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	Comments and suggestions are sought from stakeholders on the above suggestions and alternatives, including in respect of treatment of FERV/cost of hedging.	We believe that the proposed approach to simplifying the approval of interest on loans and the cost of hedging is fair and equitable. It would ensure that utilities are able to recover their costs in a timely and efficient manner.
4.15	Return on Equity (RoE) V/s Return on Capital Employed (RoCE) 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>We agree that the RoE approach has been the preferred approach for determining the rate of return in the past. There are a number of reasons for this, including the following:</p> <ul style="list-style-type: none"> • The cost of debt is difficult to benchmark due to fluctuations in interest rates. • The WACC (Weighted Average Cost of Capital) needs to be determined annually, which can be a complex and time-consuming process. • There are problems associated with benchmarking the debt-equity ratio. • The Indian Corporate Bond Market is still evolving. • The majority of stakeholders are in favor of the RoE approach. <p>The RoE approach has a number of advantages over the RoCE approach, including:</p> <ul style="list-style-type: none"> • It is simpler to calculate and understand. • It is less sensitive to changes in the cost of debt and the debt-equity ratio. • It is more in line with the way that investors value companies. <p>The RoCE approach has a number of disadvantages, including:</p> <ul style="list-style-type: none"> • It is more complex to calculate and understand. • It is more sensitive to changes in the cost of debt and the debt-equity ratio. • It is less in line with the way that investors value companies. <p>However, We believe that it is important to consider whether the RoE approach is still the best approach in the current environment. The following factors may need to be considered:</p> <ul style="list-style-type: none"> • The development of the Indian Corporate Bond Market. • The increasing use of debt financing by power sector companies. • The changing risk profile of the power sector.

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4.16.4	Rate of Return on Equity	<p>Our comments and suggestions on the following issues:</p> <p>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.</p> <p>We believe that the rate of RoE should be reviewed. The current rate of RoE is 15.5% for thermal generating stations, transmission system including communication system and run of the river hydro generating station, and 16.5% for the storage type hydro generating stations including pumped storage hydro generating stations and run of river generating station with pondage. I believe that this rate of RoE is too low, and it does not adequately compensate investors for the risks involved in these projects.</p> <p>We suggest that the rate of RoE be increased to 18% for thermal generating stations, transmission system including communication system and run of the river hydro generating station, and 20% for the storage type hydro generating stations including pumped storage hydro generating stations and run of river generating station with pondage. I believe that this rate of RoE would be more in line with the risks involved in these projects and would encourage more investment in the power sector.</p> <p>We also believe that the rate of RoE should be allowed on additional capitalization that is carried out on account of Change in Law and Force Majeure. This would ensure that investors are compensated for the additional costs that they incur due to these factors.</p> <p>2. Whether the revised rate of RoE to be made applicable to only new projects or to both existing and new projects?</p> <p>We believe that the revised rate of RoE should be made applicable to both new and existing projects. This would ensure that all investors are treated fairly, regardless of when their projects were commissioned.</p> <p>3. Whether timely completion of hydro generating stations can be incentivised to attract investments?</p> <p>We believe that timely completion of hydro generating stations can be incentivized to attract investments. This could be done by providing a higher rate of RoE for projects that are completed on time. This would encourage developers to complete their projects on time, which would benefit consumers by ensuring that they have access to reliable and affordable electricity.</p>

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		<p>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.</p> <p>We believe that there is merit behind approving different rates of RoE for thermal, hydro generation and transmission projects. This is because these projects have different risks and costs associated with them. For example, hydro projects are typically more expensive to build than thermal projects, and they also have a lower capacity factor. Therefore, it makes sense to offer a higher rate of RoE for hydro projects to compensate investors for the additional risks and costs involved.</p> <p>We also believe that there is merit in offering further incentives for dam/reservoir based projects including PSP. These projects are typically more environmentally friendly than other types of power projects, and they also have a longer lifespan. Therefore, it makes sense to offer additional incentives for these projects to encourage their development.</p> <p>5. Merit in allowing RoE by linking the rate of return with market interest rates such as G-SEC rates/MCLR/RBI Base Rate.</p> <p>There are several merits in allowing RoE by linking the rate of return with market interest rates such as G-SEC rates/MCLR/RBI Base Rate.</p> <ul style="list-style-type: none"> • It would ensure that the rate of RoE is kept in line with the prevailing market conditions. This would make it easier for investors to calculate their expected returns, and it would also help to ensure that the power sector is able to attract the necessary investment. • It would provide a more transparent and objective basis for determining the rate of RoE. Currently, the rate of RoE is determined by the Central Electricity Regulatory Commission (CERC), which can be a subjective process. Linking the rate of RoE to market interest rates would provide a more transparent and objective basis for determining the rate of return. • It would help to reduce the risk of regulatory arbitrage. Regulatory arbitrage is the practice of exploiting differences in regulatory regimes to obtain a financial benefit. Linking the rate of RoE to market interest rates would help to reduce the risk of regulatory arbitrage by making it more difficult for investors to game the system. <p>However, there are also some potential drawbacks to linking the rate of RoE to market interest rates.</p>

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		<ul style="list-style-type: none"> It could make it more difficult for the power sector to attract investment during periods of high interest rates. If interest rates are high, then the rate of RoE would also be high, which could make it more difficult for the power sector to attract investment. It could lead to volatility in the rate of RoE. If market interest rates are volatile, then the rate of RoE would also be volatile, which could make it difficult for investors to plan for the future. <p>We recommend that the present RoE delinking is good for the sector. However, it must be adjusted upwards if the cost of capital in the market is higher.</p>
4.16.5	<p>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> <p>Comments and suggestions are sought from stakeholders on various possible alternatives that incentivises generation from these efficient old generating stations.</p>	<p>Some possible options to encourage higher availability and generation from old generating stations:</p> <ul style="list-style-type: none"> 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. This would provide a financial incentive for generating stations to generate more power. Waiving or reducing the penalties for unplanned outages. This would reduce the financial disincentives for generating stations to keep their plants running. Providing access to cheaper fuel. This would reduce the operating costs of generating stations, making it more profitable for them to generate power. Investing in maintenance and upgrades. This would help to improve the efficiency of generating stations, making them more reliable and able to generate more power. Promoting demand-side management. This would help to reduce the peak demand for power, which would reduce the need for generating stations to operate at full capacity. <p>We believe that these are some of the most effective ways to encourage higher availability and generation from old generating stations. However, it is important to carefully consider the specific circumstances of each generating station when implementing these measures.</p> <p>Here are some additional on various possible alternatives that incentivises generation from these efficient old generating stations:</p> <ul style="list-style-type: none"> The incentive should be linked to the efficiency of the generating station. This would encourage generating stations to invest in maintenance and upgrades, which would improve their efficiency and make them more profitable.

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		<ul style="list-style-type: none"> The incentive should be linked to the reliability of the generating station. This would encourage generating stations to keep their plants running, which would help to ensure that there is a reliable supply of power. The incentive should be linked to the environmental performance of the generating station. This would encourage generating stations to use cleaner fuels and technologies, which would help to reduce pollution.
4.17	Tax Rate	<p>We agree with the proposed approach to grossing up the base rate of RoE. The recent amendments to the Income Tax regime have created a number of different tax brackets, and the maximum tax amount that is payable is limited by the tax rates notified for the relevant category. Therefore, it makes sense to gross up the base rate of RoE at the MAT rate, the effective tax rate, or the reduced tax rate under Section 115BAA, whichever is the highest.</p> <p>We also agree that tax should only be allowed in cases where the company has actually paid taxes. This is because the purpose of grossing up the base rate of RoE is to ensure that investors are compensated for the taxes that they will have to pay on their returns. If the company has not paid any taxes, then there is no need to gross up the base rate of RoE, as the investors will not be paying any taxes on their returns.</p> <p>We believe that the proposed approach is fair and equitable, and it would ensure that investors are compensated for the taxes that they will have to pay on their returns. I would like to suggest that the following alternatives be considered:</p> <ul style="list-style-type: none"> Grossing up the base rate of RoE at the weighted average tax rate. This would take into account the different tax rates that a company may be subject to over the life of its project. Grossing up the base rate of RoE at the tax rate that is expected to be paid in the future. This would take into account the possibility that tax rates may change in the future. <p>We believe that these alternatives are worth considering, and they could be used to further refine the proposed approach.</p>

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4.18.1	<p>Interest on Working Capital</p> <p>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> <p>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.</p>	<p>Our comments and suggestions on any modification that may be required in the norms:</p> <ul style="list-style-type: none"> • The norms should be reviewed periodically to ensure that they are still efficient. The working capital requirements of generating stations may change over time, so it is important to review the norms periodically to ensure that they are still appropriate. • The norms should be modified to reflect the specific circumstances of each generating station. Not all generating stations are the same, so it is important to modify the norms to reflect the specific circumstances of each generating station. For example, some generating stations may have a higher working capital requirement than others. • The norms should be modified to take into account the impact of new technologies. New technologies may reduce the working capital requirements of generating stations, so it is important to modify the norms to take into account the impact of new technologies. <p>We believe that these are some of the most important considerations when modifying the working capital norms. I would also like to suggest that the following factors be considered:</p> <ul style="list-style-type: none"> • The financial health of the generating stations. The modifications should not place an undue financial burden on the generating stations. • The impact on the consumers. The modifications should not have a significant impact on the consumers. • The need for a level playing field. The modifications should ensure that all generating stations, regardless of their size or location, have a level playing field. <p>For Gas Based Plants</p> <p>Our comments and suggestions 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:</p> <ul style="list-style-type: none"> • The norms should be modified to factor in the actual generation. This is because the current norms are based on the projected generation, which may not be accurate. Factoring in the actual generation would ensure that the working capital requirement is accurate. • The norms should be modified to allow for the working capital requirement for gas based generating stations. This is because gas based generating stations have a higher working capital requirement than other types of generating stations. Allowing for the working capital requirement would ensure that the generating stations are able to operate smoothly.

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		<ul style="list-style-type: none"> The norms should be modified to be more flexible. The current norms are quite rigid, which makes it difficult for generating stations to operate efficiently. Making the norms more flexible would allow generating stations to operate more efficiently and would also reduce the risk of financial distress.
4.18.2	<p>Rate of Interest on Working Capital</p> <p>The Commission, while formulating the CERC Tariff Regulations, 2019, shifted from base rate to a more efficient MCLR based funding which is more responsive to policy rate changes.</p> <p>As per the existing Regulations, the Bank Rate for the purpose of computing the Interest on Working Capital (IoWC) is defined as one-year MCLR plus 350 bps. Stakeholders may comment as to whether the same may be continued or may suggest any better alternative to the same.</p>	<p>The current rate of interest on working capital is defined as one-year MCLR plus 350 basis points. This rate was set by the Central Electricity Regulatory Commission (CERC) in 2019, when it shifted from base rate to MCLR based funding.</p> <p>There are a few arguments in favor of continuing with the current rate of interest on working capital.</p> <p>First, MCLR is a more responsive to policy rate changes than base rate. This means that if the Reserve Bank of India (RBI) changes its policy rates, the rate of interest on working capital will also change, which will help to ensure that power generators are not exposed to excessive financial risk.</p> <p>Second, the current rate of interest on working capital is relatively low, which helps to keep the cost of power generation down. This is beneficial for consumers, as it helps to keep electricity prices affordable.</p> <p>However, there are also a few arguments against continuing with the current rate of interest on working capital.</p> <p>First, the 350 basis point spread between MCLR and the rate of interest on working capital is relatively large. This means that power generators are exposed to a significant amount of financial risk, if the RBI raises interest rates.</p> <p>Second, the current rate of interest on working capital does not take into account the specific circumstances of each power generator. This means that some power generators may be paying more than they need to for working capital, while others may be paying less</p> <p>Here are some suggestions for alternative methods of calculating the IoWC:</p>

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		<ul style="list-style-type: none"> • Use the average of the one-year MCLR and the three-month MCLR. This would provide a more balanced approach, and it would also be more responsive to changes in the cost of borrowing. • Use the weighted average of the one-year MCLR, the three-month MCLR, and the six-month MCLR. This would provide a more comprehensive approach, and it would also be more transparent. • Use the cost of borrowing for generating stations. This would be the most sensitive approach, but it would also be the most complex to calculate. <p>Ultimately, the best method of calculating the IoWC will depend on the specific circumstances of the generating stations. However, the suggestions above provide some possible alternatives to the existing method.</p>
4.18.3	<p>Normative Working Capital and interest thereon</p> <p>Comments and suggestions are sought from stakeholders on the ways to determine IoWC along with any other alternatives, if any, so that the same may not require periodic truing up</p>	<p>The current method of determining IoWC is based on a normative working capital requirement, which is calculated as a percentage of the operating cost of the power generator. This method requires periodic truing up, as the normative working capital requirement may not be accurate over time.</p> <p>There are a few alternative methods that could be used to determine IoWC. One alternative is to use a moving average of the actual working capital requirement of the power generator. This method would not require periodic truing up, as the moving average would automatically adjust to changes in the actual working capital requirement.</p> <p>Another alternative is to use a risk-based approach to determine IoWC. This approach would take into account the specific circumstances of the power generator, such as its credit rating and the volatility of its operating costs.</p> <p>This method would also not require periodic truing up, as it would automatically adjust to changes in the risk profile of the power generator.</p> <p>Here are some comments and suggestions from stakeholders on the ways to determine IoWC along with any other alternatives, if any, so that the same may not require periodic truing up:</p> <ul style="list-style-type: none"> • Use a moving average of the actual working capital requirement. This method is relatively simple to implement and it does not require any subjective judgment.

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		<ul style="list-style-type: none"> • Use a risk-based approach. This method is more complex to implement, but it can provide a more accurate estimate of the IoWC. • Use a combination of the two methods. This could be a good way to get the benefits of both methods. <p>We believe that the best approach to determining IoWC would be to use a combination of the moving average and risk-based methods. This would provide a more accurate estimate of the IoWC and it would not require periodic truing up.</p>
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>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.</p> <p>Comments and suggestions are sought from stakeholders on the above proposal and the necessity of further changes, if required.</p>	<p>The proposal to increase the useful life of coal based thermal generating stations and transmission sub-stations from 25 years to 35 years is a good one. This would allow the power generators to operate their assets for a longer period of time, which would help to reduce the need for new investments in power generation capacity.</p> <p>There are a few comments and suggestions from stakeholders on the above proposal:</p> <ul style="list-style-type: none"> • The increase in useful life should be based on the actual condition of the asset. This means that the useful life should be extended only if the asset is in good condition and can be operated safely for a longer period of time. • The increase in useful life should be accompanied by a corresponding increase in the special allowance or provision for R&M. This would ensure that the power generators have the resources they need to maintain their assets in good condition. • The increase in useful life should be subject to periodic review. This would ensure that the useful life is aligned with the actual condition of the asset and the changing needs of the power system. • The increase in useful life should be linked to the performance of the asset. This would encourage power generators to keep their assets in good condition. • The increase in useful life should be used to fund preventive maintenance. This would help to reduce the need for unplanned repairs. • The increase in useful life should be used to fund research and development of new maintenance technologies. This would help to improve the efficiency of maintenance and repairs.

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4.21	Sharing of Gains	<p>The current sharing mechanism for gains on account of efficiency gains, refinancing or restructuring of loans, non-tariff income, and CDM benefits is a 50:50 split between the generating company and the beneficiaries. This mechanism is designed to incentivize generating companies to improve their efficiency and to reduce their costs.</p> <p>There are a few comments and suggestions from stakeholders on the sharing mechanism:</p> <ul style="list-style-type: none"> • The sharing mechanism should be more flexible. This would allow the generating companies to retain a larger share of the gains if they are able to achieve significant efficiency improvements. • The sharing mechanism should be linked to the performance of the generating company. This would encourage generating companies to operate their assets efficiently and to reduce their costs. • The sharing mechanism should be transparent and accountable. • The sharing mechanism should be extended to include other types of gains, such as gains from the sale of assets. This would encourage generating companies to dispose of assets that are no longer needed. • The sharing mechanism should be used to fund research and development of new technologies. This would help to improve the efficiency of the power sector. • The sharing mechanism should be used to improve the financial health of the generating companies. This would help to ensure that the generating companies are able to continue to operate and provide reliable power to consumers. <p>Here are some ways to increase non-core revenues through optimal utilisation of available resources:</p> <ul style="list-style-type: none"> • Lease land banks to other businesses. This could generate revenue for the generating companies and transmission utilities. • Develop data centres on land banks. This could generate revenue from leasing space to data centre operators. • Develop ecotourism projects on land banks. This could generate revenue from tourism. • Utilize human resources to provide training and consultancy services. This could generate revenue from training and consultancy services.

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Para No	Key Aspect	Comment
4.22	<p>Treatment of arbitration award – Servicing of Principal and Interest Payment</p> <p>To avoid such situations, the principal amount may be capitalised and the 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> <p>Comments and suggestions are sought from stakeholders on the above approach and alternative ways, if any.</p>	<p>The approach of capitalizing the principal amount and recovering the interest amount in installments is a good one. This would allow the generating companies to avoid the burden of paying interest on the principal amount, which could be significant.</p> <p>However, there are a few potential drawbacks to this approach. First, it could lead to a longer payback period for the generating companies, which could impact their financial health. Second, it could involve carrying costs, which could further increase the cost of the arbitration award.</p> <p>Here are some alternative ways to recover the principal amount and interest:</p> <ul style="list-style-type: none"> • The generating companies could issue bonds to finance the arbitration award. This would allow them to raise the necessary funds to pay off the principal amount and interest. • The generating companies could negotiate a settlement with the beneficiaries. This could involve a reduction in the principal amount or interest, or a longer payback period. • The government could provide financial assistance to the generating companies. This would help the generating companies to pay off the arbitration award and avoid bankruptcy. <p>We believe that the best approach to recovering the principal amount and interest would depend on the specific circumstances of the generating companies and the beneficiaries. However, the approach of capitalizing the principal amount and recovering the interest amount in installments is a good option to consider.</p> <p>Here are some comments and suggestions on the approach:</p> <ul style="list-style-type: none"> • The principal amount should be capitalized only if the generating companies are able to demonstrate that they are unable to pay the principal amount in full. This would ensure that the generating companies do not abuse the capitalization provision. • The interest amount should be recovered in installments over a reasonable period of time. This would ensure that the beneficiaries are not unduly burdened by the interest payments. • The carrying costs associated with the recovery of the interest amount should be borne by the generating companies. This would ensure that the beneficiaries are not unfairly penalized for the delay in payment of the interest.

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Para No	Key Aspect	Comment
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. Comments and suggestions are sought from stakeholders on the above approach and alternative ways, if any.</p>	<p>The approach of continuing the current practice of allowing a simple interest rate on the differential amount is a good one. This would ensure that the beneficiaries are not unfairly penalized for the delay in payment of the differential amount.</p> <p>However, there are a few potential drawbacks to this approach. First, it could lead to a significant amount of interest being paid by the beneficiaries, if the differential amount is large and the delay in payment is long. Second, it could be difficult to calculate the interest amount accurately, if the differential amount is complex.</p> <p>Here are some alternative ways to calculate the interest on the differential amount:</p> <ul style="list-style-type: none"> • The interest amount could be calculated as a percentage of the differential amount, based on the prevailing market rate of interest. This would ensure that the beneficiaries are not unfairly penalized for the delay in payment, but it would also protect the generating companies from paying an excessive amount of interest. • The interest amount could be calculated as a flat rate, based on the length of the delay in payment. This would be simpler to calculate, but it could lead to the beneficiaries paying an excessive amount of interest if the delay is long. • The interest amount could be calculated on a case-by-case basis, taking into account the specific circumstances of the differential amount and the delay in payment. This would be the most accurate way to calculate the interest amount, but it could be more complex and time-consuming. <p>We believe that the best approach to calculating the interest on the differential amount would depend on the specific circumstances of the differential amount and the delay in payment. However, the approach of continuing the current practice of allowing a simple interest rate is a good option to consider.</p>
5.1.1	<p>Review of Existing Norms</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</p>	<p>The existing norms of NAPAF (Normative Annual Plant Availability Factor) for run-of-river (ROR) based hydro generating plants may need to be reviewed in view of the factors mentioned above. Past years' PAF, procurement of coal from alternate sources, changes in hydrology, etc., are all important factors that should be considered when reviewing the norms of NAPAF.</p>

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	<p data-bbox="394 237 797 300">supply agreements, changes in hydrology, etc.</p> <p data-bbox="394 347 797 624">One option can be to re-introduce the methodology that was being adopted in the CERC Tariff Regulations, 2004. Based on Regulation XI (b) under Chapter 3 of the Tariff Regulations, 2004, the methodology can be specified as follows:</p> <p data-bbox="394 667 797 1054">“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;”</p> <p data-bbox="394 1098 797 1369">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.</p>	<p data-bbox="826 237 2063 336">One option can be to re-introduce the methodology that was being adopted in the CERC Tariff Regulations, 2004. Based on Regulation XI (b) under Chapter 3 of the Tariff Regulations, 2004, the methodology can be specified as follows:</p> <ul data-bbox="875 347 2063 480" style="list-style-type: none"> <li data-bbox="875 347 2063 480">• 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; <p data-bbox="826 523 2063 655">This methodology takes into account the factors that are most important for the availability of ROR based hydro generating plants, namely the availability of water, the optimum use of water, and the availability of machines. This methodology was used in the CERC Tariff Regulations, 2004, and it was considered to be a fair and reasonable way to calculate the NAPAF for ROR based hydro generating plants.</p> <p data-bbox="826 699 2063 831">Another option is to develop a new methodology that takes into account all of the factors that are affecting the availability of ROR based hydro generating plants. This methodology could be based on the factors mentioned above, as well as other factors, such as the age of the plant, the condition of the plant, and the maintenance practices of the plant.</p> <p data-bbox="826 842 2063 911">The best methodology for calculating the NAPAF for ROR based hydro generating plants will depend on the specific circumstances of the plants.</p> <p data-bbox="826 954 2063 1023">However, the methodology should be fair and reasonable, and it should take into account all of the factors that are affecting the availability of the plants.</p> <p data-bbox="826 1066 2063 1166">We believe that a review of the norms of NAPAF for ROR based hydro generating plants is necessary to ensure that they are aligned with the current realities of the power sector. The review should take into account the factors mentioned above and should be done in a transparent and objective manner.</p> <p data-bbox="826 1209 2063 1230">Here are some suggestions for how to review the norms of NAPAF for ROR based hydro generating plants:</p> <ul data-bbox="875 1241 2063 1342" style="list-style-type: none"> <li data-bbox="875 1241 2063 1342">• Form a committee of experts to review the norms of NAPAF. The committee should be composed of experts from the power sector, as well as from other relevant fields, such as economics and finance.

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Para No	Key Aspect	Comment
		<ul style="list-style-type: none"> Collect data on the factors that are affecting the availability of ROR based hydro generating plants. This data should include data on the past years' PAF, the procurement of coal from alternate sources, and the changes in hydrology. Analyze the data and make recommendations for changes to the norms of NAPAF. The recommendations should be based on the data and should be designed to ensure that the norms of NAPAF are aligned with the current realities of the power sector
5.1.2	Recovery of Energy Charge for Hydro Generating Stations Comments and suggestions are sought from stakeholders on ways to simplify the tariff recovery process for hydro generating stations.	No Comment
5.2	Peak and Off-Peak Tariff 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. 1. Whether it would be advisable to limit the recovery based on daily peak and offpeak periods. 2. Suggestions on National versus Regional Peak as a reference point for recovery of fixed charges.	<p>Whether it would be advisable to limit the recovery based on daily peak and off-peak periods. The recovery of reasonable costs is of prime importance for any infrastructure sectoral growth. In the context of the power sector, this means that the costs of generating, transmitting, and distributing electricity must be recovered from consumers.</p> <p>One way to recover these costs is to implement a peak and off-peak tariff. This means that consumers would pay a higher tariff during peak hours, when demand for electricity is high, and a lower tariff during off-peak hours, when demand for electricity is low.</p> <p>There are a number of arguments in favor of limiting the recovery of costs based on daily peak and off-peak periods. First, this would encourage consumers to shift their electricity usage to off-peak hours, which would help to reduce peak demand and improve the efficiency of the power grid.</p> <p>Second, this would make the tariff more transparent and fair, as consumers would be paying a higher price for electricity when it is in high demand.</p> <p>However, there are also a number of arguments against limiting the recovery of costs based on daily peak and off-peak periods. First, this could disproportionately impact low-income consumers, who may not be</p>

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		<p>able to afford to shift their electricity usage to off-peak hours. Second, this could lead to increased load shedding during peak hours, as the power grid may not be able to meet the demand for electricity.</p> <p>Ultimately, the decision of whether or not to limit the recovery of costs based on daily peak and off-peak periods is a complex one. There are a number of factors to consider, including the impact on consumers, the impact on the power grid, and the overall cost of electricity.</p> <p>Suggestions on National versus Regional Peak as a reference point for recovery of fixed charges.</p> <p>The recovery of fixed charges is another important consideration in the power sector. Fixed charges are the costs that are incurred regardless of the amount of electricity that is consumed. These costs include the cost of maintaining the power grid and the cost of generating electricity at baseload capacity.</p> <p>One way to recover fixed charges is to use a national peak as a reference point. This means that all consumers would pay the same fixed charge, regardless of their location.</p> <p>Another way to recover fixed charges is to use a regional peak as a reference point. This means that consumers would pay a different fixed charge, depending on their location.</p> <p>There are a number of arguments in favor of using a national peak as a reference point for the recovery of fixed charges. First, this would make the tariff more transparent and fair, as all consumers would be paying the same fixed charge. Second, this would make it easier for the government to regulate the power sector, as there would be only one fixed charge to set.</p> <p>However, there are also a number of arguments against using a national peak as a reference point for the recovery of fixed charges. First, this could disproportionately impact consumers in regions with low peak demand. Second, this could lead to increased load shedding in regions with high peak demand, as the power grid may not be able to meet the demand for electricity.</p> <p>Ultimately, the decision of whether or not to use a national peak as a reference point for the recovery of fixed charges is a complex one. There are a number of factors to consider, including the impact on consumers, the impact on the power grid, and the overall cost of electricity.</p>

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5.3	<p>Operational Norms</p> <p>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>Comments and suggestions are sought from stakeholders on the above proposal and other key determinants to be considered while approving the norms.</p>	<p>The proposal to fix the norms for the recovery of fixed charges considering the ideal loading of generating units is a good one. This would ensure that the generating companies are able to recover their costs, while also providing consumers with a fair and reasonable tariff.</p> <p>There are a number of key determinants that should be considered while approving the norms for the recovery of fixed charges, including:</p> <ul style="list-style-type: none"> • The cost of generating electricity at baseload capacity. • The cost of maintaining the power grid. • The impact on consumers. • The impact on the power grid. • The overall cost of electricity. <p>It is important to strike a balance between the interests of the generating companies and the interests of consumers when approving the norms for the recovery of fixed charges. The norms should be fair and reasonable, and they should ensure that the generating companies are able to recover their costs, while also providing consumers with a fair and reasonable tariff.</p> <p>Here are some comments and suggestions on the proposal:</p> <ul style="list-style-type: none"> • The proposal is a good one, and it would ensure that the generating companies are able to recover their costs. • The norms should be fair and reasonable, and they should take into account the impact on consumers. • The norms should be based on the cost of generating electricity at baseload capacity and the cost of maintaining the power grid. • The norms should be reviewed on a regular basis to ensure that they are still fair and reasonable.
6.3	<p>Decommissioning of Generating Station and Transmission Assets</p> <p>comments and suggestions are sought from stakeholders on the possible approaches to recover or refund the impact of decommissioning costs in case</p>	<p>There are a number of 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.</p>

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	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.	<p>One approach is to recover the costs through a surcharge on the tariff. This would mean that all consumers would pay a higher tariff, regardless of whether they are located in the area where the generating station/transmission system is located.</p> <p>Another approach is to refund the costs to the generating company or transmission system operator. This would mean that the costs would be borne by the government or by the consumers in the area where the generating station/transmission system is located.</p> <p>The best approach would depend on a number of factors, including the cost of decommissioning, the impact on consumers, and the overall cost of electricity.</p> <p>Here are some comments and suggestions on the possible approaches:</p> <ul style="list-style-type: none"> • The surcharge approach is a fair and transparent way to recover the costs of decommissioning. • The refund approach is a more equitable way to recover the costs of decommissioning, as it would only burden the consumers in the area where the generating station/transmission system is located. • The commission should consider the impact on consumers when deciding which approach to take. • The commission should also consider the overall cost of electricity when deciding which approach to take.
6.4	Comments and suggestions are invited from stakeholders for simplifying the existing tariff formats.	<p>The Tariff formats to filled in soft rather than submitting in excel. Also, the head of expenses to filled in must be standardised across utilities.</p> <p>This soft filling will reduce the processing time of the outcome i.e. ARR and Tariff.</p> <p>The use of AI must be increased to write the order so that the processing time can be reduced.</p>
6.6	In view of the above, comments and suggestions are invited from stakeholders regarding the treatment of unrecovered depreciation.	<p>The treatment of unrecovered depreciation is a complex issue. There are a number of factors to consider, including:</p> <ul style="list-style-type: none"> • The cost of the asset. • The useful life of the asset. • The amount of depreciation that has already been taken.

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		<ul style="list-style-type: none"> • The impact on consumers. • The overall cost of electricity. <p>There are a number of possible approaches to the treatment of unrecovered depreciation, including:</p> <ul style="list-style-type: none"> • Write-off: The unrecovered depreciation can be written off as a loss. This would mean that the generating company would not be able to recover the costs of the asset. • Recovery through tariff: The unrecovered depreciation can be recovered through a surcharge on the tariff. This would mean that all consumers would pay a higher tariff, regardless of whether they are located in the area where the generating station is located. • Recovery through refund: The unrecovered depreciation can be refunded to the generating company. This would mean that the costs would be borne by the government or by the consumers in the area where the generating station is located. <p>The best approach would depend on a number of factors, including the cost of the asset, the useful life of the asset, the amount of depreciation that has already been taken, the impact on consumers, and the overall cost of electricity.</p> <p>Here are some comments and suggestions on the treatment of unrecovered depreciation:</p> <ul style="list-style-type: none"> • The write-off approach is the simplest approach, but it would mean that the generating company would not be able to recover the costs of the asset. • The recovery through tariff approach is a more equitable approach, as it would spread the costs of the asset across all consumers. • The recovery through refund approach is the most fair approach, as it would only burden the consumers in the area where the generating station is located.