

53831/2023

**MANGALURU ELECTRICITY SUPPLY COMPANY LIMITED**

(A Government of Karnataka Undertaking)



Corporate Identity No : (CIN) U40109 KA 2002 SGC 030425

Regd Office:Corporate Office,"MESCOM BHAVANA",

Kavoor Cross Road, Bejai, Post Box No: 1130, Mangaluru-575 004.

E-mail: cru.mescom@gmail.com

No:0824-2885761

Website: www.mescom.karnataka.gov.in



Tel

**No:MESCOM/COML/RA/16/2023-COML****Date:28-07-2023**

✓ The Secretary,  
Central Electricity Regulatory Commission,  
3<sup>rd</sup> & 4<sup>th</sup> Floor, Chanderlok Building,  
36, Janpath,  
New Delhi-110001.

Sir,

Sub : Comments of MESCOM on "Terms & conditions of Tariff for the period  
commencing from 1<sup>st</sup> April,2024 – Approach paper thereof"-reg.

Ref : Your E-mail dated: 31/05/2023.

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With reference to the above subject, vide letter cited under reference above, it is requested to furnish the comments on the approach paper "Terms & conditions of Tariff for the period commencing from 1<sup>st</sup> April,2024".

The current tariff period regulated by hon'ble CERC is coming to end by 31.03.2024 and have taken initiation for laying down the terms and conditions of the tariff for the next control period which is commencing on 01.04.2024. The Commission has taken a view on various issues on principles & methodologies to be adopted for tariff determination for the next tariff period for which comments / suggestions are invited from stakeholders etc. Hence, this has been got verified in detail.

In this regard, it has been directed to submit to your kind self, the MESCOM comments on the approach paper.

**Yours faithfully,**

Superintending Engineer (Ele) (Coml)  
MESCOM, Mangaluru

/53831/2023

Copy Submitted to :

1. SPS to MD/DT.
2. MF/File.

## MESCOM COMMENTS ON TERMS AND CONDITIONS OF TARIFF REGULATIONS

For Tariff Period 01.04.2024 TO 31.03.2029

<p>7</p> <p>7.1</p>	<p><i>Summary and Way Forward</i></p> <p><b>Summary of Issues</b></p> <p>The issues raised in this Approach Paper have been summarized herein for easy reference for the stakeholders.</p> <p><b>7.1.1 Alternative Approach to Tariff Determination</b></p> <p>Suggestions are sought as to how the present system of hybrid mechanisms of tariff setting under the cost plus approach can be made more efficient by moving closer to a normative or performance-based approach so that the same would positively impact the interests of consumers as well as utilities. Two possible options could be as follows.</p> <ol style="list-style-type: none"> <li>1. Approach 1: Shift to a normative tariff wherein, once capital costs are approved on an actual basis after a prudence check, all other AFC components are determined on normative basis.</li> <li>2. Approach 2: Further simplification of the existing Performance Based Hybrid Approach, wherein on the basis of admitted capital cost, AFC components can be approved <b>based on actuals or norms as may be specified for the control period. Further, additional capitalization may be allowed on certain counts on a normative basis.</b></li> </ol> <p><b>(Refer 3.1)</b></p>	<p>After detailed examination of both the approaches in tariff determination, it would be better to go with the Approach-2 of performance based hybrid approach where the capital cost &amp; its funding is approved on actuals after carrying out a due prudence check which includes depreciation, interest on loan, return on equity, O &amp; M expenses, interest on working capital whereas the generation &amp; transmission specific peculiarities which requires additional capitalization post cut-off date shall be plotted into 2 categories indexing in percentage levels. The percentage levels shall be grouped to different set of amount specific by regulatory commission, so that to avoid filing a separate petition &amp; seeking approval from regulatory which is overburden &amp; cumbersome process. The two categories shall be as (1). Simple and (2) complex.</p> <p>The simple category includes the O &amp; M expenses, minor components of plant. Simple expenses like watch &amp; ward cost etc.</p>
<p>7.1.2</p>	<p><b><i>Normative Tariff</i></b></p> <p>In the context of discussions held in Section 3.2, comments/ observations of stakeholders are invited on the following points.</p> <ol style="list-style-type: none"> <li>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?</li> <li>2. What other methodology can be adopted to determine the increasing/ decreasing factors?</li> <li>3. Whether the impact of additional capitalization can also be allowed through the same indexation mechanism or through a separate revenue stream?</li> </ol> <p><b>(Refer 3.2)</b></p>	<p>The Complex category includes the average rate of interest, depreciation cost, major components of plant which are to be capitalized &amp; others which are not included in simple category.</p> <p>After categorizing in percentage levels, let them be evaluated in both the scenarios and then the grossed shall be determined in tariff, every year.</p> <p>Over years, once the capital expenditure is booked, a true-up figures shall be capitalized in the very next year tariff determination. This also, avoids tariff aberrations in AFC.</p>

7.1.3	<p><b><i>Interim Tariff</i></b></p> <p>4. The provisions for interim-tariff can, therefore, be continued in the next tariff period as well. However, comments and suggestions are sought from stakeholders on the continuation of the said provision. <b>(Refer 4.2.1).</b></p>	Provisioning for interim tariff & continuing in the next tariff period to be much more convenient to the utilities which allows the additional capitalization evaluated into actual capital incurred.
7.1.4	<p><b><i>7.1.4 Procurement of Equipment and Services</i></b></p> <p>7. 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. <b>(Refer 4.2.2).</b></p>	No Comments
7.1.5	<p><b><i>Reference Cost – Benchmark Cost V/s Investment Approval</i></b></p> <p>8. Comments and suggestions of stakeholders are invited on other efficient reference costs other than Investment Approval costs that can be considered for prudence check. <b>(Refer 4.2.3)</b></p>	Detailed examination of the site before producing the documents for investment approval shall be made using new technology survey methods or by physical survey. Such data is much reliable to consider as reference costs.
7.1.6	<p><b><i>Capital Cost – Hydro Generating Stations</i></b></p> <p>9. As these expenses towards the advancement of the Local Area are required for the development of the project and for alleviating public resistance and delays, such expenses may be allowed as part of the capital cost with certain limits. Alternatively, these expenses may be met through Budgetary support for funding the enabling infrastructure, i.e., roads and bridges on a case-to-case basis, which could be (i) as per actuals, limited to Rs. 1.5 crore per MW for up to 200 MW projects and (ii) Rs. 1.0 crore per MW for above 200 MW projects, as per the Ministry of Power guidelines dated 28.09.2021 for Budgetary support for Flood Moderation and for Budgetary Support for Enabling Infrastructure.</p> <p>10. Comments and suggestions are further sought from stakeholders on ways to expedite development of hydro generating stations especially the construction phase, and increase their commercial acceptability.</p> <p>11. Comments and suggestions are sought from stakeholders to incentivize the developer if it executes the project faster/or ahead of schedule and vice-versa if it delays. <b>(Refer 4.2.4)</b></p>	<p>The planning of project before execution of work shall also include expenses for alleviating public resistance &amp; delays by indulging local people for work in the area where skilled workers / laborers are not needed. By entertaining vast publicity of the project through local means and by carrying out development works in that particular local area boosts up to expedite the project completion.</p> <p>It is a good approach to incentivize the developer if he executes the project as per schedule of time as the quality of in-time assures no additional interest on the project estimated &amp; as the cost incurred is capitalized within the timeframe, tariff determination founds to be much fruitful.</p>

		Disincentivizing the developer in the delay of the project, which can be one of the reasons to motivate the developer to complete the project in-time.
7.1.7	<p><b><i>Capital Cost – Projects Acquired post NCLT Proceedings</i></b></p> <p>12. Historical Cost or Acquisition Value, whichever is lower, should be considered for the determination of tariff post approval of Resolution Plan.</p> <p>13. 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. <b>(Refer 4.3)</b></p>	No Comments.
7.1.8	<p><b><i>Computation of IDC</i></b></p> <p>14. Existing mechanism wherein the pro-rata deduction (based on delay not condoned) is done on IDC beyond SCOD.</p> <p>15. Pro-rata IDC may be allowed considering the total implementation period wherein the actual IDC till the implementation of the project is pro-rated considering the period upto SCOD and period of delay condoned over total implementation period.</p> <p>16. IDC approved in the original Investment Approval to be considered while allowing actual IDC in case of delay. <b>(Refer 4.4.1)</b></p>	The IDC amount approved in Investment approval may be considered up-to SCOD or up-to the date of delay condoned as the funding pattern of different projects varies whereas, the IDC in case of delay beyond SCOD shall be computed with the total period of project implementation.
7.1.9	<p><b><i>Treatment of LD</i></b></p> <p>17. In view of discussion held in Section 4.4.2, 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. <b>(Refer 4.4.2)</b></p>	In case of delay of the project IDC shall be deducted on a pro-rata basis & then the LD shall be retained by the utilities which is let to be adjusted in additional capitalization. The amount adjusted during the specific project shall be accounted & maintained separately in that particular tenure till the completion of the project.
7.1.10	<p><b><i>Price Variation</i></b></p> <p>18. Therefore, 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 the delay and the</p>	No Comments



	<p>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 variations. <b>(Refer 4.5)</b></p>	
7.1.11	<p><b><i>Renovation and Modernisation (R&amp;M)</i></b></p> <p>19. In view of the inherent benefits of undertaking R&amp;M as against going for fresh capital investment, the current provisions may be continued.</p> <p>20. Further, utilities that opt for special allowance for the first year of the tariff period shall have to continue with the same for the rest of the tariff period. <b>(Refer 4.6)</b></p>	No Comments
7.1.12	<p><b><i>Initial Spares</i></b></p> <p>21. In view of discussion held in Section 4.7, single norm can be considered for each of the following classes of transmissions assets.</p> <ol style="list-style-type: none"> <li>1). Transmission Lines including HVDC lines</li> <li>2). Substations (including HVDC S/s)</li> <li>3). Dynamic Reactive Compensation devices</li> <li>4). Communication Systems</li> <li>5). Underground cable <b>(Refer 4.7)</b></li> </ol>	Just because to simplify the various categories for initial spares in green field & brown field substations & ceiling a single norm in transmission assets which are all of different classifications might not be a good approach & this is requested to reconsideration.
7.1.13	<p><b><i>Controllable and Uncontrollable Factors</i></b></p> <p>22. In view of the discussion held in Section 4.8.1, delays on account of forest clearances can also be considered for inclusion as uncontrollable factor. <b>(Refer 4.8.1)</b></p>	No Comments
7.1.14	<p><b><i>Differential Norms – Servicing Impact of Delay</i></b></p> <p>23. To encourage rigorous pursuit of approvals from statutory authorities, even if delay beyond SCOD is condoned, on account of any reasons are condoned, some part of the cost impact (Say 20%) corresponding to the delay condoned may be disallowed.</p> <p>24. Alternatively, RoE on Equity corresponding to cost and time overrun allowed over and above project cost as per investment approval may be allowed at the weighted average rate of interest on loan instead of fixed RoE.</p> <p>25. The current mechanism of treating time overrun may be continued considering that utilities are</p>	If the delay attributable in case of lack of timely clearances, then, the cost impact say about 40% corresponding to the delay condoned may be disallowed because, only this should not be the cause to figure out the delay condone & hence the current mechanism of treating time overrun may be reconsidered.

	<p>automatically dis-incentivized if the project gets delayed. <b>(Refer 4.9)</b></p>	
7.1.15	<p><b><i>Additional Capitalization</i></b></p> <p>26. In view of discussion held under Section 4.10, in order to have an enabling provision under which additional capitalization 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. <b>(Refer 4.10)</b></p>	<p>While proposing of new generating plant especially coal shall be made propose as much as possible in such a place that the transportation accessibility should not be a severe issue.</p>
7.1.16	<p><b><i>Normative Add-Cap - Generating Station</i></b></p> <p>For generating stations that have already crossed the cut-off date as on 31.03.2024, the additional capitalization for such generating stations may be allowed as per the following.</p> <p>27. Thermal Generating Stations – Based on the analysis of actual additional capitalization incurred by such generating stations in the past (15-20 years) and correlating such expenses to different unit sizes such as 200/210 MW series, 500/660 MW Series and different vintages (5-10, 10-15, 15-20, 20-25 years post COD) a special compensation in the form of yearly allowance may be allowed based on unit sizes and vintage which shall not be subject to any true up and shall not be required to be capitalised.</p> <p>28. Hydro Generating Stations – As each hydro generating station is unique owing to various factors additional capitalization of such generating stations may not be benchmarked as can be done for thermal generating stations. However, in the case of a specific hydro generating station, the additional capitalization is recurring in nature, and hence, station wise normative additional capitalization may be approved in the form of special compensation which shall not be subject to any true up and shall not be required to be capitalized.</p> <p>29. While determining such special compensation for a thermal or hydro generating station, costs incurred towards works presently covered under Regulation 26 to Regulation 29, wherever applicable, may not be</p>	<p>No comments</p>

	<p>included as these expenses may be allowed separately.</p> <p>30. Further, any items that costs below Rs. 20 lakhs that may be in the nature of minor items such as tools and tackles and those pertaining to Capital Spares may be allowed only as part of O&amp;M expenses and may not be considered as part of additional capitalization in case of both thermal and hydro generating stations.</p> <p>31. Further, discharge of liabilities of works already admitted by the Commission as on 31.03.2024 may be allowed as and when such liability is discharged.</p> <p>32. Further, for generating station whose cut-off date falls in the next tariff block (2024-29), or are expected to achieve COD after 31.03.2024, the following approach may be adopted.</p> <p>33. By extending the cut-off date from the current 3 years to 5 years which shall allow time to close contracts and discharge liabilities and eliminate the need to allow additional capitalization post cut-off date unless in the case of Change in Law and Force Majeure.</p> <p>34. However, based on past data of similar existing generating stations, if there is a need to allow additional capitalization that may be legitimately required post cut-off date other than those presently allowed under Regulations 26 to 29, the same may be allowed as special compensation as proposed in the case of existing station that have crossed the cutoff date.</p> <p>35. While determining such special compensation for a thermal or hydro generating station, costs incurred towards works presently covered under Regulations 26 to Regulation 29, wherever applicable, may not be included as these expenses but may be allowed separately.</p> <p>36. Further, any item that costs below Rs. 20 lakhs that is in the nature of minor assets, including Capital Spares below Rs 20 lakh, can be allowed only as part of O&amp;M expenses and may not be considered as part of additional capitalization in case of both thermal and hydro generating stations. Further, any major capital spares costing above Rs. 20 lakh may form part of the special compensation.</p> <p>37. Further, discharge of liabilities of works already</p>	
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	admitted by the Commission as on 31.03.2024 may be allowed as and when such liability is discharged. <b>(Refer 4.10.1)</b>	
7.1.17	<p><b>7.1.17 Normative Add-Cap – Transmission System</b></p> <p>38. For reasons discussed in Section 4.10.2, for Transmission Systems, additional capitalization 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. <b>(Refer 4.10.2)</b></p>	No comments
7.1.18	<p><b>GFA/NFA/Modified GFA approach</b></p> <p>39. Increasing the Investors' confidence by ensuring assured returns is important, and further considering the recent spikes in power tariffs in power exchanges indicating a shortage of power availability, investment in Power sector needs a boost, and therefore the existing GFA approach, being a balanced approach may be continued. However, comments/ suggestions are invited on alternate approaches, i.e. GFA/ NFA/ Modified GFA approach. <b>(Refer 4.11)</b></p>	The NFA approach is the best suitable based on weighted average cost of Capital as the result, the consumers are not much attributable in the way of tariff burden as the end consumers are key source of income to the power sector.
7.1.19	<p><b>O&amp;M Expenses</b></p> <p>40. O&amp;M norms may be specified under the following two categories.</p> <ol style="list-style-type: none"> <li>1. Employee Expenses</li> <li>2. Other O&amp;M Expenses comprise of Repair and Maintenance and Administrative and General Expenses.</li> </ol> <p>However, considering that systems that are more automated will require less manpower and systems that are less automated will require more manpower, approving separate norms may result in inequity even though the total O&amp;M expenses of such systems may be comparable.</p> <p>Therefore, the above suggestion may also be seen from the perspective that these expenses have historically been allowed as one expense and any change in the methodology as suggested above may result in</p>	No Comments.

	<p>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. <b>(Refer 4.12.1)</b></p>	
	<p>41. 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. <b>(Refer 4.12.2)</b></p>	No Comments.
	<p>42. Comments and suggestions are sought from stakeholders on whether additional O&amp;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. <b>(Refer 4.12.3)</b></p>	No Comments.
	<p>43. In view of discussion held in Section 4.12.4, it is anticipated that if Capital Spares are analyzed for a longer duration say 15-20 years, there can be some correlation and predictability to such expenses. Therefore, if the same can be projected with some degree of predictability, the same may be allowed on a normative basis along with O&amp;M expenses. Alternatively, instead of including all such capital spares as part of normative O&amp;M expenses, recurring and low value spares below Rs. 20 lakh may be made part of normative O&amp;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. <b>(Refer 4.12.4)</b></p>	The capital spares tends to vary with stations hydro generating, coal base, GIS etc. & even in transmission lines with towers & lines where labor work shall also be considered & these works vary with the geographic region. Hence, this may require reconsideration.
	<p>44. Comments and suggestions are therefore sought from stakeholders on whether to include any provisions with regard to allowing impact of change in law in O&amp;M expenses. <b>(Refer 4.12.5)</b></p>	No Comments.
7.1.20	<p><b>Depreciation</b></p> <p>45. In view of discussion held in Section 4.13, depreciation rate may be specified considering a loan tenure of 15 years instead of the current practice of 12 years. Further, additional provision may also be specified that allows lower rate of depreciation to be charged by the generator in the initial years if mutually agreed upon with the beneficiary(ies). <b>(Refer 4.13)</b></p>	It is admitted that shorter loan duration & higher depreciation in the initial years will result in frontloading of tariffs. But, because of this, the assets whose useful life is about 25 to 40 years range cannot be rated with higher depreciation, which may result in replacement & reinvestment of the asset within its useful

		life span again causing over burden in regulatory tariffs. Increasing the tenure of loan is a good approach upto 20 years. Hence, exploring a new depreciation rates shall be withdrawn.
7.1.21	<p><b><i>Interest on Loan</i></b></p> <p>46. To simplify the approval of interest on loan, the weighted average actual rate of interest of the generating company or transmission licensee may be considered instead of project specific interest on loan. Further, the cost of hedging related to foreign loans be allowed on actual basis, without allowing any actual FERV. <b>(Refer 4.14)</b></p>	No comments.
7.1.22	<p><b><i>RoE/RoCE Approach</i></b></p> <p>47. 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. <b>(Refer 4.15)</b></p>	No comments
7.1.23	<p><b><i>Rate of Return on Equity Methodology</i></b></p> <p>48. Keeping in view the international approaches to regulated rates of return, the average of 10-year GOI securities rate over a one-year horizon may be considered a risk free rate.</p>	No comments
	<p>49. Keeping in view the international approaches, daily data on the SENSEX and BSE Power Index for the latest 5 years may be considered for equity beta estimation.</p>	No comments
	<p>50. Keeping in view the international approaches, the Market Risk Premium (MRP) reflecting the historical returns for a period of 30-years or beyond instead of the existing practice of considering 20 years may be considered for MRP estimation.</p>	No comments
	<p>51. Alternatively, MRP may be computed using any other method including the Survey Method. <b>(Refer 4.16.4)</b></p>	No comments
	<p><b>Other Key Issues</b></p> <p>52. Review of Rate of RoE to be allowed including that to be allowed on additional capitalization that is carried out on account of Change in Law and Force Majeure.</p>	Review of Rate of RoE can be allowed on additional capitalization which should be mandatorily on account of change in law & force majeure.

	53. Whether the revised rate of RoE to be made applicable to only new projects or to both existing and new projects?	The revised rate of ROE shall be necessarily made applicable to only new projects.
	54. Whether timely completion of hydro generating stations can be incentivized to attract investments?	Now a days, post pandemic & to avoid risk perception in power sector especially hydro generating stations, it is necessary to incentivize them for timely completion of the project, along with disincentivising for the delayed project where the delay is attributable by the developer.
	55. Merit behind approving different Rate of RoE to thermal, hydro generation and transmission projects with further incentives for dam/reservoir-based projects including PSP.	Uniforming the rate of RoE for all categories of generating & transmission projects might indirectly impact on the tariffs which might effect the end consumers. Hence, a different rate of RoE is recommended.
	56. Merit in allowing RoE by linking the rate of return with market interest rates such as GSEC rates/MCLR/RBI Base Rate. <b>(Refer 4.16.4)</b>	No Comments.
	57. Possible options to encourage higher availability and generation from Old Generating Stations can be as follows. Allowing additional incentive in the form of paise/kWh apart from those being currently allowed may be allowed to such generating stations against generation beyond the target PLF. <b>(Refer 4.16.5)</b>	In case of old generating stations where PLF is significantly higher side, incentivizing those stations shall boost up their efficiency level & carrying out augmentation works like installing additional units might also encourage these old generating stations where RoE also improves & even lessens the risk perceptions, while investing on new project plants & is good for the national economy.
7.1.24	<b>Tax Rate</b> 58. In view of the discussion held in Section 4.17 a domestic company shall fall under one of the following brackets, and the maximum tax amount that shall be payable is limited by the tax rates notified for the relevant category. Therefore Base Rate of RoE may be grossed up as follows:	No Comments.

	<p>1. At MAT rate (If not opted for Section 115 BAA)</p> <p>2. At effective tax rate (if not opted for Section 115BAA) subject to ceiling of Corporate Tax Rate; or</p> <p>3. At reduced tax rate under Section 115BAA of the Income Tax Act or any other relevant categories notified from time to time subject to ceiling of rate specified in the relevant Finance Act.</p> <p>59. Further, Tax shall be allowed only in cases where the company has actually paid taxes as under no circumstances tax can be allowed to be recovered if the company has not paid any tax for the year under consideration. <b>(Refer 4.17)</b></p>	
7.1.25	<p><b><i>Interest on Working Capital</i></b></p> <p>60. 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>	As the PLF of such old gas generating stations is around 20% - 25%, the current practice of allowing working capital requirement is likely to be reconsidered as considering generation of such stations at normative PLF through fulfilling low loads might impact the tariff of end consumers.
	<p>61. 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>	No Comments.
	<p>62. 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>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. <b>(Refer 4.18)</b></p>	No Comments.
7.1.26	<p><b><i>Life of Generating Stations and Transmission System</i></b></p> <p>63. 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>	If the generating & transmission stations are efficiently operating beyond 25 years, then with proper preventive, predictive and breakdown maintenance



	64. 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. <b>(Refer 4.19)</b>	the useful life of these stations can be increased & for such R & M, it necessitates a provision for special allowance.
7.1.27	<b><i>Input Price of coal – Integrated Mine</i></b> 65. Comments and suggestions are sought from the stakeholders on any modifications that may be required to current tariff provisions with regard to the determination of the input price of coal and lignite from integrated mines. <b>(Refer 4.20)</b>	No Comments.
7.1.28	<b><i>Sharing of Gains</i></b> 66. Ways to increase non-core revenues through optimal utilization of available resources. 67. Any modification in the sharing mechanism that may be required <b>(Refer 4.21)</b>	Sharing gains more than 50 % finds to be more useful & is also one of the good approaches for the utilities as a means of incentives.
7.1.29	<b><i>Treatment of arbitration award – Servicing of Principal and Interest Payment</i></b> 68. Principal amount may be capitalized and the interest amount may be allowed to be recovered in installments from the beneficiaries. However, such a recovery of interest amount may also involve carrying cost. <b>(Refer 4.22)</b>	No Comments.
7.1.30	<b><i>Treatment of interest on differential tariff after truing up</i></b> 69. Interest may be allowed to be charged on the differential amount by the utility only till the issuance of the order and no interest may be allowed during the recovery in six equal monthly installments. <b>(Refer 4.23)</b>	No Comments.
7.1.31	<b><i>Normative Annual Plant Availability Factor (NAPAF)</i></b> 70. As discussed in Section 5.1, One option to measure PAF of ROR plants can be to reintroduce 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. “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	No Comments.

	and availability of machines;"	
	<p><b>Normative Annual Plant Availability Factor (NAPAF)</b></p> <p>71. Comments and suggestions are sought from stakeholders on ways to simplify the tariff recovery process for hydro generating station. <b>(Refer 5.1)</b></p>	The two part tariff shall be reconsidered as the hydrological risk impacts on the end consumers.
7.1.32	<p><b>Peak and Off-Peak Tariff</b></p> <p>As recovery of reasonable costs is of prime importance for any infrastructure sectorial 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.</p>	It is the look after of RLDC's to get accountability of daily peak & off-peak periods along with weather forecast duly communicating regularly with SLDC's. Notifying high demand & low demand of the region in advance for month is quite unpredictable, as such for a week's time it might be possible so that planning of overhauling of generators can be carried out.
	1. Whether it would be advisable to limit the recovery based on daily peak and off-peak periods.	If the regulations framed for mandatory solar rooftop power plant at every residential, commercial & industrial installations in the regions where sunny climate is the most, the fuel for other sources of power generation can be made utilized during non-solar hours which is almost a peak period. Hence, at this extent recovery based on daily peak & off-peak periods can be avoided.
	2. Suggestions on National versus Regional Peak as a reference point for recovery of fixed charges. <b>(Refer 5.2)</b>	National peak is not advisable for recovery of FC through the national grid is integrated with all regions because the consumption varies w.r.t. regions & the unified FC determined is a overburden to the end consumers where consumption of power is low.
7.1.33	<p><b>Operational Norms</b></p> <p>72. Further, as the generating stations are being 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. <b>(Refer 5.3)</b></p>	Ideal loading on generators may be fixed with norms based on hydro & thermal units. Immediate steps shall be taken for the degraded Units by replacing or repairing the units for its useful efficiency to cover-up for PLF.
7.1.34	<b>Operational Norms – Inefficient Generating Stations</b>	No Comments.


	73. Comments and suggestions are sought from stakeholders on the option to do away with relaxed norms currently allowed on the basis of actual performance for various efficiency norms of generating stations. <b>(Refer 5.4)</b>	
7.1.35	<b><i>Operational Norms for Washery Rejects based Plants</i></b> 74. In view of no compelling reasons to amend the same, the existing norms for such plants may be continued in the next tariff period. <b>(Refer 5.5)</b>	No Comments.
7.1.36	<b><i>Operational Norms - Emission Control System</i></b> 75. As only very few of such emission control systems have been commissioned, and in the absence of sufficient data on actual operational performance and its impact on the auxiliary consumption, the current tariff norms may be continued for the next control period. However, comments and suggestions are sought from stakeholders on the continuation of the existing norms, or is there a need to modify the same? 76. Further, as considerable expenses have been incurred to reduce the adverse impact on the environment, suggestions are also sought on ways to incentivizing proper operations of such emission control system so that the very purpose of incurring such huge expenses can be achieved and accounted for. 77. Comments and suggestions are sought from stakeholders on whether the current mechanism to exclude these expenses may continue until these generating stations equip themselves with emission control systems as per the timelines specified in the MoEF&CC notification dated 31.03.2021? <b>(Refer 5.6)</b>	No Comments.
7.1.37	<b><i>Compensation for Part-Load Operations</i></b> 78. Comments and suggestions are sought from stakeholders on the earlier norms and any changes that may be required to compensate the generators to operate the plants in a flexible manner to support the Grid. <b>(Refer 5.7)</b>	Compensating the generators where the actual PLF of plants is below 55% is not acceptable. The placement of compensation for the appropriate generators case to case should be through the tariff regulations.
7.1.38	<b><i>Gross Calorific Value (GCV) of Fuel</i></b> 79. In view of discussions held under Section 5.8, comments and suggestions are sought from stakeholders on ways to reduce the gap between GCV “as billed” and “as received”. <b>(Refer 5.8)</b>	The risk sharing of GCV to get accountable “as billed” or “as received” shall rely on all i.e. coal company the railways & the generating station as the portion of delay is attributable to all of

		them while in mining & shifting to transportation, delay in transportation to some reasons and after receiving to firing delay.
7.1.39	<p><b><i>Blending of Coal</i></b></p> <p>80. Linking the consent of beneficiaries with the percentage blending of imported coal instead of an increase in ECR may enable a swift response to an increase in demand by the generating company. Procurement of such coal (other than linkage coal) has to be done through a transparent competitive bidding process. <b>(Refer 5.9)</b></p>	No Comments.
7.1.40	<p><b><i>Incentives</i></b></p> <p>81. Incentives linked to generation in excess of target PLF/NAPAF especially during peak periods, in the case of hydro stations and old pit head generating stations, may need a review in order to encourage higher generation from such plants. based may need a review in order to encourage higher generation from such plants. This will result in increased generation from such plants and will also benefit beneficiaries. <b>(Refer 5.10)</b></p>	No Comments.
7.1.41	<p><b><i>Separate Norms for ROR/Storage Based Hydro Projects</i></b></p> <p>82. Considering the anticipated increase in peaking loads these stations may be incentivized to operate as peaking plants. One way to do so is by providing additional incentives for energy supplied during peak period. <b>(Refer 6.1)</b></p>	Providing additional incentives for peaking power plants acts as burden to the Discom's either directly or indirectly. Hence, using of solar power during solar hours & using of Hydel generation during non-solar hour is an alternate solution.
7.1.42	<p><b><i>Tariff Structure for Cost Recovery for Emission Control System</i></b></p> <p>83. As not all generating stations have installed the emission control systems, and most of these works are in the execution stage, therefore the existing tariff recovery mechanism may be continued. However, comments and suggestions are sought from stakeholders on alternatives to the existing tariff mechanism for recovering the impact of the installation of emission control systems. <b>(Refer 6.2)</b></p>	No Comments.
7.1.43	<p><b><i>Decommissioning of Generating Station and Transmission Assets</i></b></p>	Renovating old plant unit by unit with modifications & auctioning of those

	<p>84. In view of discussion held in Section 6.3, comments and suggestions are sought from stakeholders on the possible approaches to recover or refund the impact of decommissioning costs in case the generating stations/transmission systems are decommissioned before the completion of their useful lives, if such decommissioning is done in compliance of a statutory order or due to technological obsolescence duly approved by RPC. <b>(Refer 6.3)</b></p>	<p>repairable semi efficient good units might be more economical.</p>
7.1.44	<p><b><i>Simplification of Tariff Formats</i></b></p> <p>85. Comments and suggestions are invited from stakeholders for simplifying the existing tariff formats. <b>(Refer 6.4)</b></p>	<p>No Comments.</p>
7.1.45	<p><b><i>Approval process for carrying out non-ISTS lines carrying inter-state power and associated Capital Cost</i></b></p> <p>86. Comments and suggestions are invited from stakeholders, particularly, from STUs and State transmission licensees, for the approval process to be followed before undertaking the construction of new Intra State transmissions lines carrying inter-state power.</p> <p>87. In view of changes that may be required to be carried out in CERC Tariff Regulations, 2024 comments and suggestions are sought from stakeholders on the capital cost to be considered for the computation of transmission charges in respect of intra-State lines (carrying inter-state power) of the State transmission utilities. <b>(Refer 6.5)</b></p>	<p>No Comments.</p>
7.1.46	<p><b><i>Up-gradation of Asset/Replacement</i></b></p> <p>88. In view of the discussion held in Section 6.6 suggestions are invited from stakeholders regarding the treatment of unrecovered depreciation. <b>(Refer 6.6)</b></p>	<p>As it comes to the knowledge, the asset is being replaced or removed while up gradation or obsolescence the same shall be kept for auction or for usage at another plant by diverting duly availing mutual approvals for optimal use of any efficiently operating assets such that depreciation value shall be recovered.</p>
7.1.47	<p><b><i>Assumed Deletions</i></b></p> <p>89. Comments and suggestions are sought from stakeholders on whether to continue to consider the gross value of the asset being de-capitalized, by de-escalating the gross value of the new asset @ 5% per</p>	<p>It is likely to consider by de-escalating the gross value of the new asset at 5 % per annum until the year of capitalization of the old asset, as the asset starts depreciating its value once it comes out</p>



	annum until the year of capitalization of the old asset, or may suggest any other methodology to compute assumed deletions. <b>(Refer 6.7)</b>	of manufacturing unit or at the point of sale.
7.1.48	<p><i>Necessity to Review the need of Regulation 17(2)</i></p> <p>90. The provision under Regulation 17(2) of Tariff Regulations, 2019 may result in further complication and being seen as inequitable for the generator, is required to be modified. <b>(Refer 6.8)</b></p>	A regulation shall be framed for the generating stations & beneficiaries who have entered into a contract, for the generating stations operating beyond the tenure of the PPA where only generators are not the sufferers. The Unilateral exit bounded by the contract is equitable to the all the contract parties.

  
**Superintending Engineer (Ele), Coml**  
**Corporate Office, MESCOM,**  
**Mangaluru.**