

MPERC's Comments on Approach Paper of CERC for Determination of Terms & Conditions of Tariff for the period commencing from 01.04.2024 to 31.3.2029

Sr No.	Particulars	Issues in Approach Paper on which comments offered	MPERC Comments
7.1.1	Alternative Approach to Tariff Determination	<p><i>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:</i></p> <p><i>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. (asset based normative tariff which will eliminate the need for periodic tariff filings)</i></p> <p><i>2. Approach 2: Further simplification of the existing Performance Based Hybrid Approach, wherein on the basis of admitted capital cost, AFC components can be approved based on actuals or norms as may be specified for the control period.</i></p>	<p>The existing performance based hybrid approach of tariff determination is more appropriate. In this approach, capital cost and additional capitalization admitted based on prudence check and AFC components can be approved based on actual or normative basis as may be specified in the Regulations.</p>
7.1.2	Normative Tariff	<p><i>Comments/Observations are invited for the following:</i></p> <p><i>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?</i></p> <p><i>2. What other methodology can be adopted to determine the increasing/ decreasing factors?</i></p> <p><i>3. Whether the impact of additional capitalisation can also be allowed through the same indexation mechanism or through a separate revenue stream?</i></p>	<p>The present method of tariff determination based on prudence check of each and every component of the capital expenditure/additional capitalization may be continued. We have observed as follows:</p> <ul style="list-style-type: none"> • Every component of the AFC is integral part of the tariff. Hence, clustering of AFC on the basis of escalable/non-escalable factors will not give accurate projections and incorporating all such changes in the present tariff structure may lead to complications in determination of tariff.

			<ul style="list-style-type: none"> Further, Additional Capitalization impacts four out of five components of the fixed charges. Hence, Additional Capitalization should be considered at actuals after prudence check. <p>Hence, the present method for tariff determination based on prudence check may be continued.</p>
7.1.3	Interim Tariff	<i>The provisions for interim-tariff can, therefore, be continued in the next tariff period as well to minimized the time gap between the commissioning of the project and generation of cash flows by means of tariff. However, comments and suggestions are sought from stakeholders on the continuation of the said provision.</i>	The provisions for interim-tariff may be continued in the next tariff period as well.
7.1.4	Procurement of Equipment and Services	<i>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.</i>	In order to create competition and to optimise capital cost of the project, it would be desirable to mandate the procurement of equipments and service contracts through competitive bidding duly complying with the policy/guidelines issued by the Government of India.
7.1.5	Reference Cost – Benchmark Cost V/s Investment Approval	<i>Comments and suggestions of stakeholders are invited on other efficient reference costs for approval of capital costs other than Investment Approval costs that can be considered for prudence check:</i>	<p>Benchmarking of capital cost is a complex mechanism due to different technologies / fuel involved, different geographical location, water handling, etc. and one benchmarked cost may not be a true representation of all such plants on basis of which actual costs can be disallowed.</p> <p>Therefore, prudence check of capital cost based on investment approval would be appropriate.</p> <p>Moreover, hard costs of recently commissioned projects of similar specifications may also be referred to for prudence checks.</p>

			It is also proposed that the CERC may determine one benchmark cost for the control period for different rating thermal power stations and different voltage rating transmission lines & sub-stations with certain escalation and same may be used only as reference, so that the cost of different capital cost components as determined by the Commission after prudence check may be comparable with respect to benchmark cost of that component.
7.1.6	Capital Cost – Hydro Generating Stations	<ul style="list-style-type: none"> • <i>As the 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.</i> • <i>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.</i> • <i>Comments and suggestions are sought from stakeholders to incentivise the developer if it executes the project faster/or ahead of schedule and vice-versa if it delays.</i> 	<ul style="list-style-type: none"> • Expenses towards the development of the Local Area may be considered through Government Budgetary Support for funding the hydro projects infrastructure and impact of these expenses should not be passed on to the consumers through tariff. • Additional RoE (say 0.5%) may be allowed to the developers for completion of hydro projects ahead of schedule by atleast six months or more and in case of delay, IDC during the period of delay should not allowed.
7.1.7	Capital Cost – Projects Acquired post NCLT Proceedings	<ul style="list-style-type: none"> • <i>Historical Cost or Acquisition Value of the assets after Resolution Plan is adopted, whichever is lower, should be considered for the determination of tariff post approval of Resolution Plan.</i> 	<ul style="list-style-type: none"> • Accepted

		<ul style="list-style-type: none"> • <i>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 which takes a lot of time.</i> 	<ul style="list-style-type: none"> • With regard to issue of the cost of debt servicing during CIRP process, appropriate provisions need to be included in the Regulations so that creditors may not suffer any loss and at the same time end consumer interest should also be protected.
7.1.8	Computation of IDC	<ul style="list-style-type: none"> • <i>Existing mechanism wherein the pro-rata deduction (based on delay not condoned) is done on IDC beyond SCOD.</i> • <i>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.</i> • <i>IDC approved in the original Investment Approval to be considered while allowing actual IDC in case of delay.</i> 	Despite no norms for infusion of debt and equity components during construction period, the project developers should have to invest debt and equity in appropriate proportion right from the beginning of the project. Therefore, existing mechanism wherein the pro-rata deduction (based on delay not condoned) is done on IDC beyond SCOD may be appropriate and be considered for determination of capital cost of project.
7.1.9	Treatment of LD	<i>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 to eliminate the chances of double deduction, i.e., first in the form of deduction in IDC and then LD which was supposed to be retained by the utilities which gets adjusted in additional capitalisation.</i>	LD should be considered in accordance to Hon'ble APTEL Order.
7.1.10	Price Variation	<i>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 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.</i>	Acceptable
7.1.11	Renovation and Modernisation (R&M)	<ol style="list-style-type: none"> 1. <i>In view of the inherent benefits of undertaking R&M as against going for fresh capital investment, the current provisions may be continued.</i> 2. <i>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.</i> 	Acceptable

7.1.12	Initial Spares	<p><i>Single norm can be considered for each of the following classes of transmissions assets.</i></p> <p><i>1. Transmission Lines including HVDC lines, 2. Substations (including HVDC S/s), Dynamic Reactive Compensation devices, Communication Systems, Underground cable</i></p> <p><i>Comments and suggestions are sought from stakeholders on the proposed approach and alternatives to simplify the norms for initial spares.</i></p>	Acceptable
7.1.13	Controllable and Uncontrollable Factors	<p><i>Delays on account of forest clearances can also be considered for inclusion as uncontrollable factor.</i></p>	<ul style="list-style-type: none"> • Acceptable
7.1.14	Differential Norms – Servicing Impact of Delay	<p><i>1. 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.</i></p> <p><i>2. 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.</i></p> <p><i>3. The current mechanism of treating time overrun may be continued considering that utilities are automatically disincentivised if the project gets delayed.</i></p>	<ul style="list-style-type: none"> • Acceptable
7.1.15	Additional Capitalisation	<p><i>In order to have an enabling provision under which 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.</i></p>	<p>In existing Regulation, scope of additional capitalization after cut-off date is narrow and limited to certain counts. New provision ‘to allow such expenses if they are found to be beneficial/essential for continued operations’ subject to guaranteed improvement in performance parameters may be added which may help in improving the performance of power stations.</p>

			At the same time the benefit towards improvement in performance parameters due to aforesaid Add. Cap. should be passed on to the consumers.
7.1.16	Normative Add-Cap - Generating Station	<p><i>For generating stations that have already crossed the cut-off date as on 31.03.2024, the additional capitalisation for such generating stations may be allowed as per the following:</i></p> <p><i>Thermal Generating Stations</i> – Based on the analysis of actual additional capitalisation 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><i>Hydro Generating Stations</i> – As each hydro generating station is unique owing to various factors additional capitalisation 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 capitalisation is recurring in nature, and hence, station wise normative additional capitalisation 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 capitalised.</p> <ul style="list-style-type: none"> • <i>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 included as these expenses may be allowed separately.</i> • <i>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&M expenses and may not be considered as part of additional capitalisation in case of both thermal and hydro generating stations.</i> 	<p>In existing units, compensation allowance may be considered based on the vintage of units to meet out the requirement of assets of minor nature and tools & trackless.</p> <p>It should be make sure, minor assets cover under compensation allowance should not be claimed under Additional Capitalization.</p> <p>Items of costs below Rs. 20 lakhs those pertaining to Capital Spares may be allowed under O&M expenses and may not be considered as part of additional capitalisation in case of both thermal and hydro generating stations.</p> <p>Cut-off date may be extended from 3 years to 5 years it will eliminate the need to allow additional capitalisation post cut-off date unless in the case of Change in Law and Force Majeure. Subsequently, the provisions for additional capitalization after the cut-off date should be more stringent.</p>

		<ul style="list-style-type: none"> • 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>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> <ul style="list-style-type: none"> • By extending the cut-off date from the current 3 years to 5 years which shall allow time to close contracts and discharge liabilities and eliminate the need to allow additional capitalisation post cut-off date unless in the case of Change in Law and Force Majeure. • However, based on past data of similar existing generating stations, if there is a need to allow additional capitalisation that may be legitimately required post cut-off date other than those presently allowed under Regulations 26 to 29, the same may be allowed as special compensation as proposed in the case of existing station that have crossed the cut-off date. • 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. • 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&M expenses and may not be considered as part of additional capitalisation in case of both thermal and hydro generating stations. Further, any major capital spares costing above Rs. 20 lakh may form part of the special compensation. • 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. 	
7.1.17	Normative Add-Cap –	For Transmission Systems, additional capitalisation post cut-off date may be allowed on technological obsolescence, change in law, force majeure, or due to	Acceptable.

	Transmission System	<i>replacement as presently allowed under Regulation 26 and 27 of the CERC Tariff Regulations, 2019.</i>	
7.1.18	GFA/NFA/Modified GFA approach	<i>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.</i>	Considering the present market conditions, existing Gross fixed asset methodology may be continued.
7.1.19	O&M Expenses	<p><i>O&M norms may be specified under the following two categories:</i></p> <p><i>1. Employee Expenses</i></p> <p><i>2. Other O&M Expenses comprise of Repair and Maintenance and Administrative and General Expenses.</i></p> <ul style="list-style-type: none"> <i>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&M expenses of such systems may be comparable.</i> <p><i>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 unnecessary complications.</i></p> <p><i>Alternatively, to give effect to the impact of pay/wage revision, 50% of the actual wage revision can be allowed on a normative basis.</i></p> <ul style="list-style-type: none"> <i>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.</i> <i>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.</i> 	<p>O&M expenses have historically been allowed as one expense and any change in the methodology as suggested may result in unnecessary complications. Prevailing practices may be continued.</p> <p>No basis is given for considering the impact of pay/wage revision, 50% in normative O&M expenses.</p> <p>While deciding the escalation factor for O&M Expenses, it is observed that the WPI & CPI indexes do not capture the variations on account of the <u>wage revision, increase in water and other charges etc.</u></p> <p>Hence, it is submitted that appropriate factors may also be included to derive an effective escalation factor. Also, such indices may be reviewed and published annually.</p> <p>Additional O&M expenses may be given for transmission assets in North Eastern & Hilly areas due to logistical challenges and inadequate infrastructure growth.</p>

		<ul style="list-style-type: none"> • It is anticipated that if Capital Spares are analysed 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&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. • 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&M expenses. 	
7.1.20	Depreciation	<p>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).</p>	<p>The increase in life period of the project and loan repayment period will facilitate for reducing the upfront loading of Tariff Burden on the Consumers.</p>
7.1.21	Interest on Loan	<p>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.</p>	<ul style="list-style-type: none"> • Continuing with existing approach of allowing cost of debt based on actual weighted average rate of interest based on project specific loans will be best option. • If the project does not have actual loan, then the weighted average rate of interest of the generating company as a whole shall be considered. • It is the responsibility of the Generator / transmission utility to negotiate with the banks for lower interest rates. • Utility should explore possibility of transferring the loans of high interest rate with the other bankers

			<p>and financial institutions for lower interest rate and to pass on the benefit, to the consumer.</p> <ul style="list-style-type: none"> • Further, it is proposed that the cost of hedging related to foreign loans be allowed on actual basis, without allowing any actual FERV.
7.1.22	RoE/RoCE Approach	<p><i>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.</i></p>	<p>ROE approach should be continued because the financial market is expected to be turbulent for next few years and benchmarking debt-equity ratio and cost of debt will not only be difficult but may be unrealistic as well. Thus, it is apprehended that moving to ROCE approach will not prove to be beneficial enough to encourage investment.</p>
7.1.23	Rate of Return on Equity	<p>Key Issues</p> <ul style="list-style-type: none"> • <i>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.</i> • <i>Whether the revised rate of RoE to be made applicable to only new projects or to both existing and new projects?</i> • <i>Whether timely completion of hydro generating stations can be incentivised to attract investments?</i> • <i>Merit behind approving different Rate of RoE to thermal, hydro generation and transmission projects with further incentives for dam/reservoir-based projects including PSP.</i> • <i>Merit in allowing RoE by linking the rate of return with market interest rates such as GSEC rates/MCLR/RBI Base Rate.</i> • <i>Possible options to encourage higher availability and generation from Old Generating Stations can be as follows.</i> 	<p>ROE for new as well as existing power stations may be reduced to 14%. Further, ROE beyond 14% may be linked with performance maximum up to 15 %.</p> <p>The rate of return for hydro projects should be higher than thermal projects due to higher level of risk exposure during construction, with additional incentives allowed for projects.</p> <p>There is no need for over and above incentive on PLF.</p>

		<ul style="list-style-type: none"> • <i>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.</i> 	
7.1.24	Tax Rate	<p><i>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:</i></p> <ol style="list-style-type: none"> <i>1. At MAT rate (If not opted for Section 115 BAA)</i> <i>2. At effective tax rate (if not opted for Section 115BAA) subject to ceiling of Corporate Tax Rate; or</i> <i>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.</i> <p><i>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.</i></p>	<p>Base Rate of RoE may be continued to be grossed up at MAT rate only.</p> <p>Further, it would be a good move if tax is allowed only in cases where the company has actually paid taxes. Tax cannot be allowed to be recovered if the company has not paid any tax for the year under consideration.</p>
7.1.25	Interest on Working Capital	<ul style="list-style-type: none"> • <i>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.</i> • <i>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.</i> • <i>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.</i> 	<ul style="list-style-type: none"> • <i>It has been observed that the coal stock position in most of the coal based thermal power stations throughout the year is at critical level (varies between 7 to 15 days), below the normative coal stock for working capital which is 50 days as specified in the existing CERC Regulation.</i> • <i>In view of the above, it is proposed that the cost of coal stock for working capital should be reviewed on the basis of record of past few years. There is no point in burdening end consumers with such norms, which in any case are not being met.</i>

		<ul style="list-style-type: none"> 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. 	
7.1.26	Life of Generating Stations and Transmission System	<ul style="list-style-type: none"> 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. 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. 	Acceptable
7.1.27	Input Price of coal – Integrated Mine	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	-----
7.1.28	Sharing of Gains	<ul style="list-style-type: none"> Ways to increase non-core revenues through optimal utilisation of available resources. Any modification in the sharing mechanism that may be required. 	<ul style="list-style-type: none"> The present norms for sharing of gains from non-core revenues on 50:50 basis may be continued. Gain of thermal power stations from sale of ESCert in market may also be considered under non-tariff income for sharing purpose.
7.1.29	Treatment of arbitration award – Servicing of Principal and Interest Payment	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 amount may also involve carrying cost.	Interest amount can be recovered in instalments from beneficiaries depending on case to case basis.
7.1.30	Treatment of interest on differential tariff after truing up	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 instalments.	Acceptable
7.1.31	Normative Annual Plant Availability Factor (NAPAF)	Review PAF of existing thermal generating stations.	Acceptable

		<p><i>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.</i></p> <p><i>“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;”</i></p> <p><i>Comments and suggestions are sought from stakeholders on ways to simplify the tariff recovery process for hydro generating station.</i></p>	To measure PAF of ROR plants, methodology that was adopted in CERC Tariff Regulations, 2004 may be reintroduced for hydro generating stations.
7.1.32	Peak and Off-Peak Tariff	<p><i>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.</i></p> <ol style="list-style-type: none"> <i>1. Whether it would be advisable to limit the recovery based on daily peak and off-peak periods.</i> <i>2. Suggestions on National versus Regional Peak as a reference point for recovery of fixed charges.</i> 	<p>Peak and off-Peak tariff should be linked to Solar and Non-Solar tariff.</p> <p>The peak period and the threshold for peak demand will vary from state to state. Hence peak demand period and the peak demand threshold for ensuring year may be fixed by the State, on the basis of historical data.</p> <p>National versus Regional Peak as a reference point for recovery of fixed charges should not be considered for intra state stations.</p>
7.1.33	Operational Norms	<p><i>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.</i></p>	Norms may be fixed considering past performance data of thermal power stations.
7.1.34	Operational Norms – Inefficient Generating Stations	<p><i>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.</i></p>	Acceptable

7.1.35	Operational Norms - Washery Rejects based Plants	<i>In view of no compelling reasons to amend the same, the existing norms for such plants may be continued in the next tariff period.</i>	Acceptable
7.1.36	Operational Norms - Emission Control System	<p><i>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?</i></p> <p><i>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.</i></p> <p><i>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?</i></p>	Acceptable.
7.1.37	Compensation for Part-Load Operations	<i>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.</i>	Looking to the increased share of renewable energy, a suitable compensation scheme may be proposed for the generators to operate the plants in flexible manner in consultation with the other stakeholders.
7.1.38	Gross Calorific Value (GCV) of Fuel	<i>Comments and suggestions are sought from stakeholders on ways to reduce the gap between GCV “as billed” and “as received”</i>	Third party verification is must and proper standard sampling process needs to be adopted as per guidelines for third party coal sampling issued by MoP in 2015.
7.1.39	Blending of Coal	<i>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</i>	Acceptable

		<i>by the generating company. Procurement of such coal (other than linkage coal) has to be done through a transparent competitive bidding process.</i>	
7.1.40	Incentives	<i>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 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.</i>	Existing provisions for PLF based incentive for thermal power stations and PAF based incentive for hydro power stations may be continued. Further, in case of thermal, different incentive for peak and off-peak subject to linkage with solar/non-solar hours may be considered. Further, looking to the increased percentage of solar generation, incentive may also be linked with generation during non-solar hours.
7.1.41	Separate Norms for ROR/Storage Based Hydro Projects	<i>Considering the anticipated increase in peaking loads these stations may be incentivised to operate as peaking plants. One way to do so is by providing additional incentives for energy supplied during peak period.</i>	Government support may be required till such time the cost of such projects is high so that the burden is not fully passed on to the end consumers.
7.1.42	Tariff Structure for Cost Recovery for Emission Control System	<i>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</i>	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.
7.1.43	Decommissioning of Generating Station and Transmission Assets	<i>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.</i>	Burden due to decommissioning of project before the completion of their useful life on the end consumer should be duly considered and mechanisms to reduce the impact on tariff of end consumers should be developed in consultation with stakeholders.

7.1.44	Simplification of Tariff Formats	<i>Comments and suggestions are invited from stakeholders for simplifying the existing tariff formats.</i>	-----
7.1.45	Approval process for carrying out non-ISTS lines carrying inter-state power and associated Capital Cost	<i>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. 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.</i>	
7.1.46	Up-gradation of Asset/Replacement	<i>Suggestions are invited from stakeholders regarding the treatment of unrecovered depreciation where large projects are that involves upgradation and modification have already been planned and assigned to transmission licensees for implementation.</i>	Burden due to upgradation and modification of project on the end consumer should be taken into consideration and there should be provision to reduce impact of such burden.
7.1.47	Assumed Deletions	<i>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 annum until the year of capitalization of the old asset, or may suggest any other methodology to compute assumed deletion.</i>	-----
7.1.48	Necessity to Review the need of Regulation 17(2)	<i>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.</i>	Acceptable