

Observations/Comments on the CERC Approach Paper on Terms and Conditions of Tariff Regulations for Tariff Period 1.4.2024 to 31.3.2029

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
1.	7.1.1	<p>Alternative Approach to Tariff Determination:</p> <p>Consideration of normative Tariff or Performance based Hybrid Approach</p>	<p>In the current Approach paper, the Commission has suggested an approach to shift on a complete normative tariff wherein for existing generating station the Annual Fixed Charges (AFC) for the 1st year of the new control period will be determined based on the norms (i.e., as per existing practice) and thereafter with the help of indexation for the balance tariff period. Further for the new projects, AFC will be determined as per existing approach till the 5th financial year post COD, however from 6th financial year onwards, AFC is to be determined based on indexation mechanism approach. Further, the indexation is proposed to be based on ratio of the previous year and current year expenses.</p> <p>In view of the above, it is submitted that each component of AFC has a unique characteristic. Further, most of the AFC components such as depreciation, interest on loan, and return on equity are linked to capital cost. There are various factor which affects the total AFC such as change in funding patterns, additional capitalization, depreciation rates, interest rates, change in law events etc. It is opined that the proposed indexation mechanism will provide accurate result only when there is no change in aforesaid parameters which impacts AFC. However, whenever there is any change in aforesaid parameters, the indexation will not reflect a true impact on cost components.</p> <p>Few drawbacks of the proposed indexation methodology is as under:</p> <ol style="list-style-type: none"> i. As per proposal, the tariff for the 1st year of ensuing control period is proposed to be determined by norms

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
			<p>and thereafter with the help of indexation which will be the ratio of expenses of current year versus previous year. In this regard it is submitted that the impact of additional capitalization on the AFC components in the standalone year in which the additional capitalization took place is 50% as compared to ensuing years mainly due to the averaging method. So, let us assume that an additional capitalization took place in the FY 2023-24 (i.e., the last year of existing MYT control Period). So in FY 2023-24 the impact of such capitalization on AFC component (such as depreciation, interest on loan and return on equity) will be 50%. Further, based on the norms the AFC components of ensuing year, i.e., FY 2024-25 will be determined wherein full 100% impact will come since addition to normative loan, equity, GFA etc. will be considered as a part of respective opening balance. Now when the indexation will be calculated for rest of the years of new control period by dividing the AFC/expenses of FY 2024-25 with AFC/expenses of FY 2023-24, it will be on increasing side. Thus, indexation mechanism will fail to capture the true impact.</p> <p>ii. Further, when there is retirement or decommissioning of any particular assets, the GFA or opening balance of equity, loan etc need to be adjusted. When such a retirement will take place in any year of the control period, the indexation mechanism will fail to capture such impact.</p> <p>iii. The indexation mechanism will also not capture any change in interest rate or</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
			<p>loan swapping impact that if take place during the control period.</p> <p>Although, the Commission has suggested that the post expiry of the tariff period, the Commission shall call upon relevant data (on weighted average rate of interest and Interest on Working Capital, Working Capital) and revise the indexation factor. In this regard, it is submitted that this exercise will again require determination of each component of AFC post tariff expiry period in order to give effect of actual variation impact through revision in indexation. Such approach is similar to the current approach being followed by the Hon'ble Commission. Hence, the main intention of shifting to normative tariff to reduce the regulatory burden on the Commission may not be achieved.</p> <p>Further, in case of additional capitalization (other than those presently covered under Regulation 26 to Regulation 29) it has also been suggested that the impact of the same on AFC may be provided through special compensation which shall not be capitalized and shall not be subjected to true up. However, for those presently covered under Regulation 26 to Regulation 29, a separate Petition may be filed. It is quite possible that a particular generating station may not require such additional capitalization which might have been undertaken in similar unit size of another project/s. Therefore, if such approach is followed then a particular generating station may be enjoying a special compensation without actually in need of it and may result in unjust enrichment of Genco at the cost of consumers. Hence, it is submitted that every expenses should be subjected to True-up otherwise this will create a regulatory uncertainty. Further, such indexation exercise may complicate the tariff determination process.</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
			<p>Further, there are still many changes/reforms happening in power sector and power market in India is yet to be stabilize, thus it is opined that the present situation is pre-matured to be considered for implementing alternative tariff design.</p> <p>In view of above to maintain regulatory certainty and to avoid unjust enrichment of entity, the existing procedure may be continued to safeguard the interest of the ultimate consumer.</p>
2.	7.1.2	<p>Normative Tariff:</p> <ol style="list-style-type: none"> 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? 2. What other methodology can be adopted to determine the increasing/ decreasing factors? 3. Whether the impact of additional capitalisation can also be allowed through the same indexation mechanism or through a separate revenue stream? 	<ol style="list-style-type: none"> 1. AFC components are interlinked to each other because of which they may be showing increasing/ decreasing trend. However, some inherent variation may impact individual component which will not be captured by the indexation methodology. Even in case the Commission wishes to adopt indexation methods, it is submitted that indexes should be created for each component rather than on clustering basis. 2. The current approach is more scientific and realistic in nature. Hence, the same may be continued. 3. As submitted that the indexation mechanism may not capture the true impact of additional capitalization in certain specific scenario. Further, in order to determine the impact of additional capitalization the AFC components need to be determined again; Such exercise will be similar to that of existing approach. 4. It is submitted that the proposed methodology, instead of simplifying the tariff determination process will further complicate the mechanism. 5. Even than if Commission considers to adopt either of the approach, it is earnestly proposed that it must be

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
			<p>subject to a mandatory true up of each and every component of AFC.</p> <p>Approach-I</p> <p>6. Non true up of O&M Expenses, is opposed.</p> <p>7. Proposal of allowing Add Cap to new projects which have not completed 5 years post CoD on normative basis is opposed.</p> <p>8. Proposal of enhancing cut off date to 5 years is also opposed.</p> <ul style="list-style-type: none"> - The above proposal will result in unjust enrichment of Generating Company and will have additional financial burden on beneficiaries. It is proposed that in regulated tariff regime each and every tariff component must be subjected to true up. <p>Approach- II</p> <p>9. Proposal of allowing normative Add. Cap. Is opposed.</p>
3.	7.1.3	<p>Interim tariff: The provisions for interim tariff can, therefore, be continued in the next tariff period as well.</p>	<p>The provisions of interim tariff may be continued which will enable utilities to seek approval of the capital cost of new projects on an anticipated basis. This will help utilities to minimise the time gap between the commissioning of the project and the generation of cash flows by means of tariff.</p>
4.	7.1.4	<p>Procurement of Equipment and Services: 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>	<p>It is observed that almost all award of work and service contracts for developing projects are undertaken through transparent process of competitive bidding only. Further, the proposed provision will add more regulatory certainty in the sector. Hence, the suggestions are welcomed. It is also proposed that all Power Sector PSU Projects must be subject to compulsory audit by CAG from the date of start of the commission activity.</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
5.	7.1.5	<p>Reference Cost – Benchmark Cost V/s Investment Approval that can be considered for prudence check</p>	<p>Determining the capital costs of generating stations and Transmission system involves various methods and factors that can vary depending on the location, project size, design, and other specific considerations. The capital cost is affected by various factors including but not limited to design, terrain, soil type, technology used, site conditions, regulatory requirements, labour costs, and the availability of construction materials etc. The capital cost of two projects can't be compared based on historical data/similarity/magnitude/benchmarking. Accordingly, one benchmarked cost may not be true representation of all such plants and lines.</p> <p>Cost of investment approval by BoD is often found to be inflated and, therefore, can never be a justified reference for capital cost of new project.</p> <p>However, we believe that there has to be some capping or reference cost which should be compared with actual capital cost in order to quickly analyse the major deviation if any. It is proposed that some independent agency like CEA may determine an average benchmark cost of each component of typical project/system based on hard cost of recently commissioned projects under different geographical locations over the period of last 5 years. This may be used as a prudence check against the claimed Capital cost / investment approval cost.</p>
6.	7.1.6	<p>Capital Cost-Hydro Generating Stations: 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</p>	<p>The option proposed by the Commission for funding the local area development expenses, i.e., roads and bridges through Budgetary support for funding the enabling infrastructure, on a case-to-case basis is a welcome step. Non-inclusion of such expenses in capital cost will result in lower tariff for end consumers and the same will</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
		<p>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>ensure that the Hydro projects will have a greater commercial acceptability. Further, the projects will also be expedited if budgetary support is given for such expenses.</p>
7	7.1.7	<p>Capital Cost – Projects Acquired post NCLT Proceedings:</p> <p>i. Historical Cost or Acquisition Value, whichever is lower, should be considered for the determination of tariff post approval of Resolution Plan.</p> <p>ii. 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>i. We agree that in most of the cases the acquisition costs of assets under NCLT have been considerably lower than the historical value of the assets. Hence, under such cases for tariff to be determined under Section 62, the lower of historical or acquisition cost should be considered. The consumers should not be burdened with the asset premium quoted if any.</p> <p>ii. Further, as regard to the issue of the cost of debt servicing, including repayment, that were allowed as a part of the tariff during the CIRP process wherein no debt servicing was done by the utilities, it may be considered that a tariff provisions may be incorporated in the Regulations to govern the determination of tariff for such entities during that period. However, It is proposed that while providing for cost of Debt servicing including repayment allowed as the part of CIRP process it must be made mandatory that AFC and EC should never be higher than what is would have been if such incidence of CIRP has not occurred.</p>
8	7.1.8	<p>Computation of IDC:</p>	<p>i. The Commission may adopt option 2 wherein Pro-rata IDC may be allowed</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
		<p>i. Existing mechanism wherein the pro-rata deduction (based on delay not condoned) is done on IDC beyond SCOD.</p> <p>ii. 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>iii. IDC approved in the original Investment Approval to be considered while allowing actual IDC in case of delay.</p>	<p>considering the total implementation period.</p> <p>ii. As regard to another proposal that even in case of delay if the actual IDC computed is less than the approved IDC as per the original Investment Approval, the actual IDC may be allowed, it is submitted that IDC under original Investment Approval are approved under the no delay scenario. Now, even after the delay the actual IDC is coming within the originally approved IDC, this clearly tantamount that the approved original IDC or capital cost is not prudent but is highly inflated. Hence, we disagree that IDC approved in the original Investment Approval to be considered or to be used as reference while allowing actual IDC in case of delay.</p> <p>iii. Actual IDC or IDC as per investment approval whichever is lower should be considered up to SCOD subject to prudence check regarding deployment of fund, interest rate and CPM –PERT chart.</p>
9	7.1.9	<p>Treatment of LD: Necessary changes in tariff forms and regulations, if any, to provide further clarity on the adjustment of LD</p>	<p>LD may be accounted for as specified by APTEL.</p> <p>It is proposed that the utility must be required to submit provision of LD in their work agreement, mechanism of LD calculation and its justification, amount of LD required to be recovered, actual amount of LD recovered etc. to ensure proper implementation of above provision.</p>
10	7.1.10	<p>Price Variation: For allowing price variation, the utilities may be mandated to submit the statutory auditor certificate along with the petition duly certifying the price variation corresponding to the delay and the same may be allowed on pro-rata basis corresponding to</p>	<p>It is true that price variation may result in increase in the hard cost in case the contract provides for cost escalation beyond SCOD.</p> <p>(1) It causes multifold impact on consumers</p> <p>(a) Price Variation (Hike) impact</p> <p>(b) IDC increase impact</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
		<p>the delay condoned. Further, a separate form may also be specified to submit the relevant information pertaining to price variations.</p>	<p>(c) Deprived of much needed resource of power during the period of delay beyond SCOD. In this backdrop it is proposed</p> <p>(i) No PV be allowed if the delay is not condoned.</p> <p>(ii) In case if delay is condoned in that case either of PV or IDC whichever is lower may be allowed</p>
11	7.1.11	<p>R&M:</p> <p>i. In view of the inherent benefits of undertaking R&M as against going for fresh capital investment, the current provisions may be continued.</p> <p>ii. 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.</p>	<p>i. The existing provision to opt for R&M or special allowance for the old generating stations and transmission systems as the case may be that have outlived their useful life with the consent of the beneficiaries may be continued.</p> <p>ii. As regard to second proposal wherein it proposed that 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, it is submitted that in case if it is envisaged that the cost if R&M is opted instead of special allowance is lower than special allowance or vice versa resulting in lowering of tariff, utility may be allowed to switch between available options based on cost benefit analysis and detailed justification.</p> <p>iii. (a) Provision of 'Special Allowance' has been adopted by almost all the station of NTPC and therefore it cannot be discontinued in mid-term. Further it may be ensured through Proper Regulatory Provision that those plant which have availed special allowance may not be allowed any additional allowance may not be allowed any additional capital expenditure for R&M activity and they must carry R&M with fund accumulated by way of 'Special Allowance'. Further, if the DPR of R&M for such plants (if prepared) is less than the amount accumulated by way of</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
			<p>special allowance than the utility must carry out its R&M activity through R&M process and excess amount may be reimbursed to the utilities along with carrying cost.</p>
12	7.1.12	<p>Initial Spares:</p> <p>Single norm can be considered for each of the following classes of transmissions 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>The existing eleven (11) separate categories and sub-categories pertaining to ceiling norms for initial spares may be minimized. Since, most of the new projects related transmission are being awarded under the TBCB mechanism, the Commission may specify a single norms as per the latest trend. Further, a norms for HV underground cables may also be specified based on the latest data available.</p> <p>In case of Generating Plants 3 types of spares are allowed as under:</p> <ol style="list-style-type: none"> (i) Initial spares (ii) Capital spares (iii) O&M spares <p>These spares have not been defined in Tariff Regulations and may cause unjust enrichment of the utility. It is proposed to define and earmarked the limits and type of each category of spares. It is further proposed that spares costing upto an amount of Rs. 50 Lac may be included in spares covered in O&M expenses and no separate recovery may be allowed in the name of capital spares for these spares.</p>
13	7.1.13	<p>Controllable and Uncontrollable Factors:</p> <p>Delays on account of forest clearances can also be considered for inclusion as uncontrollable factor.</p>	<p>Inclusion of delay on account of forest clearances as an uncontrollable factor may lead to further delay in commissioning of projects as these might create a perceived image in the mind of person who is responsible for taking timely clearances, approvals that at the end any delay will get condoned being uncontrollable and hence, his/her pro-activeness and rigorous follow up for getting clearance may diminish.</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
			This proposal is strongly opposed and may not be implemented as it would result in inordinate delay in commissioning of project.
14	7.1.14	<p>Differential Norms – Servicing Impact of Delay:</p> <p>i. 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>ii. 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>iii. The current mechanism of treating time overrun may be continued considering that utilities are automatically disincentivised if the project gets delayed.</p>	<p>i. We appreciate the intention of the Commission to include the enabling provision to factor in the servicing impact of delay which is expected to bring a discipline and proactiveness in completing the project timely. However, the proposal to disallow proposed percentage (i.e. 20%) does not seem logical. It is proposed to increase the accountability of utility, the cost impact corresponding to the delay condoned may be increased to 50%.</p> <p>ii. Further, the alternate proposal to restrict the RoE on Equity corresponding to cost and time overrun allowed over and above project cost as per investment approval at the weighted average rate of interest on loan instead of fixed RoE seems more logical. Hence, we agree with the alternate option as proposed by the Commission.</p> <p>Instead of above, it is proposed that the IDC corresponding to delay condoned and being allowed may be treated as a part of Debt and may be treated the way as the loan / Debt portfolio is being treated in present regulation i.e. repayment of loan / debt is allowed through depreciation and interest on loan is also allowed up to its total repayment.</p>
15	7.1.15	<p>Additional Capitalisation:</p> <p>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.</p>	It is stated that the existing provision of additional capitalization is quite exhaustive and it covers provision for each and every type of capital expenditure of a generating station or the transmission utility as the case may be. It is proposed to continue with the existing provisions and in case if any expenditure is not included in original scope of work it will be covered in Regulation-26.

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
16	7.1.16	<p>Normative Add-Cap - Generating Station:</p> <p>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:</p> <p>i. Thermal Generating Stations – Based on the analysis of actual additional capitalisation incurred by such generating stations in the past (15-20 years) and co-relating 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>ii. Hydro Generating Stations – 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</p>	<p>i. The proposal of allowing additional capital expenditure on normative basis (in case of Thermal and hydro generating station as well) will result in unjust and illogical enrichment of the utility causing undue burden on the consumers and is strongly opposed. It is proposed to continue with the existing scheme of things of allowing additional capital expenditure on actual basis subject prudence check of its reasonability, use- ability and necessity.</p> <p>ii. In case of works presently covered under Regulation 26 to Regulation 29, existing provision may be continued.</p> <p>iii. Agreed with proposal to include capital spares costing below Rs.50lakhs as a part of normative O&M expenses computation.</p> <p>iv. The proposal towards discharge of liability seems acceptable.</p> <p>v. The extension of cut-off date is also opposed as the projects are already being inordinately delayed and the utility have ample time to complete their project in all respect within 3 years.</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
		<p>true up and shall not be required to be capitalised.</p> <p>iii. 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.</p> <p>iv. 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.</p> <p>v. 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>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>vi. 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</p>	

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
		<p>Change in Law and Force Majeure.</p> <p>vii. 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 cutoff date.</p> <p>viii. 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>ix. 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.</p> <p>x. 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>	

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
17	7.1.17	<p>Normative Add-Cap – Transmission System:</p> <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>Since additional capitalisation post cut-off date is rarely required in the case of transmission systems, hence the existing approach may be continued.</p>
18	7.1.18	<p>GFA/NFA/Modified GFA approach: 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.</p>	<p>The GFA approach provides for internal resources for capacity replacement through return on equity even when the cumulative depreciation goes beyond the debt component. Whereas, in the NFA approach, the returns are allowed on the remaining equity component after adjusting for the depreciation received beyond the debt component.</p> <p>To safeguard the interest of the consumer as provided in Electricity Act,2003, and to provide Electricity at reasonable rates to the consumers as provided in tariff policy, it is proposed to adopt NFA method in allowing ROE.</p>
19	7.1.19	<p>O&M Expenses:</p> <p>(A) <u>Segregation of O&M expenses:</u> O&M norms may be specified under the following two categories.</p> <ol style="list-style-type: none"> 1. Employee Expenses 2. Other O&M Expenses comprise of Repair and Maintenance and Administrative and General Expenses. <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</p>	<p>(A) It is to submit that in regulated tariff regime, every expenditure must be subjected to the truing up. It is to state that the Normative O&M Expenses cannot be a source of revenue generation to the utilities and it should always be subject to true up with the condition that normative O&M expenses or actual O&M expenses (including additional O&M like wage revision etc.) whichever is lower may only be allowed in the interest of justice with the ultimate consumer.</p> <p>(B) <u>Norms for HVDC Stations:</u></p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
		<p>though the total O&M expenses of such systems may be comparable. 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.</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>(B) <u>Norms for HVDC Stations:</u></p> <p>One norm for all HVDC schemes in terms of per MW considering the actual expenses incurred in the past may be specified.</p> <p>(C) <u>O&M Expenses for Special Cases:</u></p> <p>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>(D) <u>Inclusion of Capital Spares:</u></p> <p>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.</p> <p>Alternatively, instead of including all such capital spares as part of normative O&M expenses, recurring</p>	<p>Agreed with the proposal to have one norm for all HVDC schemes in terms of per MW considering the actual expenses incurred in the past.</p> <p>(C) <u>O&M Expenses for Special Cases:</u></p> <p>Instead of additional O&M, it is proposed that additional incentive linked with availability may be offered for transmission assets being operated in the North Eastern and Hilly Regions which will serve two purpose i.e., encourage higher availability of transmission system and cost towards additional O&M.</p> <p>(D) <u>Inclusion of Capital Spares:</u></p> <p>Agreed with the alternate option wherein all such capital spares as part of normative O&M expenses, recurring and low value spares below Rs. 50 lakh may be made part of normative O&M expenses, while for capital spares with a value in excess of Rs. 50 lakh, utilities may submit the same on a case to case basis for reimbursement with appropriate justification for the Commission's consideration.</p> <p>(E) <u>Impact on account of change in Law and Taxes:</u></p> <p>The proposal of providing for impact of change in law in O&M expenses, is not required to be included in the Regulations as there are various provisions which provides to take care of change in law. It will create redundancy of the regulation.</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
		<p>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>(E) <u>Impact on account of change in Law and Taxes:</u></p> <p>Whether to include any provisions with regard to allowing impact of change in law in O&M expenses.</p>	
20	7.1.20	<p>Depreciation:</p> <p>i. Depreciation rate may be specified considering a loan tenure of 15 years instead of the current practice of 12 years.</p> <p>ii. 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>i. It is understood that with the intention of minimizing the front loading of tariff, the Commission has proposed to modify the Depreciation rate considering a loan tenure of 15 years instead of the current practice of 12 years. In this regard it is submitted that while spreading depreciation over longer Periods may result in reducing the depreciation costs in the initial years, however as depreciation is considered equal to repayment of normative loan, the average loan balance and hence normative interest on loan will increase. For an instance let say that the average depreciation rate is 5.24% when loan tenure is of 12 years and there is a reduction of say 1% due to extending the loan tenure to 15 years. So the depreciation expenses of particular year will reduce by 1%. However, the average interest rate is generally higher than the average depreciation rate, say 10%. Now, since 1% reduced depreciation will now be considered as repayment which will result in increasing the closing balance of normative loan equivalent to 1% and hence average loan balance. Now the</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
			<p>interest on normative loan on increased average loan balance will be calculated with rate of 10% which will result in higher interest expenses.</p> <p>Further, in case of existing projects which are based on the loan tenure of 12 years and are yet to complete 12 years of life as on 31 March, 2024, extending the loan tenure by 3 more years will result in higher interest amount on cumulative basis. Hence, it should not be made applicable for existing units/system. The existing approach of considering loan tenure as 12 years for depreciation computation may be continued for existing asset.</p> <p>However, in case the Commission wish to extend the loan tenure for existing projects, then a capping must be introduced in such a manner that the normative interest payment on cumulative basis shall remain same under 12 years of tenure or 15 years of tenure.</p> <p>Further, in case of new projects a loan tenure of 15 years instead of existing 12 years may be considered. However, the same should be considered only when there is reduction in rate of interest if being offered for longer duration say 15-18 years as compared to loan tenure of 12 years for the same projects. Accordingly depreciation rate may be specified for new projects. A provision for cost benefit analysis under loan tenure of 15 years and 12 years should be carried out before approving the same and if the normative interest expenses on cumulative basis under 15 years of loan tenure is same or lower as that of loan tenure of 12 years, then the same may be considered in determination of depreciation and tariff.</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
			ii. As regard to second proposal for including additional provision that allows lower rate of depreciation to be charged by the generator in the initial years if mutually agreed upon with the beneficiary (ies) is acceptable.
21	7.1.21	<p>Interest on Loan:</p> <p>i. 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.</p> <p>ii. Further, the cost of hedging related to foreign loans be allowed on actual basis, without allowing any actual FERV</p>	<p>i. Since every project has unique characteristic, there might be some project specific reliefs provided by the Government or lower interest rate being offered by financial institutions for particular project. The approach proposed in the paper to calculate interest on loan based on weighted average actual interest rate of the company will result in passing of such benefit of specific project to beneficiaries of other projects. Hence, existing provision of consideration of project specific interest on loan should be continued. Utilities may be asked to keep track of project specific loan and map the loan against the assets and provide such detail to the Commission along with tariff petition.</p> <p>ii. It is proposed that either the cost of hedging related to foreign loans or actual amount of FERV whichever is lower may be allowed as pass through.</p>
22	7.1.22	<p>RoE/RoCE Approach:</p> <p>As in the past much has been deliberated and discussed on the two approaches and in view of the long-standing position of this Commission, the present system, or RoE approach, may be continued.</p>	<p>Most of the new projects are being routed through TBCB process and, therefore, these regulations will be applicable mostly to PSUs which are allowed for capacity addition through tariff determination process. The PSU are supposed to work in public interest and therefore, it is strongly urged to move to net fixed asset and RoCE approach.</p>
23	7.1.23	<p>Rate of Return on Equity:</p> <p><u>Methodology:</u></p>	<p>Further, based on the methodology as proposed by the Commission, we have tried to calculate the expected rate of return on equity as below:</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
		<p>i. 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> <p>ii. 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> <p>iii. 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> <p>iv. Alternatively, MRP may be computed using any other method including the Survey Method.</p>	<p>i. Calculation of market return The market return has been estimated based on historical data of returns of BSE Sensex. The market return for a period from 1994-23 was 14.32%.</p> <p>ii. Calculation of risk free rate based on 10-year government bond yields Risk free rate is estimated using yield of 10-year government bond. The Risk free rate (Rf) based on 10-year Indian government bond yield for 2003-23 period works out to be 7.31%.</p> <p>iii. Estimation of expected Beta With the help of daily data on the SENSEX and BSE Power Index for the latest 5 years, equity beta estimated as 0.73.</p> <p>iv. Calculating the expected rate of return Expected rate of return =</p> $Re = Rf + \{\beta * (Rm - Rf)\}$ $= 7.31\% + [0.73 \times (14.32\% - 7.31\%)]$ $= 12.39\%$ <p>In view of above, calculated return, the existing rate of return is proposed to be reviewed downward as proposed in following paras :-</p> <p>i. In view of the above calculated return, the existing rate of return may be reviewed.</p> <p>(i) It is proposed to review the present RoE and since the Transmission is a least risk business and therefore as proposed by FOR lower RoE should be allowed as under (based on above calculated rate of 12.39%) :-</p> <p>a. Transmission – 12%</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
			<p>b. Generation - 12.5% Further on Add. Cap. upto cut of date the above proposed rate of RoE may be allowed and for Add. Cap. beyond cut of date, the RoE must be allowed @ WAROI</p> <p>(ii) The above proposed rate of RoE shall be made applicable uniformly on Old as well as new projects.</p> <p>(iii) Timely completion of the project is the responsibility of the developers. It is not advisable to incentivize for performing ones own duties on the contrary, it is proposed that any project, whether it may be Hydro , thermal, Gas, or Transmission, should be de-incentivize for delaying the project beyond SCOD @ 0.5% for every six months of delay.</p> <p>(iv) RoE is being allowed looking to risk free rate, equity beta and market risk premium and therefore is also dependent on the risk involved in carrying out the activity. Since the risk perceptions are different for different category of developers, it would be a welcome decision to prescribe different rate of RoE for transmission, thermal and hydro generation.</p> <p>(v) Linking of RoE with market rates may create regulatory uncertainty and it will further complicate the calculation of AFC, recovery or reimbursement of difference in RoE based on varying market rate etc. and therefore, is not advisable.</p>
24	7.1.23	<p>Rate of Return on Equity:</p> <p><u>Other Key Issues</u></p>	<p>i. As per the recommendation of the Forum of Regulators, in its Report on “Analysis of Factors Impacting Retail Tariff and Measures to Address Them” with regard</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
		<p>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.</p> <p>ii. Whether the revised rate of RoE to be made applicable to only new projects or to both existing and new projects?</p> <p>iii. Whether timely completion of hydro generating stations can be incentivised to attract investments?</p> <p>iv. 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>v. Merit in allowing RoE by linking the rate of return with market interest rates such as GSEC rates/MCLR/RBI Base Rate.</p> <p>vi. 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.</p>	<p>to RoE, the review of rate of RoE may be undertaken.</p> <p>ii. It is submitted that the rate of RoE may be reviewed and revised downward and shall be made applicable to new as well as existing projects.</p> <p>iii. As regard to incentive for timely completion of hydro generating stations, it is submitted that the Ministry of Power vide its order dated 29 May, 2023 has made partial modification towards the provision for waiver of ISTS charges for Hydro PSP project. Now the waiver of ISTS charges for Hydro PSP project has been made subject to 'award of construction work' instead of 'commissioning' mentioned earlier. As these projects are being incentivized on account of above provision and therefore, their appears no justification for any additional incentive to hydro projects.</p> <p>iv. Since all three business i.e. Generation, Transmission and Distribution has unique nature and the associated risks & challenges, hence, there is a merit in approving different RoE for different business.</p> <p>v. The proposal of linking of RoE with market rates such as GSEC rates/MCLR/RBI Base Rate will create regulatory uncertainty and may complicate the process. And therefore, the existing approach of one time fixation of RoE on the onset of tariff control period may be continue.</p> <p>vi. The proposal of additional incentive against generation beyond the target PLF or national average PLF whichever is higher may not be allowed to Thermal generating stations as well as hydro</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
			generating station, because old generating stations have already recovered their capital cost and they are also being paid various performance linked incentives inbuilt in existing tariff structure.
25	7.1.24	<p>Tax Rate:</p> <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:.</p> <ol style="list-style-type: none"> 1. At MAT rate (If not opted for Section 115 BAA) 2. At effective tax rate (if not opted for Section 115BAA) subject to ceiling of Corporate Tax Rate; or 3. At reduced tax rate under Section 115BAA of the Income Tax Act or any other relevant categories notified from time to time subject to ceiling of rate specified in the relevant Finance Act. <p>ii. 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</p>	<p>i. By definition Income tax is a tax imposed on individuals or entities in respect of income or profit earned by them. It is, therefore, proposed that the entity should be made responsible for payment of their income tax from the profit being earned by them and it must not be levied on the consumers. The Hon'ble Commission is requested to kindly review the provision of grossing up of income tax in the interest of justice.</p> <p>ii. Even if in case the Commission allows the recovery of tax from the beneficiary, in that case it is agreed that the Tax shall be allowed only in cases where the company has actually paid taxes.</p>
26	7.1.25	<p>Interest on Working Capital:</p> <p>i. It is observed that the working capital norms are efficient, so the existing norms may be retained. However, comments and</p>	<p>i. IOWC is being allowed on normative basis. It is submitted that each and every parameter of AFC must be subject to the truing up accordingly, it is proposed that the IOWC should also be subjected to the truing up with the condition that normative</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
		<p>suggestions are invited on any modification that may be required in the norms.</p> <p>ii. 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>iii. 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>iv. 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>IOWC or actual IOWC whichever is lower may be considered as allowable in AFC.</p> <p>ii. The rate of interest on working capital, i.e., one-year MCLR plus 350 bps is proposed to be reviewed based on the actual rates as availed by the utilities. Accordingly, margin of 350 bps may be reduced to 200 basis points on provisional basis subject to truing up as per actual or normative whichever is lower.</p>
27	7.1.26	<p>Life of Generating Stations and Transmission System:</p> <p>i. 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>ii. 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>i. Since, on account of better O&M practices, more and more coal based thermal generating stations & Transmission system are operating efficiently even beyond 25 years, the useful life may be extended to 35 years. However, in case of existing stations and transmission system, the depending upon the technical & operational soundness, the life of only generating stations and transmission system that are found economical should be extended to 35 years. There is no merit in extending the life of those assets which are not economical to run.</p> <p>ii. Also those Generating stations which undergo R&M activities may be considered</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
			<p>with 35 years of useful life from the date of completion of R&M.</p> <p>iii. Further, it has been observed that the Ministry of Power on 20 April, 2023 has notified "Scheme for Pooling of Tariff of those plants who's PPAs have expired". As per the scheme - As and when any Station of the Generating Company completes its PPA period (which is generally of 25 years), the same shall be automatically added to the pool which is violation of provision of PPA. Also in future all Central Generating capacity which completes 25 years of service would be added to the pool. This scheme is against the interest of ultimate consumer as after bearing the AFC for 25 years and when all the capital cost elements have been recovered by the Generating Company (except salvage value) the beneficiaries have the first right to accept or decline the power after completion of 25 years and therefore, this scheme may kindly be not implemented.</p> <p>iv. When the life is extended to 35 years as proposed by the Commission it is understood that 25 years mentioned in above scheme dated 20.04.2023 of MoP will be replaced by 35 years.</p> <p>v. It is also proposed that the provision contained in Regulation-17(2) of Tariff Regulations, 2019 may be retained as it is to safeguard the interest of the consumer.</p> <p>vi. As regard to proposal to continue with the existing provision for allowing a special allowance or provision of R&M may also be revised to 35 years.</p>
28	7.1.27	<p>Input Price of coal – Integrated Mine:</p> <p>Any modifications that may be required to current tariff provisions with regard to the determination of</p>	No comments.

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
		the input price of coal and lignite from integrated mines	
29	7.1.28	<p>Sharing of Gains:</p> <p>i. Ways to increase non-core revenues through optimal utilisation of available resources.</p> <p>ii. Any modification in the sharing mechanism that may be required.</p>	<p>i. As long as non-core activities through lease, data centers, ecotourism, etc. does not affect the main business of generating stations or Transmission system and results in additional non-tariff/other income for reducing the AFC, the same may be explored and is a welcoming step.</p> <p>ii. CDM benefits are to be shared in the ratio of 50:50 from 1st year itself as each and every expense carried out by the utility is to be borne by the consumers.</p> <p>iii. Total Non-tariff income must be utilized in reducing the AFC.</p> <p>iv. In case of hydro generating stations when the overall generation throughout the year happens to be more than designed energy, generator will gain an amount which is over and above the AFC for that project. This excess energy over and above designed energy is mainly due to effect of monsoon and not due to any extra efforts of generator. There is no treatment of this gain was provided in tariff regulation 2019-24. This gain on account of excess generation over and above designed energy may need to be addressed in upcoming tariff regulations. It is proposed that the generator may be allowed to recover the amount equivalent to AFC only and to do away with the recovery of the amount on secondary energy over and above designed energy. (The detailed proposal is enclosed as Annexure-A-1)</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
30	7.1.29	<p>Treatment of arbitration award – Servicing of Principal and Interest Payment:</p> <p>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.</p>	<p>The proposed mechanism may increase the AFC for entire life of the period which may not be in the interest of the beneficiaries and accordingly, It is proposed that in-stead of increasing the capital cost the same may be allowed to be recovered in monthly installments directly from the beneficiaries. To avoid the tariff shock on the beneficiaries a number of monthly installments can be determined on the basis of total amount of award along with interest.</p>
31	7.1.30	<p>Treatment of interest on differential tariff after truing up:</p> <p>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.</p>	<p>The orders in true up petition often delayed due to non-submission of the Petition by the utility, non-submission of timely replies by the Petitioner etc. Thus mostly the delay is happens to be attributable to the Petitioner and, therefore, such delays may not be allowed for recovery of carrying cost after truing up, however, along with this amendment the proposed mechanism can be considered.</p>
32	7.1.31	<p>Normative Annual Plant Availability Factor (NAPAF):</p> <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.</p> <p>“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,</p>	<p>i. Since various allowances/incentives being offered to Utilities towards ensuing their availability, hence, there is a strong and compelling need to review the existing norms of NAPAF in upward direction considering past years’ PAF.</p> <p>ii. Further, as regard to measure PAF of ROR plants, the methodology that was being adopted in the CERC Tariff Regulations, 2004 may not be in the larger interest of the power sector and the ultimate consumer as it may result lesser availability of such RoR Generating Stations.</p> <p>iii. As regard to simplification of the tariff recovery process for hydro generating station, it is submitted that the existing mechanism of AFC recovery from Capacity Charges and Energy Charges in 50:50 ratio, is a well settled mechanism as</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
		<p>optimum use of water and availability of machines;”</p> <p>ii. Comments and suggestions are sought from stakeholders on ways to simplify the tariff recovery process for hydro generating station.</p>	<p>it balances the interest of generating station as well as the beneficiaries. Further, the Commission is allowing recovery on account of generation lower than design energy only in cases which is beyond the control of the Generating company, else the loss on AFC is on the account of Generating company only. On other hand when the overall generation throughout the year happens to be more than designed energy, generator will gain an amount which is over and above the AFC for that project. This excess energy over and above designed energy is mainly due to effect of monsoon and not due to any extra efforts of generator. Therefore generator might not be allowed to recover an amount over and above the AFC. This gain on account of excess generation over and above designed energy may need to be addressed in upcoming tariff regulations. It is proposed that the generator may be allowed to recover the amount equivalent to AFC only and to do away with the recovery of the amount on secondary energy over and above designed energy. (As per Annexure-A-1)</p>
33	7.1.32	<p>Peak and Off-Peak Tariff:</p> <p>As recovery of reasonable costs is of prime importance for any infrastructure sectoral growth, comments/ suggestions are sought on the possible interventions/modifications required to address the issues highlighted above. Specific suggestions are also sought on the following:</p> <p>1. Whether it would be advisable to limit the recovery based on daily peak and off-peak periods.</p>	<p>i. Recovery of cost based on daily peak and off-peak periods may be considered. It would further encourage the generator to be available during the time beneficiaries needed them the most.</p> <p>ii. Every State has unique demand pattern based on their consumer mix. While there is still challenges with existing Regional Peak as a reference point for recovery of fixed charges, National Peak might further add challenge to it and, therefore, it is not in favour of consumer interest.</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
		2. Suggestions on National versus Regional Peak as a reference point for recovery of fixed charges.	
34	7.1.33	<p>Operational Norms:</p> <p>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.</p>	The present norms may be considered for upward revision of NAPAF to ensure higher availability of much needed all generating stations. Further there must be some cushion or margin for operating below NAPAF. Thus there should not be any compensation for operation of the thermal generating station below 85%.
35	7.1.34	<p>Operational Norms – Inefficient Generating Stations:</p> <p>Option to do away with relaxed norms currently allowed on the basis of actual performance for various efficiency norms of generating stations.</p>	It is logical to do away with relaxed norms for those generating stations that have not been operating efficiently in the past and for which the Commission has been considering actual achievements to fix relaxed norms. It is a welcoming step. It is proposed to increase the relaxed norms up to normative levels in phased manner.
36	7.1.35	<p>Operational Norms for Washery Rejects based Plants:</p> <p>In view of no compelling reasons to amend the same, the existing norms for such plants may be continued in the next tariff period.</p>	The existing norms for such plants may be continued in the next tariff period
37	7.1.36	<p>Operational Norms - Emission Control System:</p> <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,</p>	<p>i. The existing practice may be continued until the sufficient actual data are available for revise the norms.</p> <p>ii. As regard to ways to incentivizing proper operations of such emission control system, it is submitted that the consumers have already borne such huge expense being incurred by the Generating companies for controlling of emission. It's a duty of the generating station to efficiently operate such system. Hence, rather than incentive it is proposed that a penalty clause should be introduced so as to bring discipline in operation and handling of such system.</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
		<p>or is there a need to modify the same?</p> <p>ii. 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.</p> <p>iii. 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?</p>	<p>iii. Further, the current practice of excluding supplementary energy charges towards emission control system while preparing merit order may be continued.</p> <p>iv. It is proposed that some budgetary support may also be provided for installation of ECS norms in Thermal Generating Stations in similar manner as considered for Road development etc. in Hydel project. This budgetary support may be granted from PSDF. It will not only expedite the commissioning of such ECS system, but eliminate the possibility of higher tariff on the consumer also.</p>
38	7.1.37	<p>Compensation for Part-Load Operations:</p> <p>Comments and suggestions are sought from stakeholders on the earlier norms and any changes that may be required to compensate the generators to operate the plants in a flexible manner to support the Grid</p>	<p>i. It is submitted that the Central Electricity Authority vide dated 25th January 2023 has notified CEA (Flexible Operation of Coal Based Thermal Power Generating Units) Regulations, 2023 where in technical minimum power level has been specified as 40% of maximum continuous power rating of station without oil support. Based on the above, existing provision of compensation for part load operation may be reviewed.</p> <p>ii. It is proposed that no compensation may be prescribed for operation of a generating plant below normative PLF of 85%. It is submitted that incentive is being allowed to Generating Plant for operating above normative PLF of 85% and compensation is being paid by beneficiaries for operation below 85%</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
			<p>accordingly, it is proposed for kind consideration that there must be some specific zone in which a plant must operate without the liability of any incentive or the compensation on the beneficiaries as was the case in earlier tariff regime prior to May, 2017. In view of above, it is urged that there must not be any compensation for operation of a Generating Plant below 85% PLF to the level as may be suggested by independent expert agency like CEA/Forum of Regulator etc.</p> <p>iii. It is proposed that budgetary support may be provided to Central Sector Generating Stations for installation of Retro fitting, if required, to comply with flexible operation regulations.</p>
39	7.1.38	<p>Gross Calorific Value (GCV) of Fuel:</p> <p>Comments and suggestions are sought from stakeholders on ways to reduce the gap between GCV “as billed” and “as received”.</p>	<p>It is seen that the generating company are least bothered about the grade slippage in coal being supplied to them. To make the generating company more responsible and accountable towards their coal supplies it is proposed that the GCV as billed by the coal supplier company may be considered for calculation of energy charges without allowing any kind of margin.</p>
40	7.1.39	<p>Blending of Coal:</p> <p>Linking the consent of beneficiaries with the percentage blending of imported coal instead of an increase in ECR may enable a swift response to an increase in demand by the generating company. Procurement of such coal (other than linkage coal) has to be done through a transparent competitive bidding process.</p>	<p>Percentage of blending have a direct impact on the Energy charges and since the energy charge is an important factor for purchase of power, being based on Merit Order Dispatch it is submitted that existing provision of consent linked to increase in energy charge should be continued. However, if the Commission decide to modify the same, it is submitted that the consent should be linked to both percentage blending of imported coal and an increase in ECR. It is proposed that for any blending which may result in increase of energy charges should be linked to the consent of the beneficiaries.</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
41	7.1.40	<p>Incentives:</p> <p>Incentives linked to generation in excess of target PLF/NAPAF especially during peak periods, in the case of hydro stations and old pit head generating stations, may need a review in order to encourage higher generation from such plants. 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.</p>	<p>The existing incentives provisions may be reviewed for reducing of the financial impact on beneficiaries.</p>
42	7.1.41	<p>Separate Norms for ROR/Storage Based Hydro Projects:</p> <p>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.</p>	<p>It is submitted that Ministry of Power has issued guidelines to promote development of Pump Storage Projects on 10th April 2023, wherein various promotional measures are being offered. Highlight of the same is as under:</p> <ul style="list-style-type: none"> ❖ Exemption from Free Power obligation ❖ No Upfront Premium for Project Allocation ❖ No requirement of creation of a Local Area Development Fund ❖ State Government shall consider reimbursement of SGST on PSP project components ❖ States may exempt land to be acquired by off-the-river PSPS from payment towards stamp duty and registration fees. Government land, if available, may be provided at a concessional rate to the developers on annual lease rent basis. ❖ No water cess shall be levied on PSPS ❖ Electricity Duty (ED) and Cross Subsidy Surcharge (CSS) shall not be applicable on pumping power for charging of PSPS

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
			<p>❖ Utilization of exhausted mines to develop PSPS</p> <p>Taking cognizance of the above, a separate norms may be specified for ROR/Storage Based Hydro Projects. Further, since various exemptions are already offered to PSP/ROR, there is no need to provide additional incentives.</p>
43	7.1.42	<p>Tariff Structure for Cost Recovery for Emission Control System:</p> <p>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.</p>	<p>The existing tariff recovery mechanism may be continued till the time all generating stations install the emission control systems as per requirements.</p> <p>It is proposed that the ECS commissioning is being done by the utilities in the interest of the common people to protect the environment and as such all these expenses should be provided budgetary support or else, the commission may consider to allow ROE to these new installations @ WAROI along with normative de-ratio as 80:20.</p>
44	7.1.43	<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 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>	<p>The approach of adjustment of the net profit/loss post decommissioning and disposal of assets either in one go or in installment depending monetary impact with the beneficiaries, duly factoring in the unrecovered depreciation admissible under the Tariff Regulations, may be adopted.</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
45	7.1.44	<p>Simplification of Tariff Formats:</p> <p>Comments and suggestions are invited from stakeholders for simplifying the existing tariff formats.</p>	No comments.
46	7.1.45	<p>Approval process for carrying out non-ISTS lines carrying inter-state power and associated Capital Cost:</p> <p>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>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.</p>	
47	7.1.46	<p>Up-gradation of Asset/Replacement:</p> <p>Suggestions are invited from stakeholders regarding the treatment of unrecovered depreciation.</p>	Similar to approach proposed for decapitalization of assets, i.e., adjustment of the net profit/loss post replacement and disposal/sale of replaced asset; may also be adopted to adjustment of unrecovered depreciation.
48	7.1.47	<p>Assumed Deletions:</p> <p>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</p>	Since, the original value of old asset is not available, the existing method may be continued.

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
		suggest any other methodology to compute assumed deletions.	
49	7.1.48	<p>Necessity to Review the need of Regulation 17(2):</p> <p>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.</p>	<p>It is submitted that as per existing provision the generating company and the beneficiary have the option after 25 years of operation to enter into a mutual agreement to recover capacity charges based on scheduled generation. Further, as there will be mutual agreement which shall govern the terms & condition for power purchase hence, there is no violation of contract sanctity. The agreed party will be bound by the mutual contract. Hence, there is no need to review the need of Regulations 17(2). The 90% of the capital cost of the project has been repaid by the beneficiaries to the developer and remaining 10% of the cost of the project can be recovered from sale of scrap and, therefore, as a matter of fact, the beneficiaries have every right to remain in PPA or to exist from the PPA looking to their own commercial interest. Thus, the existing regulation 17(2) is based on sound legal footing and it must not be reviewed.</p> <p>Further, as regard to unilateral exit clause that seems to be inequitable, it is submitted that it is mainly the R&M and the cost of which is borne by the beneficiary that has made possible to operate such plants efficiently even after completing existing useful life of 25 years. Further, the stations of 25 plus years have their capex recovered, fully depreciated and are debt free etc. all on account of expenses being recovered from beneficiary. Hence, it is purely logical for the beneficiaries to have first right of refusal to such arrangement and to exit from the ongoing PPA.</p>

Sl. No.	Clause No.	Brief of issues on which Comments/Suggestions are sought	MP Discoms Comments/ Observations
			In view of above, it is submitted that there is no need to review Regulation 17(2) and the same may be continue for next tariff period.