NLC TAMILNADU POWER LIMITED

(A JVC between NLC India Ltd & TANGEDCO and a Subsidiary of NLC India Limited)

OFFICE OF THE CHIEF EXECUTIVE OFFICER

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Lr. No. NTPL/CERC/Approach Paper 2024-29/2023-24 Date: 14.07.2023

To

The Secretary,
Central Electricity Regulatory Commission,
3rd & 4th floor, Chanderlok Building,
36, Janpath Marg, NEW DELHI - 110 001.

Sir,

Sub: **NLC TAMILNADU POWER LIMITED (NTPL) - 2 x 500 MW Thermal Power Station** - Approach Paper on Terms and Conditions of Tariff Regulations for Tariff Period 01.04.2024 to 31.03.2029 - Submission of Comments/Suggestions - Reg.

Ref: CERC File No. L-1/268/2022/CERC Dated 26.05.2023

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Please find enclosed the Affidavit containing Comments/Suggestions on Approach Paper on Terms and Conditions of Tariff Regulations for Tariff Period 01.04.2024 to 31.03.2029. The above may please be taken on record.

Yours faithfully,
for NLC TAMILNADU POWER LIMITED

Uthamanjaeu 14/7/23

Chief Executive Officer

Chief Executive Officer
NLC Tamil Nadu Power Ltd
Harbour Estate, Tuticorin - 4

Encl.: As above

INDEX

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FORM 1

BEFORE THE CENTRAL ELECTRICITY REGULATORY COMMISSION, NEW DELHI

IN THE MATTER OF:

Approach Paper on Terms and Conditions of Tariff Regulations for Tariff Period 01.04.2024 to 31.03.2029 – Submission of Comments/Suggestions

AND IN THE MATTER OF

NLC Tamilnadu Power Limited
No.135, EVR Periyar High Road,
Kilpauk, Chennai - 600 010 .... **RESPONDENT**

MOST RESPECTFULLY SHOWETH:

THE RESPONDENT HUMBLY STATES THAT:

1. The Hon'ble Commission is in the process of formulating the Terms and Conditions of Tariff Regulations for the tariff period commencing from 1.4.2024. While deciding the principles and methodologies to be adopted for tariff determination during the next tariff period commencing on 1.4.2024, the Hon'ble Commission vide letter CERC File No. L-1/268/2022/CERC Dated 26.05.2023 has invited suggestions/ feedback of the stakeholders, electricity industry players etc. on Approach Paper on Terms and Conditions of Tariff Regulations for Tariff Period 01.04.2024 to 31.03.2029 by 15.07.2023.

2. Accordingly, NTPL is submitting this affidavit containing Comments/Suggestions on Approach Paper on Terms and Conditions of Tariff Regulations for Tariff Period 01.04.2024 to 31.03.2029.

3. The Comments/Suggestions on Approach Paper on Terms and Conditions of Tariff Regulations for Tariff Period 01.04.2024 to 31.03.2029 is enclosed as **ANNEXURE.**

PRAYER

NTPL humbly requests the Hon'ble Commission

To take on record the affidavit containing the Comments/Suggestions on Approach Paper on Terms and Conditions of Tariff Regulations for Tariff Period 01.04.2024 to 31.03.2029

RESPONDENT

Executive
Ramanujam
NLC Tamil Nadu Power Ltd
Harbour Estate, Tuticorin

ANNEXURE

NLC TAMILNADU POWER LIMITED
2 X 500 MW COAL BASED THERMAL POWER PLANT
TUTICORIN, TAMILNADU

Comments/Suggestions on Approach Paper on Terms and Conditions of Tariff Regulations for Tariff Period 01.04.2024 to 31.03.2029

Financial Aspects Impacting Tariff

4.2 Capital Cost

Need to mandatorily award work and services contracts for developing projects under the regulated tariff mechanism through a transparent process of competitive bidding using public procurement platforms, duly complying with the policy/guidelines issued by the Government of India as applicable from time to time.

NTPL Comments

The project estimated cost sanctioned by GOI accounts for a huge amount of investment wherein opportunities are to be explored through sources involving the Public Procurement Platform. However, it is to be seen that by going through the Public Procurement Platform, opportunities should not be limited to GENCOS to get competitive bidding. Hence, the earlier method of choosing the bidder through domestic competitive bidding as well as international competitive bidding may be resorted to wherever applicable till the period the Public Procurement Platform is well equipped and developed so that opportunities are available to GENCOS to get the competitive bidding which ultimately results in reduced capital cost leading to reduced tariff.

4.2.3 Reference Cost for Approval of Capital Cost - Benchmark Cost V/s Investment Approval Cost

Comments and suggestions of stakeholders are invited on other efficient reference costs other than Investment Approval costs that can be considered for prudence checks

NTPL Comments

Benchmark for allowing the capital cost may not represent the actual value of capital cost involved for a similar project wherein the project cost depends upon

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so many factors such as site condition, owning of land, enabling work making the land suitable for the project, requirement of a desalination plant, coal handling system, design of the plant, Chimney design, draft cooling tower and so on. Hence, benchmarking for allowing capital cost should not be adhered to. Instead for the comparison purpose only, the same may be applied.

4.4 Computation of Interest During Construction

Existing IDC provisions may require more pragmatic approach to recognise and allow the cost considering implementation schedule and base case IDC/IDC approved in IA. IDC approved in Original Investment Approval may also be considered.

IDC may require to be computed post SCOD. Whether to consider IDC approved in Original Investment approval for allowing IDC?

NTPL Comments

IDC based on the Investment approval without considering the delay aspect cannot be taken as the basis and it shall not only include IDC for condoned period but also include IDC for non-condoned period taking into account the reality of the situation for which GENCOS is not responsible for the delay. Hence, once it is proved that GENCOS is not truly responsible for the delay, IDC shall be worked out on real time basis without punishing GENCO and at the same time giving relief to the beneficiaries to the extent of LD recovered or finalized from the contractor so that both GENCOS and Beneficiaries could render justice for the construction of power project which is exclusively for the benefit of beneficiaries

Comments and suggestions are sought from stakeholders on the following options for allowing IDC:

1) Existing mechanism wherein the pro rata computation is done on excess IDC pertaining to delay period beyond SCOD

   NTPL Comments

   This option is not at all applicable as the focus shall be allowing IDC for both pre SCOD and post SCOD till actual COD taking into account of the above fact

2) Pro rata IDC may be allowed considering the total implementation period wherein the actual IDC is pro-rated considering the SCOD and period of delay condoned over total implementation period

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NTPL Comments

In terms of mere number, the second method has an edge over the first one. But the question is not the which method has to follow but to allow the IDC of both pre SCOD and post SCOD till actual COD taking into account the above reasons as mentioned in the pre paras above.

3) IDC approved in the original Investment Approval to be considered while allowing actual IDC in case of delay?

NTPL Comments

As mentioned above, there is no logic to consider IDC approval in the original investment as the same is based on only theoretical and not based on practical conditions faced by GENCOS during the construction of the power plant due to the reason as mentioned pre paras above

4) In case the actual IDC is below that approved in the Original Investment approval, the same may be allowed as lower IDC even in case a project is delayed may be due to prudent phasing of funds adopted by the utilities

NTPL Comments

As mentioned above, IDC shall not be based on theoretical approach but on practical approach faced by GENCOS. Hence there is no point to consider Investment approval as base for considering IDC.

4.5 Price Variation

For allowing price variation, the utilities may be mandated to submit the statutory auditor certificate along with the petition duly certifying the price variation corresponding to delay and the same may be allowed on pro-rata basis corresponding to the delay condoned. Further, a separate form may also be specified to submit the relevant information pertaining to price variation. Comments and suggestions are sought from stakeholders on the above proposal and suggest alternatives, if any

NTPL Comments

Normally, Price variation Clause (PVC) is applicable during the original time schedule of the contract period and during the extension period of the contract period, PVC is not applicable which is as per the terms and conditions of the contract normally adopted. Hence, the price variation will not increase the hard cost wherein original time schedule of the contract is within SCOD and hence

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the additional information in a separate tariff format is not required in the above cases.

However, where the contract clause provides the provision of PVC within the original time schedule of the contract period and the original time schedule of the contract period is beyond SCOD, in this case separate format need to submitted with the certificate of statutory auditor as the same increase hard cost. In another scenario, contract clause itself provide PVC beyond original time schedule of the contract period i.e., beyond SCOD period, in that cases PVC increases hard cost and hence the filing in a separate format is required for the consideration of the commission.

4.6 Renovation and Modernisation (R&M)

Comments and suggestions are sought from stakeholders on continuation of the existing provisions and on the above suggestion of continuing with Special Allowance, if opted at the beginning of the tariff period for the rest of the tariff period

NTPL Comments

It is seen that the Renovation and Modernization of the plant defer the huge investment seeking new capacities and fresh approval. Considering these, as the same provides the ultimate benefit to beneficiaries on a low capital base with the reduced tariff, special allowances need to be continued at the beginning of the tariff period itself so as to take care of the remaining period of same tariff period itself.

4.8 Controllable and Un-Controllable Factors

Delays on account of forest clearances can also be considered for inclusion as uncontrollable factor provided that such delays are not attributable to the generating company or the transmission licensee.

Comments and suggestions are sought from stakeholders on continued inclusion of delay on account of land acquisition as an uncontrollable factor and on the further inclusion of delay on account of forest clearances as an uncontrollable factor.

NTPL Comments

The commission may kindly consider the delay on the part of Forest Clearance as the uncontrollable factor by GENCOS and the entire period of the delay shall be given in favour of GENCOS undoubtfully.

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4.9 Differential Norms - Servicing Impact of Delay

Comments and suggestions are sought on the following:

1. To encourage rigorous pursuit of such approvals from statutory authorities, even if delay beyond SCOD on account of clearances and approvals that are condoned, some part of the cost impact (Say 20%) corresponding to the delay condoned may be disallowed

   NTPL Comments

   It is totally unfair to punish the GENCOS on account of the reason that they are serving DISCOMS and the commission shall equally treat GENCOS in line with Beneficiaries. Hence, there is no question of disallowing GENCOS on this ground

2. Alternatively, RoE corresponding to cost and time overruns allowed over and above project cost as per investment approval may be allowed at the weighted average rate of interest on loans instead of a fixed RoE

   NTPL Comments

   The time and cost overrun on account of forest clearance have to be classified as the uncontrollable factor which is not within the purview of GENCOS and hence RoE shall be allowed as fixed ROE and not weighted average rate of interest on loan and GENCOS shall be treated fairly

3. The current mechanism of treating time overrun may be continued, considering that utilities are automatically disincentivised if the project gets delayed

   NTPL Comments

   The current mechanism shall not be continued as the same amount to provide unfair justice to GENCOS where the delay is attributable due to uncontrollable factors of GENCOS.

4.10 Additional Capitalisation

1. There are no enabling provisions under which a generating station can seek approval of costs pertaining to Railway Infrastructure and its augmentation for transportation of coal up to the receiving end of the generating station (excluding any transportation cost and any other appurtenant cost paid to railways) that are not covered under the above provisions that may result in

 V Ramanujam

better fuel management, can lead to a reduction in operation costs, or shall have other tangible benefits. Therefore, in order to have an enabling provision under which such additional capitalisation can be allowed with prior approval, a provision may be introduced to existing Regulation 26 to allow such expenses if they are found to be beneficial/essential for continued operations. Comments and suggestions are sought from stakeholders on the above

NTPL Comments

There is always a possibility of reduction of operating expenditure on account of additional Capitalisation due to Railway infrastructure and its augmentation upto the receiving end of coal could very well be admitted by the commission with the certification of the cost auditor stating that it would benefit the company in the long run by reducing operating expenditure of the company which will ultimately benefit the beneficiaries. Hence a provision to include this additional capitalisation may consider by the commission suitably.

2. Cut Off Date - Whether to be increased to 5 years

It was observed that the majority of additional capitalisation post COD is incurred within 5 years from COD and therefore it is proposed to increase the cut-off date from the present 3 years to 5 years. A Separate study carried out found that around 84% total Capital cost is incurred as on COD and almost entire balance 16% is incurred in the first 5 years.

NTPL Comments

It is the right decision to increase the cut-off date to 5 years and the same is true in the case of NLC TAMILNADU POWER PLANT. In NTPL, station COD was achieved on 29-08-2015 and accordingly in the earlier regulation 2014-19, additional capitalization was allowed only up to 31-03-2018 even though additional capitalization continued to incur beyond 31-03-2018. The total additional capitalization upto FY 2018-19 was Rs 869.85 crores against the additional capitalization allowable by the commission was Rs 774.38 crores i.e., up to the cut-off date 31-03-2018, which is not logical and against the spirit of generating company. Hence, the decision to increase the cut-off date to 5 years is a welcome move and would provide justification to the generating company for the incurrence of additional capitalization.

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3. Intermittent additional capitalisation may be approved on normative basis

   Thermal - Based on the analysis of actual addcap in the past (15-20years) and co-relating such expenses to different unit sizes such as 200/210 MW series, 500/660 MW Series and different vintage (5-10,10-15,15-20,20-25 years post COD) a special dispensation in the form of yearly allowance may be allowed which shall not be subject to any true up and shall not be required to be capitalised.

   NTPL Comments

   The suggestion may not be correct in the sense that it would average the expenditure of additional capitalization and would not serve the purpose and it would be either under recovery or excess recovery to the generating company and the actual additional capitalization would not be passed on to beneficiary and the same would not be fair to the beneficiaries.

4. While determining special compensation for a thermal 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.

   NTPL Comments

   Yes. It is fair and logical on the part of generating company to admit the additional capitalization by CERC governing regulations 26 to 29 and the same be allowed separately.

5. Items that cost 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.

   NTPL Comments

   Simplification of Tariff determination and shifting towards normative tariff is the right direction by CERC and the commission should fairly consider taking into account the fact that the proposed decision should neither be a disadvantageous to the GENCOS nor benefit to the GENCOS and it shall be fairly decided on the following grounds 1) The commission shall consider the value of spares, tools and tackles below Rs 20 lakhs per unit may be admitted as a part of O & M (additional capitalisation below Rs 20 lakhs as an exclusive

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line item) subject to the prudence check at the year-end so that any excess / short amount incurred by GENCOS could be set right at the tariff period end with the auditor's certificate.

6. 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

NTPL Comments

Liabilities are the outstanding amount payable to the contractor which depends upon the work completed but payment not made as per the financial. However, the undischarged liabilities as per the CERC would indicate the total value for the uncompleted work which includes the work completed but the payment not made as of 31-03-2024 but also includes the value of the uncompleted work which is yet to be taken up by the contractor concerned. Hence, the undischarged liabilities as per financial and CERC are varying in nature, it is not fair on the part of generating company to admit the discharge liabilities only based on the liabilities as on 31-03-2024.

4.12 O&M Expenses

4.12.1 Segregation of Normative O&M Expenses

Allowing one time impact on issues affecting one of the components of O&M Expenses (A&G and R&M Expense) becomes difficult due to absence of segregation of baseline expenses forming part of O&M expenses.

In case of Employee Expenses one time effect for pay revision, impact is required to be approved

NTPL Comments

First of all it is brought to your kind notice that the existing system of operating power plant is made with reduced man power only which is as a result of Biennial Outsourcing contract made for the operation and maintenance of the plant in boiler, turbine, ash handling, coal handling, de-salination plant, transportation, up keep, civil maintenance etc and the concept of outsourcing contract is increased year by year and the scope of outsourcing contract is widening with a view to reduce the O & M cost of the plant within the norms provided by the commission. Hence, operation of R&M cost has been very well taken care of outsourcing contract with the further increased automation of the plant wherever possible taking into account

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design of the plant. The only thing which is uncovered by the commission is the employee cost wherein employee of the GENCOS is already reduced to a great extent but scope is not given by the commission to consider the impact of employee cost whenever wage revision is taken place during the Tariff Period. It is further to bring to the notice of the commission that wage revision is taken place not during every tariff period and now a days wage revision for both executives and non-executives are occurred once in 10 years. Hence the effect of wage revision is more than the two full year tariff period. Hence impact of such wage revision would bring the extra employee cost to the GENCOS which the commission shall consider such extra expenditure on account of revision of employee cost by either allowing such cost separately or duly segregating O & M cost as Employee cost and non-employee cost. Otherwise, the commission may prefer the wage revision of PSE all India basis on average basis and not as 50% of hike due to wage revision impact.

4.12.4 Inclusion of Capital Spares

Capital spares expenses are non-recurring and sporadic, so benchmarking them can be difficult. However, 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 suggestion are sought from stakeholders on the above suggested approach and alternatives, if any, to streamline the approval process for spares.

NTPL Comments

Simplification of Tariff determination and shifting towards normative tariff is the right direction by CERC and the commission should fairly consider taking into account the fact that the proposed decision should neither be a

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disadvantageous to the GENCOS nor benefit to the GENCOS and it shall be fairly decided on the following grounds 1) The commission shall consider the value of capital spares below Rs 20 lakhs per unit may be admitted as a part of O & M (capital spares below Rs 20 lakhs as an exclusive line item) subject to the prudence check at the year-end so that any excess / short amount incurred by GENCOS could be set right at the tariff period end with the auditor's certificate. 2) Similarly, capital spares in excess of Rs 20 lakh per unit, utilities may be given an opportunity to provide necessary justification on case-to-case basis for Commission's consideration which commission may consider based on the merit.

4.12.5 Impact on account of Change in Law and Taxes

It is observed that there are no provisions with regard to allowing additional expenses on account of any change in law resulting in an increase in O&M expenses. However, including the same may lead to recurring impacts, and claims that may result in regulatory overburden

Comments and suggestions are therefore sought from stakeholders on whether to include any provisions with regard to allowing impact of a change in law on O&M expenses

NTPL Comments

Yes, it is a very right decision to give a necessary provision in the regulation itself so as to enable GENCOS to accommodate such expenditure so as to reduce the burden of increase in O & M expenditure due to the impact on account of change in Law and Taxes and thereby filing a separate petition could be avoided. During the tariff period of 5 years, there is always scope for an increase in the rate of taxes and duties. Hence, a hike of a reasonable percentage may be considered based on past experience as a part of admitting AFC and the same shall be subject to prudence check at the tariff period end to avoid dispute with DISCOM.

4.13 Depreciation

Depreciation rate may be specified considering a loan tenure of 15 years instead of the current practice of 12 years. Further, additional provisions may also be specified that allow lower rate of depreciation to be charged by the

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generator in the initial years if mutually agreed upon with the beneficiary(ies).

Comments and suggestions are therefore sought from stakeholders on the above proposal and any modifications required, if any

NTPL Comments

It is observed that the project tenure of the loan is influenced by the market conditions prevailing during the time, financial soundness of the company, credit rating, demand and supply position of the project loan, overall economic scenario, terms and conditions of the tender seeking term loan, RBI policy rate of interest and so many factors. Hence correlating the term loan period with the depreciation rate may not be correct. Further for example, In NTPL, a project term loan is only 10 years of period. The longer the project term loan period means the payment of more interest which is not wise on the part of GENCOS and DISCOMS. Hence the present system may not be disturbed. It is further to see that, for the argument's sake the risk of an increase in the interest rate due to higher loan tenure may be a minimum for regulated entities is always not correct.

4.14 Interest on Loans

To simplify the approval of interest on loans, the weighted average actual rate of interest of the generating company or transmission licensee may be considered instead of project specific interest on loans. Further, the cost of hedging related to foreign loans be allowed on an actual basis, without allowing any actual FERV.

Comments and suggestions are sought from stakeholders on the above suggestions and alternatives, including in respect of treatment of FERV/cost of hedging

NTPL Comments

It may not be wise to link the project specific interest rate with the weighted average rate of the interest of the generating company on the ground that rate of interest depends upon the credit rating of the company, market conditions and other factors etc. The company enjoys the good credit rating may get the reduced rate of interest and vice versa. Hence the regularisation interest rate is not fair on the part of GENCOS. The company enjoys good

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credit rating may get benefit out of this which is not fair on account other GENCOS which enjoys average credit rating.

4.16 Rate of Return on Equity

Comments and suggestions are sought from stakeholders on the following issues:

1. Review of Rate of RoE to be allowed, including that to be allowed on additional capitalisation that is carried out on account of Change in Law and Force Majeure.

   NTPL Comments

   Additional capitalisation on account of change in law would amount to investment by GENCOS, which should be fairly considered by the commission to fetch the reasonable rate of return to the GENCOS over and above the bank interest rate. Hence atleast normal ROE of 15.50% for Thermal station shall be considered by the commission so as to justify the investment. It is further to note that Generating company commissioning COD during the tariff period 2014-19 would not have much reserve and surplus due to the limited PAT which is further affected by non-disposable of Trued up petition wherein additional capitalisation is done mostly met out by term loan The existing reserve and surplus is further reduced on account of declaration of dividend to the shareholder of the company. The situation is still worsened where there is no cash profit and only profit is the accounting entry on account regulatory deferral. Hence GENCOS is having every right to entitle 15.50% minimum rate of return on equity wherein additional capitalisation is made on account of change in law and Force Majeure.

2. Whether the revised rate of RoE to be made applicable to only new projects or to both existing and new projects?

   NTPL Comments

   In the case of new project, project sanction amount already deemed to include the cost of the installation of the new plant plus cost of the installation of the plant on account of change in law wherein ROE of 15.50% is applicable. However, in the case of the existing project, the investment

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is made through additional capitalisation which should also fetch the ROE of 15.50% so that both the existing and new project are made with no discrimination.

3. Merit in allowing RoE by linking the rate of return with market interest rates such as G-SEC rates/MCLR/RBI Base Rate.

NTPL Comments

The bank rate and ROE should not be mixed with each other and considered to be a two exclusive event by considering the fact that ROE of the company doesn't give guarantee return to GENCOS wherein project had been executed with time over run and further where time over run cost have been disallowed for considering the capital cost of the project which would be a major junk to GENCOS. Further increase in O & M cost is not proportionate to the increase in the O & M cost allowed by the commission and any increase beyond the limit would be absorbed by GENCOS only.

4.16.5 Rate of Return - Old Thermal Generating Station

Possible options to encourage higher availability and generation from old generating stations can be as follows.

1) Allowing additional incentive in the form of paise/kWh apart from those currently allowed may be allowed to such generating stations against generation beyond the target PLF.

Comments and suggestions are sought from stakeholders on various possible alternatives that incentivises generation from these efficient old generating stations.

NTPL Comments

Old is always gold. Old generating plant is having every right to have additional incentives in Paise / kwh irrespective of the fact that whether the generation is in excess of targeted PLF or not as such old plant provides a lot of benefit to DISCOMS due to the reduction of a capital base which ultimately reduces power cost per unit. It is also to keep in mind that such old plant should be operated with all the additional safety facilities required for operating such old plant and hence our target shall be keep operating such plant for more year of period ahead reasonably rather than mere operating plant in excess of targeted PLF and make it unhealthy further.

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4.17 Tax Rate

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:

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.

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.

In view of the above discussion, comments and suggestions are sought on the above and any other alternative(s)

NTPL Comments

Existing methodology may be followed

4.18 Interest on Working Capital

1. Whether any modification is required in the Working Capital Norms

NTPL Comments

NTPL (2 x 500 MW) coal based thermal power plant is a non-pit head power plant located in Tuticorin, Tamilnadu and is far away from the sources of coal.

Coal availability from coal companies will be difficult sometimes on account of local issues and rainy seasons. Hence coal stock to be accumulated for more than 30 days for continuous power generation.

Logistic contractors are also facing many constraints like weather forecasting, cyclone, pandemic situations, issues in rake allotment by railways, fleet of vessel for berthing, delay in berthing and placement of vessels which in turn affects the movement of coal.

Hence, stock of coal cost may be considered for 30 days for non-pit head stations due to the reasons cited above.

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2. Whether Rate of Interest for WC may be continued at one-year MCLR plus 350 bps or any better alternative to the same

   NTPL Comments

   The existing method of deciding interest rate may continue as the same is taken care of interest rate fluctuation.

3. Alternative approach to approve IoWC that may not require periodic truing up

   NTPL Comments

   No alternative approach is required at this juncture.

5. Operational Parameters Impacting Tariff

5.1 Normative Annual Plant Availability Factor (NAPAF)

The existing norms of NAPAF may need review by considering past years' PAF, the procurement of coal from alternate sources, other than designated fuel supply agreements, changes in hydrology, etc.

NTPL Comments

NTPL (2 x 500 MW) coal based thermal power plant is a non-pit head power plant located in Tuticorin, Tamilnadu and is far away from the sources of coal. NTPL is getting Low Gross Calorific Value (LGCV) Coal from Talabira II & III OCP Mines, NLCIL, Odisha and from Mahanadhi Coalfields Limited (MCL), Odisha through swapping arrangement with NTPC. NTPL also procures High Gross Calorific Value (HGCV) Import Coal for its power generation.

Logistic contractors are facing many constraints like weather forecasting, cyclone, pandemic situations, issues in rake allotment by railways, fleet of vessel for berthing, delay in berthing and placement of vessels which in turn affects the movement of coal. As NTPL is depending on external agencies for movement of coal, the existing norms of NAPAF need a review considering past years actual performance.

5.2 Peak and Off-Peak Tariff

1. Whether it would be advisable to limit the recovery based on daily peak and off-peak periods
2. Suggestions on National versus Regional Peak as a reference point for recovery of fixed charges

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NTPL Comments

The present methodology of recovery of fixed charges under two segments of the year, i.e., High Demand Season (period of three months) and Low Demand Season (period of remaining nine months), and within each season in two parts viz., Capacity Charge for Peak Hours of the month and Capacity Charge for Off-Peak Hours of the month need a review.

As rightly stated in the approach paper, though generators plan their Annual Maintenance in low demand season, there is a need to postpone it due to sudden increase in demand resulting in unexpected forced outages and under-recovery of capacity charges.

Hence, it would be right if recovery of capacity charge is limited based on daily peak and off-peak periods or if commission decides to keep the present methodology in place, then commission should consider allowing shortfall in recovery of capacity charge for PAF achieved in low demand season to be offset by over achievement of PAF in high demand season

5.3 Operational Norms

As the generating stations are separately allowed degradation impact due to low load operations, it is felt that the norms may be fixed considering the ideal loading of generating units.

NTPL Comments

As suggested by the Commission, the norms may be fixed considering the ideal loading of generating units as the generating stations are separately allowed degradation impact due to low load operations. However, existing part load compensation methodology may be modified as suggested in reply to Para 5.7 of this comments paper.

5.6 Operational Norms - Emission Control System

Whether the current mechanism to exclude supplementary energy charges may continue until generating stations equip themselves with emission control systems as per the MoEF&CC notification dated 31.03.2021

NTPL Comments

The current mechanism of excluding supplementary energy charges while preparing merit order may be continued until all the generating stations equip

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themselves with emission control systems as per the MoEF&CC notification dated 31.03.2021.

5.7 Compensation for Part-Load Operations

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

NTPL Comments

The present methodology of part load compensation is based on Unit loading range vs Increase in Station Heat Rate % and % degradation in AEC. In this regard, it is suggested that part load compensation may be provided based on **Load vs Heat Rate Curve and Load Vs AEC Curve** instead of loading range Vs Heat Rate/AEC which will be more relevant.

Compensation methodology for operating a thermal (coal) generating unit below the 55% minimum power level based on the CEA (Flexible Operation of Coal based Thermal Power Generating Units) Regulations, 2023

NTPL Comments

A. FIXED COST

a) **Capital Expenditure**

The One-time expenditure to be incurred in retrofitting of various measures to make plant capable of flexible operation may be allowed to be capitalized.

b) **O&M Cost due to increased Life Consumption (damage costs)**

As said in Compensation methodology, flexible operation leads to higher rate of deterioration of Plant's components leading to increased failure rate and more frequent replacement of components.

Hence, it is suggested that when the plant is in flexible operation from 40% to 100%, additional O&M may be allowed based on the capacity of the Units irrespective of Unit Loading range as specified in the methodology.

Ramanjaneyulu

B. VARIABLE COST

a) Cost due to increase in Net Heat Rate

The existing part load compensation methodology is applicable from 55% to 100% of Unit loading based on Unit loading range vs Increase in Station Heat Rate % and % degradation in AEC. It is suggested that part load compensation may be provided from 45% to 100% of Unit loading based on **Load vs Heat Rate Curve and Load Vs AEC Curve** for more appropriate compensation.

b) Cost due to additional oil consumption for additional EFOR (Equivalent Forced Outage Rate)

Additional Oil Consumption for additional Equivalent Forced Outage Rate in flexible operation may be provided to the generators.

5.8 Gross Calorific Value (GCV) of Fuel

Comments and suggestions are sought from stakeholders on ways to reduce the gap between GCV "as billed" and "as received"

NTPL Comments

As far as import coal is concerned, there is no gap between "as billed" and "as received" as coal company payment and power billing is done based on 'As Received Basis' Analysis at ship unloading end.

As far as indigenous coal is concerned, coal company payment is based on Equilibrated Moisture (EM) basis Analysis carried out in rakes at loading port and power billing is done based on 'As Received Basis' Analysis at ship unloading end. Hence, gap between ''as billed" and "as received" could not be computed accurately. If coal company payment and power billing is done based on 'As Received Basis' Analysis at ship unloading end as in case of import coal, the issue of gap between GCV "as billed" and "as received" would not arise.

Also, the current regulation allows GCV on 'As Received Basis' plus an additional margin of 85 kCal/kg towards storage losses for computation of energy charges without differentiating pit head and non-pit head stations.

NTPL is a non-pit head power plant located in Tuticorin, Tamilnadu and is far away from the sources of coal. NTPL is getting Low Gross Calorific Value (LGCV) Coal from Talabira II & III OCP Mines, NLCIL, Odisha and from Mahanadhi Coalfields Limited (MCL), Odisha through swapping arrangement with NTPC.

Uthamanjan

NTPL also procures High Gross Calorific Value (HGCV) Import Coal for its power generation.

Logistic contractors are facing many constraints like weather forecasting, cyclone, pandemic situations, issues in rake allotment by railways, fleet of vessel for berthing, delay in berthing and placement of vessels which in turn affects the movement of coal. NTPL is always trying to keep maximum stock in anticipation of above contingency.

The storage loss is high especially in case of HGCV Import coal due to more storage period in the stockyard. Hence, GCV loss towards storage need to be reviewed for **non-pit head power stations.**

5.9 Blending of Coal

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. Comments and suggestions are sought from stakeholders on the above proposal and any other alternative, if any.

NTPL Comments

NTPL Boilers are designed for indigenous coal and imported coal in the ratio 70:30 and Import coal is being used since inception. Hence, Consent of beneficiaries for usage of import coal up to 30% is not required as Import coal is used **not as an alternate fuel** at NTPL.

Ramanujam

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J. ரமேஷ் ஆபிரகாம் (S.V)
LIC No: 39/1997, தூத்துக்குடி

CEO
NTPL

நாள்: 16 JUN 2023

FORM 2

BEFORE THE CENTRAL ELECTRICITY REGULATORY COMMISSION, NEW DELHI

IN THE MATTER OF

Approach Paper on Terms and Conditions of Tariff Regulations for Tariff Period 01.04.2024 to 31.03.2029 – Submission of Comments/Suggestions

AND IN THE MATTER OF

NLC Tamilnadu Power Limited,
No.135, EVR Periyar High Road,
Kilpauk, Chennai - 600 010 .... **RESPONDENT**

NOTARY
Reg.No.6420
M. GANGA
THOOTHUKUDI DIST.
TAMILNADU
GOVT. OF INDIA

M. Ganga
14/07/23

M. GANGA
ADVOCATE & NOTARY
GOVERNMENT OF INDIA
92-R, DEVARPURAM ROAD
THOOTHUKUDI-628 003. TAMILNADU

Ulaganayagam

Chief Executive Officer
NLC Tamil Nadu Power Limited
Harbour Estate, Tuticorin-628 004

Affidavit verifying the petition:

I, K. ANANDARAMANUJAM, son of Shri. A. KANAGASABAPATHY, aged 57 years, residing at CEO Quarters, NTPL Township, Tuticorin - 628 004, do solemnly affirm and state as under:

1. I am the Chief Executive Officer of NLC Tamilnadu Power Limited (NTPL), the Respondent in the above matter and am duly authorized by the said to make this affidavit.

2. The Hon'ble Commission vide letter dater CERC File No. L-1/268/2022/CERC dated 26.05.2023 has invited suggestions/feedback of the stakeholders, electricity industry players etc. on Approach Paper on Terms and Conditions of Tariff Regulations for Tariff Period 01.04.2024 to 31.03.2029 by 15.07.2023.

3. The statements made in FORM 1 with Annexure enclosed, containing a total number of 20 pages herein now shown to me are true to my knowledge and based on information and I believe them to be true.

DEPONENT

Chief Executive Officer
NLC Tamil Nadu Power Limited
Harbour Estate, Tuticorin-628 00

VERIFICATION

I, the Respondent above named do hereby verify that the contents of my above affidavit are true to my knowledge, no part of it is false and nothing material has been concealed there from.

Verified at Thoothukudi on this **14th day of July 2023**

K. ANANDARAMANUJAM
Chief Executive Officer/NTPL

Chief Executive Officer
NLC Tamil Nadu Power Limited
Harbour Estate, Tuticorin-628 004

NOTARY
Reg.No.6420
M. GANGA
THOOTHUKUDI DIST.
TAMIL NADU
GOVT. OF INDIA

NOTARIAL NOTARIAL

Identified before me by

M. G
14/7/23

M. GANGA
ADVOCATE & NOTARY
GOVERNMENT OF INDIA
92-R, DEVARPURAM ROAD
THOOTHUKUDI-628 003. TAMILNADU

22

CENTRAL ELECTRICITY REGULATORY COMMISSION

File No. L-1/268/2022/CERC   Dated 26.05.2023

PUBLIC NOTICE

Subject: Terms and Conditions of Tariff for the period commencing from 1st April, 2024 – Approach Paper thereof.

Sir,

The Central Electricity Regulatory Commission has been vested with the powers of tariff determination and framing of regulations. Under section 79 of the Electricity Act 2003, in conjunction with section 62, the Commission has been conferred upon to discharge, inter-alia, the functions of regulating the tariff of generating companies owned or controlled by the Central Government; regulating the tariff of generating companies other than those owned or controlled by the Central Government, if such generating companies enter into or otherwise have a composite scheme for generation and sale of electricity in more than one State; regulating the inter-State transmission of electricity; and determining tariff for inter-State transmission of electricity;

2. The current tariff period will come to an end on March, 31st 2024. The process has been initiated for laying down the terms and conditions of the tariff for the next control period. The terms and conditions of the tariff aim to support investors in power sector while also protecting the interest of consumers. In view of the new developments, including high penetration of RE, and challenges faced by the sector and the changing financial scenario, there is a need to give a fresh look into the assumptions and factors to be considered while framing the terms and conditions of tariff. The enclosed document has been prepared for consultation and to solicit the views of stakeholders, various players in the electricity industry, and members of the public on the different aspects of tariff determination.

3. While deciding the principles and methodologies to be adopted for tariff determination during the next tariff period commencing on 1.4.2024, the Commission would take a view on the various issues after receiving the suggestions/feedback of the stakeholders, electricity industry players etc.

Comments/suggestions may also be submitted on any other issues not covered in the Approach Paper, but have bearing on the terms and conditions of the tariff.

4. It is clarified that the discussion in the Approach Paper does not represent the views of the Commission, its Chairperson or individual Members.

5. Comments and suggestions on the Approach Paper are invited (3 hard copies + soft copy) so as to reach the Commission's office by 15th July 2023. Soft copy may be mailed at: tariff-reg@cercind.gov.in

Sd/-
(Harpreet Singh Pruthi)
Secretary

Encl: As Above