



एसजेवीएन लिमिटेड

(भारत सरकार एवं हिमाचल प्रदेश सरकार का संयुक्त उपक्रम)

A Mini Ratna & Schedule "A" PSU

आईएसओ 9001:2008 प्रमाणित कम्पनी

कॉरपोरेट वाणिज्यिक एवम प्रणाली प्रचालन विभाग,

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दिनांक: 31.07.2023

श्री हरप्रीत सिंह प्रुथी

सचिव

केंद्रीय बिजली नियामक आयोग

तीसरी और चौथी मंजिल, चन्द्रलोक बिल्डिंग

36, जनपथ, नई दिल्ली - 110001

Sub: Comments and suggestions of SJVN on the Approach Paper regarding Terms and Conditions of Tariff for the period commencing from 1st April, 2024.

Respected Sir,

The Hon'ble Central Electricity Regulatory Commission (CERC) 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.

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 Hon'ble CERC vide notification no. L-1/268/2022/CERC dated 26.05.2023 has issued the Approach Paper regarding Terms and Conditions of Tariff for the period commencing from 1st April, 2024 for suggestions/feedback of the stakeholders by 31.07.2023.

In view of above, please find enclosed herewith Three copies (one original +Two copies) of comments/suggestions/ feedback of SJVN on the Approach Paper regarding Terms and Conditions of Tariff for the period commencing from 1st April, 2024 for your kind considerations please.

सधन्यवाद,

एसजेवीएन लिमिटेड की ओर से,

भवदीय,

(हरीश कुमार शर्मा)

मुख्य महाप्रबंधक (सी एंड एस ओ)
हरीश कुमार शर्मा
मुख्य महाप्रबंधक (वा. एवं प्र.प्र.वि.)
एसजेवीएन लिमिटेड, शक्ति सदन, शानान
शिमला-171006 (हि0प्र0)

एसजेवीएन लिमिटेड
SJVN Limited

(भारत सरकार एवम् हिमाचल प्रदेश सरकार का संयुक्त उपक्रम)
(A Joint Venture of Govt. of India & Govt. of Himachal Pradesh)
भारत मिनि रत्न एवं अनुसूची "ए" की. एस. यू.
A Mini Ratna & Schedule 'A' P.S.U.
CIN No.:L40101HP1988GOI008409



COMMENTS/SUGGESTIONS OF SJVN LTD ON THE APPROACH PAPER ON "TERMS AND
CONDITIONS OF TARIFF REGULATIONS" FOR THE TARIFF PERIOD W.E.F. 01.04.2024 TO

31.12.2029:

Clause	Description	Comments of SJVN
<u>POSSIBLE APPROACHES TO TARIFF DETERMINATION</u>		
Clause no. 3.1, 3.2 & 3.3	Tariff Determination	<p>➤ Approach 1: This concept may add complexity of calculation of indexation after determination of AFC, which will be again tried up at the end of control period. The various components of AFC are having different trend. IOWC is having an increasing trend and ROE is also variable subject to consideration of additional Capitalization /De-capitalization. Therefore, this concept may not be helpful considering the complexity. Further, the grouping of the components of Annual Fixed Cost (AFC) into Two groups i.e. O&M expenses (increasing component) and Rest of AFC (decreasing component) may not be the fully appropriate methodology in view of following:</p>

- **Return on equity (ROE):** Remains Constant if there is no further addition or deletion in the capital Cost.

- **Depreciation:** Depreciation is being calculated annually based on **Straight Line Method** for initial period of 12 years (i.e loan repayment period) that means remains almost constant during the period and the remaining depreciation is being spread over equally in the balance useful life of the assets, means the value of depreciation is also constant after Loan repayment period but at lower value.

- **Interest on Loan:** Interest on loan component goes on decreasing from the 1st year of operation and generally remains zero after repayment of loan period.

- **Operation & Maintenance Expenses (O&M):** O&M of a power station goes on increasing from the 1st year of operation till the project life.

- **Interest on working Capital (IOWC):** IOWC of a power station goes on increasing from the 1st year of operation till the project life.

In view of the above, it is proposed that the AFC component should be clustered into three groups as detailed under:

- **AFC components that remains constant over the period:** ROE and Depreciation (taking into consideration of the loan repayment period).

- **AFC component that decrease over the period:** Interest on Loan (taking into consideration of the loan repayment period).

- **AFC components that increase over the period:** O&M Expenses and IOWC

	<p>➤ Approach 2:</p> <p>In this concept, most of the AFC components as well as other parameters are on normative basis for hydropower project except Interest on loan component. This concept may be considered with normative rate of interest on the loan component with proposed rate of 1 year MCLR rate plus 250 basis points along with reimbursement of FERV / cost of hedging from beneficiaries at actual on yearly basis.</p>
<p><u>FINANCIAL ASPECTS IMPACTING TARIFF:</u></p>	
<p>Clause</p>	<p>Description</p>
<p>Clause no. 4.2</p>	<p>Interim Tariff:</p> <p>The provision of interim tariff is essential, as after COD of the plant, it takes long time to get approval of the completed capital cost from the competent authority and issuance of tariff order by CERC. After COD of the plant, power is being supplied to the beneficiaries as per their allocation, however payment is not received from the beneficiaries till the issuance of tariff order. It is therefore submitted to consider interim tariff / provisional tariff order post COD around 85 % of the capital cost submitted by the generating station in the petition.</p> <p>➤ Procurement of Equipment and Services:</p> <p>SJVN and other CPSUs are mandatorily awarding work and services contracts for developing projects through a transparent process of competitive bidding, duly complying with the policy/guidelines issued by the Government of India as applicable from time to</p>

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time. However, in the cases related to NCLT, exception may be provided on case to case basis.

➤ **Reference Cost – Benchmark Cost V/s Investment Approval:**

Due to several issues/challenges in Hydro power projects viz geological and geographical surprises, infrastructure issues, local issues, etc., it may not be prudent to benchmark the capital cost for Hydro projects.

The investment approval/Revised Cost Estimate may be treated as benchmark cost for that particular project. Moreover, capital cost of the project as approved by the appropriate designated authorities viz. BOD of company, CEA, PIB, CCEA etc. may be considered by CERC for admittance of capital cost after prudence check, as approval of Revised Cost estimate takes time.

➤ **Capital Cost – Hydro Generating Stations**

- The proposal regarding allowing Local Area Advancement expenses (towards Local Development/infrastructure for public outreach for better project acceptability) through budgetary support for funding the enabling infrastructure, i.e., roads and bridges, on a case-to-case basis (as per the Ministry of Power guidelines dated 28.09.2021 for budgetary support for “Flood Moderation” and for budgetary support for “Enabling Infrastructure”) will surely decrease the capital cost of hydro power stations in which the cost of enabling infrastructures is lesser than the limits specified by MoP based on

		<p>Installed capacity. However, on the other cases, where the cost of enabling infrastructures is more than or equal to the limits specified by MoP based on Installed capacity, then the instant proposal has no impact on tariff.</p> <p>However, one-time (or in installments) reimbursement of the Local Area Advancement expenses may be more beneficial proposal in order to reduce the capital cost.</p> <ul style="list-style-type: none"> • The provision of “additional return of 0.50 % shall be allowed, if such projects are completed within the timeline” should be introduced to encourage the developer to execute the project within time limits in line with CERC tariff Regulations, 2014.
<p>Clause no. 4.3</p>	<p>Capital Cost – Projects acquired post NCLT Proceedings</p>	<p>Capital cost to be allowed for NCLT projects may be Acquisition cost plus other costs which the developer has to incur post acquisition to bring the plant under running condition. Moreover, cost of debt servicing including repayment during CIRP process should be allowed as pass through in tariff.</p>
<p>Clause no. 4.4</p>	<p>Computation of Interest during Construction</p>	<ul style="list-style-type: none"> • The option-2 i.e. “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” will be more realistic • In case the actual IDC is below that approved in the Original Investment approval, then to encourage the project developer the IDC as approved in Original Investment approval may be allowed.

		<ul style="list-style-type: none"> The normative IDC on account of excess equity infused should be allowed upto the actual COD of the Power Stations, if Cost and Time overrun is not attributable to the developer.
<p>Clause no. 4.5</p>	<p>Price Variation</p>	<ul style="list-style-type: none"> It is submitted that the calculation of price variation paid for delay not condoned at micro level shall again increase the complexity of tariff determination. Further, the period of delay not condoned is majorly is on account of the contractor and the contract provisions generally take care of that situation as Price Variation is not paid for that period. The impact of calculating price variation cost on the non-condoned period is very complex, which includes various indices and are not same during the entire period of delay. Therefore, Commission may continue with the present approach and allow the hard cost as incurred by the developer. Regarding submission of Statutory Auditor certificate, SJVN is of the opinion that the word “Statutory Auditor” should be replaced by the word “Auditor” as defined in the current CERC Tariff Regulations.
<p>Clause no. 4.7</p>	<p>Initial Spares</p>	<p>Para indicates in section 4.7 is related to classes of transmission assets only. There is no provision mentioned for Hydro generating stations.</p> <p>In the existing tariff Regulation, 2019, provision of initial spare of 4 % (under Regulation 23) is kept for Hydro generating stations including pumped storage hydro generating station as a percentage of the Plant and Machinery cost excluding IDC, IEDC, Land Cost and Cost of Civil Works, which is not sufficient to take care the plant affected from high silt.</p>



	<p>Thus, there may also be segregation for initial spare for plant affected by silt in a similar way as given relief for NAPAF. Therefore, following is proposed for initial spare for Hydro generating stations:</p> <p>a) Hydro generating stations including pumped storage hydro generating station: 4% of the Plant and Machinery cost excluding IDC, IEDC, Land Cost and Cost of Civil Works.</p> <p>b) Hydro generating stations affected from moderate Silt: 6 % of the Plant and Machinery cost excluding IDC, IEDC, Land Cost and Cost of Civil Works</p> <p>c) Hydro generating stations affected from high Silt: 10 % of the Plant and Machinery cost excluding IDC, IEDC, Land Cost and Cost of Civil Works</p> <p>Or</p> <p>Following may also be looked into for initial spares of hydro generating stations:</p> <ul style="list-style-type: none"> Hydro generating stations affected from high/moderate Silt: 1.5 % (as proposed in CERC Tariff Regulations, 2009) of the original project cost.
<p>Clause no. 4.8</p>	<p>Controllable and Uncontrollable Factors</p> <ul style="list-style-type: none"> The Hon'ble CERC made a positive move by adding "Delay on account of forest clearances" to the list of uncontrolled factors. However, the term "Forest Clearance" may be defined as actual physical handover of cleared forest land ready for commencement of Project activities, free of any encumbrance. In hydro power projects, Rehabilitation and Resettlement (R&R) is one of the major issues causing time and cost overrun. Generating company does not have sufficient control over the above factor, as it is implemented by State Agencies. Also, sometimes there is tremendous local resistance related to R&R activity, which is beyond the control of the generating

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		<p>company. It is, therefore, submitted to consider aforesaid R&R issues also as “Uncontrollable Factor”.</p> <ul style="list-style-type: none"> • It was also proposed that the contractual delays should not be kept under controllable factors as generally CPSUs follows the various provisions for award of work but still there can be default by the contractor which cannot be controlled by the PSU. Thus, the contractual issues need to be dealt on case to case basis to decide whether they are controllable or uncontrollable.
<p>Clause no. 4.9</p>	<p>Differential Norms – Servicing Impact of Delay</p>	<p>The delay in Project execution is generally beyond the control of Project developer. The generating company putting their best efforts for timely completion of the project. There are lot of clearances required from different authorities for development of hydro power project as under:</p> <ul style="list-style-type: none"> • LAND • Water • Defence clearance (for project located in proximity to international border, LOC, restricted area etc. • Clearance from State & International level (if applicable) • Clearance from Archaeological survey of India (if applicable) • Concurrence of the Scheme (Techno-economic clearance) • Approval of Terms of Reference (TOR) along with the clearance for core-construction activities from MOEF. • Public Hearing by State Pollution Control Board (SPCB)

- Environment Clearance
- Investment approval

Hydro companies rigorously pursue the requisite clearances, but delay in the same is beyond the control of generating companies. Therefore, delay being an uncontrollable in nature on aforesaid matter may not be considered for disallowance during tariff calculation. Further, in the current power scenario, the importance of hydropower is increasing even more as the country has targeted to achieve 50% of the total installed capacity from non-fossil fuel based energy sources by 2030. However, the share of hydro stations, which once constituted around 28.77% of installed capacity in FY 1989-90 and 19.50% in FY 2011-12, has now reduced to around 11.10% (as on 30.06.2023).

Hence, Regulators as well as Governments must address the problems associated with the development of hydro sector and incentivisation to renew the interest of investors in the hydro Sector. However, the present proposed regulations regarding "Differential Norms - Servicing Impact of Delay" will be contrary to the above and will be demotivating for the developer and may discourage more investment in the sector.

Also, the factors causing delay beyond SCOD are already been looked in by the various authorities appointed while allowing Time and Cost overrun. Hence, disallowing some impact of delay condoned or allowing RoE on cost overrun portion at weighted average cost of capital is not right and should not be resorted. Moreover, the same will definitely increase the complexity and subjectivity in the tariff determination.



<p>Clause no. 4.10</p>	<p>Additional Capitalisation</p>	<ul style="list-style-type: none"> • Existing Generating Stations: <ol style="list-style-type: none"> i. Each hydro generating station is unique owing to various factors and Additional Capitalisation of such generating stations should not be benchmarked. However, the instant approach of approving normative additional capitalisation in the case of a specific hydro generating station in the form of special compensation which shall not be subject to any true up. This will definitely be a win-win situation for generator as well as consumers. However, the return on the instant investment on account of normalized additional capitalisation may be allowed at the weighted average rate of interest on loans instead of a fixed RoE. ii. It is submitted that additional capitalization carried out under original scope may not be kept under special compensation and must be allowed, as a part of capital cost. iii. The limit for the capital spares should be brought down to 5 Lakhs and items below 5 lakhs should be considered under normative O&M expenses. The treatment of Capital Spares should be continued as per current regulations. iv. New Provisions for additional capitalisation on account of efficient and safe operation of generating stations and on account of damage caused by natural calamities should be incorporated in line with previous tariff regulations for the period 2009-14 & 2014-19. Further, the additional Capitalisation of the instant case should be considered in the original equity and fixed ROE shall be allowed, whichever is applicable. As additional capitalisation is only allowed by Hon'ble CERC after prudence check. • New Generating Stations:
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		<p>i. The limit for the capital spares should be brought down to 5 Lakhs and items below 5 lakhs should be considered under normative O&M expenses. The treatment of Capital Spares should be continued as per current existing regulations.</p> <p>ii. It is submitted that additional capitalization carried out under original scope may not be kept under special compensation and must be allowed, as a part of capital cost.</p> <p>iii. New Provisions for additional capitalisation on account of efficient and safe operation of generating stations and on account of damage caused by natural calamities should be incorporated in line with previous tariff regulations for the period 2009-14 & 2014-19. Further, the additional Capitalisation of the instant case should be considered in the original equity and fixed ROE shall be allowed, whichever is applicable. As additional capitalisation is only allowed by Hon'ble CERC after prudence check.</p>
<p>Clause no. 4.11</p>	<p>GFA/NFA/Modified GFA approach</p>	<p>It is proposed that the existing GFA approach, being a balanced approach, should be continued for Increasing the Investors' confidence by ensuring assured returns.</p>
<p>Clause no. 4.12</p>	<p>O&M Expenses</p>	<p>The O&M Expenses comprise of mainly three components namely Employee Expenses, Repair & Maintenance Expenses and Administration & General Expenses.</p> <ul style="list-style-type: none"> • Employee Expenses: It is submitted that the Pay/wages revision of CPSEs employees are being implemented by the Department of Public Enterprises, GOI in every 10 years, by merging Dearness allowance in Basic salary and some appropriate factor considering the performance of organization and inflation in the market. Further, allowing 50 % of actual employee expenses on normative basis to cater the impact of pay/wage revision is a welcome step and it is envisaged that this

		<p>will take care the expenses of pay/wage revision of employees for the developer and also decrease the complexity of tariff determinations for Hon'ble Commission.</p> <ul style="list-style-type: none"> • Other O&M Expenses i.e. Repair, Maintenance, Administrative and General Expenses: The existing approach of allowing other expenses on normative and capital spares on actual consumption basis should be continued as the same is being streamlined over the years. <p>Further, the limit for the capital spares should be brought down to 5 Lakhs and items below 5 lakhs should be considered under normative O&M expenses. The treatment of Capital Spares should be continued as per current existing regulations.</p> <ul style="list-style-type: none"> • Further, it is also proposed that the rate of yearly increase of the O&M expenses as 6.64 % in line with the Tariff Regulations for the period 2014-19 in view of the inflation.
<p>Clause no. 4.13</p>	<p>Depreciation</p>	<p>Ministry of Power vide office memorandum dated 08 March 2019, to Promote Hydro Power Sector issued guidelines, wherein, the debt repayment period has been increased upto 18 Years.</p> <p>Accordingly, specifying depreciation rate, considering loan repayment tenure upto 18 years (subject to availability of loan) will definitely reduce the initial year's tariff of a generating station.</p>
<p>Clause no. 4.14</p>	<p>Interest on Loans</p>	<p>It is proposed that the existing regulations regarding "Interest on Loan Capital" as per Tariff Regulations, 2019 may be continued.</p>

<p>Clause no. 4.15</p>	<p>Return on Equity (RoE) V/s Return on Capital Employed (RoCE)</p>	<p>It is proposed that the existing approach as per Tariff Regulations, 2019 may be continued.</p>
<p>Clause no. 4.16</p>	<p>Rate of Return on Equity (ROE)</p>	<ul style="list-style-type: none"> • In the current power scenario, the importance of hydropower is increasing even more as the country has targeted to achieve 50% of the total installed capacity from non-fossil fuel based energy sources by 2030. However, the share of hydro stations, which once constituted around 28.77% of installed capacity in FY 1989-90 and 19.50% in FY 2011-12, has now reduced to around 11.10% (as on 30.06.2023). Further, the cost of capital to set up the hydro power generating station is very high and therefore appropriate margins as risk premium on investments to protect against any volatility in demand or supply is required. Most of the hydro projects have been adversely impacted by geological surprises. Besides, inaccessibility and remote locations and delay in land acquisitions have impacted the sector. Gestation period of Hydro sector is very long. During construction period, IDC component is capitalised in the capital cost, however Return on Equity is not being considered in the tariff calculation for construction period. The rate of ROE being allowed for hydro sector is not commensurate with the gestation period and associated risk in construction of hydro projects. ROE rate to all generators, including hydro and thermal, irrespective of "different gestation/completion time and associated risks" involved in project execution is nearly same. Existing ROE requires to be revised upward particularly for the hydro projects,

keeping in view the high risk on account of remoteness/poor infrastructure facility available to start execution, uncertain geological problems, difficult terrains of operations, Unforeseen delays in project implementation and law & order problems in certain areas/locations.

In view of above, Governments and regulators alike must address the issues relating to the growth of the hydro industry, and incentives are necessary to rekindle or increase investment interest in the hydro sector. Hence, return on Equity especially for Hydro generating stations should be 17.5 % for run-of river type hydro generating station and 18.5 % for the storage type hydro generating stations including pumped storage hydro generating stations and run-of river generating station with pondage.

- The higher rate of return is also essential in view of the decreased equity infusion trends (20% or 10 % in place of allowable limit of 30 %) now a days.
- The provision of “additional return of 0.50 %, if such projects are completed within the timeline” should be introduced to encourage the developer to execute the project within time limits in line with CERC tariff Regulations, 2014.
- Linking of rate of return with market interest rates such as G-SEC rates/MCLR/RBI Base Rate will increase the complexity of the tariff determination. Further, the linkage may be done by benchmarking the minimum Rate of Return and then increasing the same with increase in G-SEC rates/MCLR/RBI Base Rate.



		<ul style="list-style-type: none"> • RoE on add cap that is carried out on account of Change in Law and Force Majeure is beyond the control of generating station and therefore original RoE should be allowed on it. • The additional capitalisation on account of efficient and safe operation of generating stations may be considered in the original equity and fixed ROE shall be allowed, whichever is applicable, as additional capitalisation is only allowed by Hon'ble CERC after prudence check.
Clause no. 4.18	Interest on Working Capital	<ul style="list-style-type: none"> • It is proposed that the working capital norms are efficient, so the existing norms may be retained. • In several states, including Uttarakhand, Himachal Pradesh, Jammu and Kashmir, and Sikkim, the hydropower industry is subject to a water cess. Hence, it is also suggested to include water usage fees or water cess levied by various states to be included in working capital calculations on a normative basis because there is an interest loss when payment is realised from DISCOMs 45 days after payment to the home state.
Clause no. 4.19	Life of Generating Stations and Transmission System	<p>The tariff of Hydro power projects is very high due to higher capital cost. Life of Civil structure of hydro power project is more than 50 years. The cost of civil structure is around 70 % of the total project cost, therefore useful life of the project may be considered higher to reduce the overall tariff from the project. Therefore, useful life of the project for the hydro projects may be considered for 50 years.</p>

Clause no. 4.21	Sharing of Gains	The benefits on account of Auxiliary Energy Consumption/Re-financing or restructuring of loan/any Non-tariff income should be shared in the ratio of 60-40 between generator and beneficiary in line with CERC Tariff Regulations, 2014.
Clause no. 4.22	Treatment of arbitration award – Servicing of Principal and Interest Payment	The proposal regarding treatment of arbitration award by capitalising the principal amount and recovery of interest amount in instalments from beneficiaries will be a win-win situation for both generators as well as DISCOMS.
Clause no. 4.23	Treatment of interest on differential tariff after trueing up	The interest on the differential amount should be charged upto the date of raising the last instalment of the differential amount.

OPERATIONAL PARAMETERS IMPACTING TARIFF

Clause	Description	Comments of SJVN
Clause no. 5.1	Normative Annual Plant Availability Factor (NAPAF)	<ul style="list-style-type: none"> • The benchmarking of the NAPAF of the hydro power stations should be done based on following factors: <ul style="list-style-type: none"> i. type of power stations i.e storage type/ROR with pondage type/Pure ROR/Tandemly operating power stations etc. ii. abnormal silt problem or other operating conditions like power stations located at high altitude, and known plant limitations.

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iii. Location of Power stations like special allowance should be given to the power stations located in North East regions.

- The Norms of NAPAF of the existing Power stations should not be reviewed by considering past years of PAF, because, the actual PAF achieved during the period is due to adoption of excellence in the operation and maintenance along with better management of spares for supporting Grid operations. The same needs to be encouraged by the Hon'ble CERC.
- Hon'ble NGT in its OA No. 425/2019 ordered that all operating hydroelectric projects irrespective of the date of setting up/commissioning have to maintain minimum 15 % flow of that river as E-Flow at downstream of diversion structures dam/barrages/weir. This regulation is applicable to all new as well as existing Power Stations. It is, therefore, proposed that impact on PAF of Hydro Stations due to release of e-flow may also be incorporated in the regulation.

- CERC Tariff Regulations, 2004, Regulation XI (b) under Chapter 3 described as under:

(xi) 'Declared Capacity' or 'DC'

(b) *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 next day, as declared by the generating station, considering the availability of water, optimum use of water and availability of machines;*

Run of River (RoR) Hydro Power Stations having limited or no storage system. Operation of such Power Plant depends on the real time inflow. It is therefore proposed that the Declare Capacity of purely RoR Hydro Power Plants may be calculated based

		<p>on average of any maximum declaration of 12 time blocks (3 hours) in a day as per current practice.</p>
<p>Clause no. 5.1.2</p>	<p>Recovery of Energy Charge for Hydro Generating Stations</p>	<p>The "Recovery of Energy Charges for Hydro Generating Stations" regulations currently in place are effective in achieving their goals, and they can be kept in place. Additionally, the saleable schedule energy should not be adjusted with the energy generated under DSM (in accordance with grid requirements) and must be dealt with in accordance with DSM Regulations while calculating the shortfall of Energy Charges.</p>
<p>Clause no. 5.2 & 5.10</p>	<p>Peak and Off-Peak Tariff/Incentive</p>	<p>In the current power scenario, the importance of hydropower is increasing even more as the country has targeted to achieve 50% of the total installed capacity from non-fossil fuel based energy sources by 2030. However, the share of hydro stations, which once constituted around 28.77% of installed capacity in FY 1989-90 and 19.50% in FY 2011-12, has now reduced to around 11.10% (as on 30.06.2023). Hence, Regulators as well as Governments must address the problems associated with the development of hydro sector and incentivisation is required to renew/boost the interest of investors in the hydro Sector. Hence, incentives linked to generation in excess of target PLF/NAPAF especially during peak periods, in the case of hydro stations will definitely boost the interest of the investors in hydro sector</p> <p>Central Generating Hydro stations are being operated based on the schedule provided by concern RLDC. RLDC declares the peaking hour for the region depending on the demand of region and also Hydro Plants are scheduled maximum during peaking period to harness the maximum generation to meet the peak demand. Hydro Stations also ensure their maximum output during the peaking period as PAF of Pondage/RoR with Pondage power plants are being</p>

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	<p>calculated based on the declarations during peaking hour of 12 time blocks, as declared by RLDC. The hydro Plants need to incentivized for being able to deliver the required schedule during peaking hours of the day.</p> <p>Hydro is the best solution in term of balancing the grid for providing the flexibility, ramping up/down in the current scenario of high RE penetration, Therefore, there would be a good approach to incentivize Hydro projects in excess of target NAPAF especially during peak periods, to increase the investment in the Hydror sector.</p> <p>It is therefore proposed that additional incentive @ 10% of MCP may be given for energy produced during peak hours for ROR with pondage plants, as it will incentivize the generator to maximise their generation during peak hours.</p>
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ADDITIONAL POINTS

Clause	Description	Comments of SJVN
	<p>Additional Auxiliary unit</p>	<p>Additional Auxiliary unit installed in a power station to tap the compulsory e-flow to be released on account of Environmental Flow: SJVN and many other developers are building additional Auxiliary unit in hydro power stations to tap the compulsory e-flow to be released on account of compulsory environmental flow, in addition to the mail power plant to increase the viability of the Power station. Therefore, it is proposed to include the guidelines/regulations for the treatment of the same in terms of installed capacity, project cost, AFC, Norms or operation etc.</p>



	Hydro Power stations located at high altitudes	The norms of operation for the hydro power stations located at higher altitudes should be relaxed in terms of design energy/peaking hrs/normative PAF etc in view of lower inflows during winter seasons.
	Free Power to Home State	It is proposed to include the additional provisions of Staggered Free Power for Long Term customers (throughout project life) in order to reduce the initial tariff as many states are agreeing on the concept of staggered free power.
	Late payment Surcharge	The provisions of compounding of LPS (interest on outstanding LPS) should be included, so that beneficiaries will hesitate in holding the payment against LPS.

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