

Tata Power-DDL's Comments on CERC Approach Paper – Tariff Regulation 2024-2029

S. No.	Procedure no.	Clause as per Approach Paper	Suggestions Proposed by Tata Power-DDL	Remarks / Justification for proposed Suggestions
1	3.2.1	Approach 1: There shall be no revision to the indexation with regard to O&M expenses pertaining to the past tariff period.	Suggested that post expiry of each tariff period, the Commission shall call upon relevant data (on additional tax & duties, pay commission impact, impact of court orders etc) and revise the indexation factor pertaining o&m expenses as well. For genco operating at lower PLF (particularly gas based plants), suitable adjustment in the Index required to pass on the savings in O&M cost (normative vs actual incurred as per financial statement) in the tariff. Similarly for AFC excluding O&M expenses, the indexation should consider both rate and value change in working capital since the change in fuel cost would impact the working capital quantum for generating companies.	
2	3.3	Interest on Loan: Based on the admitted capital cost, normative debt is worked out based on the approved debt equity ratio, and interest on such normative debt is computed based on the weighted average rate of interest applicable for the project	Suggested that the interest rate be linked to an external index plus normative spread. The spread to be adjusted for Pvt cos to bring level playing field with PSU where implicit Govt guarantee available for the lenders. This approach would encourage the genco/transco to optimise the interest cost which presently not incentivised in the regulation.	

3	4.2.4	<p>Capital Cost of 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 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>Such additional cost should not be made part of capital cost as the same will have an impact on tariff and any increase in tariff on such count will burden the consumers of discoms. Further, some mechanism may be introduced for keeping a cap on the capital cost of the hydro plants.</p> <p>In recent past it has been observed that there are hydro plants where there has been huge time and cost overrun towards commissioning of the hydro plants and generators have not provided any specific reason to the same. However, such inordinate and unexplained delay in the commissioning of the plant causes adverse financial implications on the beneficiaries and also affects the RPO compliance to be maintained as per Regulations.</p> <p>However, if some budgetary support is provided by Ministry of Power in development of the project, the same will be considered as a welcome step and ultimately will be in the interest of the generator, discom and consumer at large</p>	<p>To reduce effective tariff for the discoms and end consumers.</p>
4	4.19	<p>Life of Generating Stations and Transmission System It is observed that as more and more coal based thermal generating stations are operating efficiently even beyond 25 years, there may be a case to align the normative life of these stations, considering that with proper</p>	<p>Hon’ble APTEI in its judgment dated 8.2.2022 has categorically dealt with the issue of useful life of the plant and has considered the same to be as 25 years.</p> <p>CERC 2019 Tariff Regulations under Regulation 17 provides that on the</p>	

		<p>upkeep, these generating stations can operate even beyond 30 years. Similarly, in the case of transmission sub-stations it is observed that these assets can operate way beyond 25 years similar to transmission lines, and therefore, 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>It is, however, observed that one of the factors that has enabled these assets to operate beyond 25 years is the regular operations and maintenance carried out by the utilities. In the past, the Commission has allowed a special allowance for these assets in order to take care of the increasing need for repairs that are required to keep the equipment operating efficiently. 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>completion of useful life of the plant generator and beneficiary have the right to enter mutual arrangement towards payment of tariff from the concerned plant and at the same time providing a route for the beneficiary to exit or terminate the PPA, in case the arrangement is not settled on agreed terms.</p> <p>Justification to the said Regulation has already been decided by Hon'ble APTEL in its order dated 8.2.2023 an same may be considered while finalising the approach paper for FY 2024-29.</p> <p>It is suggested that useful life should be restricted to 25 years, the same being in favour of discoms.</p>	
5	6.8	<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>Reference is drawn towards Hon'ble APTEL judgment dated 8.2.2022, wherein the issue of useful life of the plant and Regulation 17 of the 2019 Tariff Regulations has been dealt with.</p> <p>The Hon'ble APTEL under the said order held that Regulation 17 is a special provision and a subordinate legislation and cannot be made subject to an alternate mechanism.</p> <p>The intent and scheme of Regulation 17(1) is to enable the parties to a PPA, on</p>	

			<p>completion of 25 years term to mutually discuss and arrive at a mutual arrangement should they wish to continue supply /purchase of power under the PPA. The generating company sells power from an old generating station which has recovered its capital cost and depreciation. Further, the beneficiary / Discom has to make payment of energy charges and capacity charges only as per power scheduled and not otherwise. This is meant to save the standby costs of capacity charges by the Discom and tariff of its consumers in as much as power is not scheduled on account of 'Merit Order' despatch principles. Such reduced charges in effect, meets the objects of the Act in particular Section 61 read with the National Electricity Policy & Tariff Policy by lowering the tariff to be paid by the end consumers, rationalizing the tariff and safeguarding interests of both utility and its consumers. The interest of the consumers is equally important as that of the generating companies.</p> <p>Regulation 17 (2) provides the right of first refusal to the beneficiary, such as the Discom, to procure power at the tariff determined under the arrangement entered into as per Regulation 17 (1). Such a right of refusal has been provided to the beneficiary and its end consumers who have already paid towards the capital cost of the old generating stations</p>	
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6	7.1.20	Depreciation	Existing provision of 12 years should be allowed since getting loan up to 15 years still a challenge from pvt bank/lenders. It would severely affect the cash flow of the genco/transco	
7	7.1.48	7.1.48 Necessity to Review the need of Regulation 17(2) 90. The provision under Regulation 17(2) of Tariff Regulations, 2019 may result in further complication and being seen as inequitable for the generator, is required to be modified. (Refer 6.8)	May consider comment referred in point no. 6.8	