



# West Bengal State Electricity Distribution Company Limited

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**Regulation Cell**

**Memo. No. : REG/CERC/185**

**Date :13/07/2023**

To  
The Secretary,  
Central Electricity Regulatory Commission,  
3<sup>rd</sup> & 4<sup>th</sup> Floor, Chanderlok Building, 36, Janpath,  
New Delhi-110001.

Sub: Comments/ Suggestion of WBSEDCL on the draft approach paper of  
CERC Terms and Condition of Tariff for the period commencing from  
1st April, 2024.

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

Sir,

With refernce to above, comments/ Suggestion of WBSEDCL on the draft approach  
paper of CERC Terms and Condition of Tariff for the period commencing from 1st  
April, 2024 is attached for your consideration please.

Encl: As stated

Yours faithfully,

(S. Mukhopadhyay )  
Chief Engineer (Regulation)

Comments/Suggestion of WBSEDCL on the draft Approach Paper of Terms and Conditions of Tariff for the period commencing from 1st April, 2024 of CERC.

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

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**General observation:**

Since electricity is essential for growth of every sectors of the country, thus adequate budgetary support and inclusion of some works of power project with similar Government program (specially hydro & pump storage projects where uncertainty and cost involvement are more with respect to other power projects) may be considered for improvement in %age share of hydro & pump storage for flexibility of power system, timely completion and reduction of hydro power cost which will in turn help to control output cost of all sectors and inflation. It has been experienced that Bhutan hydro power (developed with the assistance of Govt. of India) has single part tariff and cheap and continuing since long whereas it is noted from this approach paper that the share of hydro has reduced drastically to around 12.46% from 28.77% ((1989-90) in last 34 years though we know that Hydro power by nature is clean natural source with long life & less maintenance requirement compared to other conventional plants. It also provides quick ramp up & down and provides peak support which is vital for power system. Considering future plan of large penetration (target 500 GW) of RE power (Solar & wind which are infirm in nature), there is urgent need of hydro & PSP support for the power system. Therefore, adequate budgetary support may be considered for building dam, roads, infrastructure for hydro & PSP with incorporation of some works related to afforestation & R&R of the project in Government programme which in turn will reduce the un-certainty, ensure timely completion and reduce the project cost besides development of the entire surrounding area with facility of irrigation and flood control arrangement.

In case of hydro projects situated at the border line of two states, the eligibility to claim free power by neighboring State from Developer State should be liberalized.

Pump Storage should be bundled with RE projects (Solar & wind) for commercial viability & grid support (due to infirm nature). Hence, Govt budgetary support should be provided to PSP for cost reduction and timely completion.

Regulation 44(6) of the CERC Tariff Regulations, 2019-24, allows hydro generating stations to recover AFC for the shortfall of generation compared to design energy due to reasons beyond the control of the generating stations. In view of the above said provisions, hydro generating stations allows realization of shortfall of AFC due to shortfall in generation compared to design energy by the appropriate Commissions. Noticing cheap single part tariff of Bhutan hydro power supply for long period based on energy supplied, there is need to restrict / remove the existing provision of the recovery of shortfall of AFC due to shortfall of hydro generation compared to design energy for change in hydrology because the beneficiary has to arrange power from other sources in such situation and WBSEDCL has already observed that several application for shortfall of generation has been filed for number of years of different central sector hydro power plants.



Investment Approval costs should be considered after prudence checks which should be comparable with benchmark cost of similar power plants. Existing Performance Based Hybrid Approach should be continued with sharing of existing gains. Also gain should be shared with beneficiaries (for the benefit of the consumers) on account of normative expense as well as LPSC by truing up with actual cost.

ROE is already sufficient for Generation project. There is no need for allowing additional ROE for any type of generation project. Considering less risk involvement, ROE for transmission should be lesser than that of generation. Hence for delay, penal rate of ROE should be imposed for delayed portion. For old projects (beyond life), ROE may be reduced if they are allowed for lower norms.

Additional capitalization may be allowed as & when requirement basis. Any special allowance should not be introduced in tariff.

Provisions should be incorporated to reduce the GCV loss of coal during transportation from mines to thermal power plant and whatever GCV loss would happen that should not entirely be passed to beneficiaries (consumers) as beneficiaries are paying cost of coal at mines end including charges and taxes for its transportation upto power plant. At best GCV loss during transportation of coal should be shared among Generating Company and Distribution Licensee.

Practice of repeated Revision of energy bill by thermal generating stations (as found in case of NTPC) of previous years showing variation of coal quality and variation in GCV as per report of the testing agency requires to be restricted by introducing suitable provisions in the Tariff Regulations. Section 56(2) of the Electricity Act, 2003 restrains Distribution Licensee to recover arrear dues from the consumers beyond *the period of two years from the date when such sum became first due* but there is no similar restriction imposed on the generating company regarding their claim pertaining to past periods. Suitable provisions should be incorporated in the regulations to restrain generating company from raising bills pertaining to past periods on the plea of audit report or delay in receiving report from the testing agency.

Fly ash transportation cost (new cost which was not earlier) of different central sector thermal power generating stations is found huge. Generating stations should reduce the ash transportation charge by way of utilizing fly ash at nearest locations as per relevant guidelines. Since this fly ash is used as input for other industry / works, this transportation cost should go to those works since it is normal practice for any business. Thermal power stations are also bearing transportation cost of fuel used in their power plants. Further, repeated claim of fly ash transportation cost for same period, as happened for NTPC, each time producing separate CA certificate, becomes concern for beneficiary like WBSEDCL which needs to be addressed.

Based on above, item-wise comments of WBSEDCL on the approach papers is provided hereunder:

Para No.	As stated in the draft	Comments/ Suggestion of WBSEDCL
3.1 & 3.3	<p>1. Approach 1: Shift to a normative tariff, wherein, once capital costs are approved on an actual basis after prudence check, all other AFC components are determined on normative basis.</p> <p>2. Approach 2: Further simplification of the existing Performance Based Hybrid Approach, wherein on the basis of admitted capital cost, AFC components can be approved based on actuals or norms as may be specified for the control period. Further, additional capitalisation may be allowed on certain counts on a normative basis.</p>	<p>Approach 2 is preferred subject to truing-up of normative amount on actual basis at the end of each financial year. Any financial gains after truing-up may be shared with the beneficiaries.</p> <p>Further, the GCV loss of coal during transportation from mines to thermal power plant should not be passed to beneficiaries (consumers) entirely as beneficiaries are paying coal cost of mines end with all charges and taxes upto power plant. At best GCV loss during transportation of coal should be shared among Generating Company and Distribution Licensee</p>
3.3.1	<p><b>Existing Tariff Framework Generation Tariff</b></p> <p>In the case of generating stations, although O&amp;M expenses, Depreciation, Return on Equity are specified on a normative basis, the following components, as per the present Regulations require consideration of actual values.</p> <ol style="list-style-type: none"> <li>1. Energy Charge – Fuel cost and GCV to be considered.</li> <li>2. Working Capital – Actual fuel costs keep varying and affect total receivables.</li> <li>3. Interest rate on loans and interest rate on Working Capital</li> </ol>	<p>Practice of repeated Revision of energy bill by thermal generating station (as found in case of NTPC) of previous years showing variation of coal quality should also be restricted beyond <i>the period of two years from the date when such sum became first due.</i></p> <p>Fly ash transportation cost (new cost which was not earlier) of thermal power stations of NTPC and DVC are found huge. Generating stations should reduce the ash transportation charge by way of utilizing fly ash at nearest locations as per relevant guidelines. Since this fly ash is used as input for other industry / works, this transportation cost should go to those industry / works since it is normal practice for any business. Further, repeated claim of fly ash transportation cost for same period, as happened for NTPC, each time producing separate CA certificate, becomes concern for beneficiary like WBSEDCL which needs to be addressed.</p>
4.2.3	<p><b>Reference Cost for Approval of Capital Cost – Benchmark Cost V/s Investment Approval Cost</b></p>	<p>For approval of capital cost of power</p>



Para No.	As stated in the draft	Comments/ Suggestion of WBSEDCL
	<p>.....</p> <p>Comments and suggestions of stakeholders are invited on other efficient reference costs other than Investment Approval costs that can be considered for prudence checks.</p>	<p>project, existing methodology i.e. investment Approval should continue and such approved investment cost should be comparable with benchmark cost of similar power plants.</p>
4.2.4	<p><b>Capital Cost of Hydro Generating Stations</b></p> <p>.....</p> <p>Comments and suggestions are further sought from stakeholders on ways to expedite the development of hydro generating stations especially the construction phase, and increase their commercial acceptability.</p> <p>Stakeholders are also required to consider the following aspects while making suggestions:</p> <ol style="list-style-type: none"> <li>1. Ways to expedite the construction phase by adopting alternate ways of awarding construction contracts.</li> <li>2. Contract to execute the project to be awarded only when all the required clearances and permits are available as on zero date.</li> <li>3. Creation of Special Purpose Vehicle (SPV) for obtaining all mandatory approvals</li> <li>4. Focus on quality and the implementation schedule.</li> <li>5. Higher return on investments/equity for projects completed in a timely manner.</li> <li>6. Higher return for dam/reservoir based projects and Pumped Storage Projects.</li> <li>7. Levelized Tariff based one-time determination of tariff to remain uniform for useful life.</li> <li>8. Escalable tariff adjusted for year-on-year inflation.</li> </ol>	<p>As already stated above, adequate budgetary support may be considered for building dam, bridges, roads, infrastructure for hydro &amp; PSP with incorporation of some works related to afforestation &amp; R&amp;R of the project in Government programme which in turn will reduce the un-certainty, ensure timely completion and reduce the project cost besides develop the entire surrounding area with facility of irrigation and flood control arrangement.</p> <p>1, 3 , 7 &amp; 8) No comments</p> <p>2. Respective Government department should arrange clearances as per project time frame approved.</p> <p>4, 5 &amp; 6) ROE is already sufficient for Generation project. There is no need for allowing additional ROE for any type of generation project. Considering less risk involvement, ROE for transmission should be lesser than that of generation. For delay in SCOD of new power project, option 2 of paragraph 4.9 is preferred as ROE for delayed portion</p>

Para No.	As stated in the draft	Comments/ Suggestion of WBSEDCL
	<p>9. Possibility to further increase the useful life.</p> <p>10. Consideration of expenses towards Local Development/infrastructure for public outreach for better project acceptability as pass through in capital cost or one time re-imbursement.</p>	<p>9. Agreed as proposed</p> <p>10. As already explained above, adequate budgetary support may be considered for building dam, bridges, roads, infrastructure for hydro &amp; PSP with incorporation of some works related to afforestation &amp; R&amp;R of the project in Government programme which in turn will reduce the un-certainty, ensure timely completion and reduce the project cost.</p>
<p><b>4.4.1</b></p>	<p><b>Computation of Interest During Construction</b></p> <p><b>Computation of IDC – Post Scheduled COD</b></p> <p>.....</p> <p>Comments and suggestions are sought from stakeholders on the following options for allowing IDC:</p> <ol style="list-style-type: none"> <li>1. Existing mechanism wherein the pro-rata deduction (based on delay not condoned) is done on IDC beyond SCOD.</li> <li>2. Pro-rata IDC may be allowed considering the total implementation period wherein the actual IDC till implementation of the project is pro-rated considering the period upto SCOD and period of delay condoned over total implementation period.</li> <li>3. IDC approved in the original Investment Approval to be considered while allowing actual IDC in case of delay.</li> </ol>	<p>Based on illustration as stated in this Approach Paper regarding this issue, option 2 seems beneficial and thus preferred.</p>
<p>4.6</p>	<p><b>Renovation and Modernisation (R&amp;M)</b></p> <p>.....</p> <p>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.</p>	<p>Existing provision for allowing R&amp;M cost may continue.</p>



Para No.	As stated in the draft	Comments/ Suggestion of WBSEDCL
4.8.1	<p><b>Controllable and Un-Controllable Factors</b></p> <p>Delay towards obtaining Forest Clearance</p> <p>..... In view of the same, 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.</p> <p>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.</p>	<p>It has been observed that delay in acquisition of land or getting forest clearance &amp; right of way have become the main causes of cost &amp; time over run of the power projects, specially hydro &amp; pump storage. As per National Electricity Policy (NEP) and Tariff Policy of MoP, GoI, primary objective of the Govt. is to ensure availability of electricity to consumers at <b>reasonable and competitive rates.</b></p> <p>Therefore, as already stated above, incorporation of some works related to afforestation &amp; R&amp;R of the hydro &amp; PSP project in Government programme may be considered to reduce the un-certainty, ensure timely completion and reduce the project cost.</p>
4.9	<p><b>Differential Norms - Servicing Impact of Delay</b></p> <p>.....</p> <p>Comments and suggestions are sought on the following:</p> <p>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.</p> <p>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.</p> <p>3. The current mechanism of treating time overrun may be continued, considering that utilities are automatically disincentivised if the project gets delayed.</p>	<p>For delay in SCOD of new power project, penal rate of ROE should be imposed for delayed portion. Accordingly the proposal under Sl. No. 2. is preferred for timely completion of the power projects.</p>
4.10	<p><b>Additional Capitalisation</b></p> <p>.....</p> <p>It is further observed that Regulation</p>	

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	<p>19(3)(e) of the CERC Tariff Regulations, 2019 specify that the capital cost of any existing generating station shall include the cost of railway infrastructure and its augmentation for the transportation of coal up to the receiving end. However, 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 better fuel management, can lead to a reduction in operation costs, or shall have other tangible benefits. <b>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.</b></p>	<p>New provision for allowing additional capitalization with prior approval may be introduced for new Power Plant which will be commissioned after 01.04.2024. For existing power plant, this new provision is agreed if the additional capitalization is beneficial for the consumers.</p>
4.10.1	<p><b>Normative Add-Cap - Generating Station</b> ..... Further, for generating stations 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 can be adopted.</p> <p>1. By extending the cut-off date from the current 3 years to 5 years, which shall allow time to close contracts and discharge liabilities and eliminate the need to allow additional capitalisation post cut-off date unless in the case of Change in Law and Force Majeure.</p> <p>2. However, based on past data of similar existing generating stations, if there is a need to allow additional capitalisation</p>	<p>For Sl. No.1: Extending of cut-off date implies incompleteness of the power project and deficiency on the part of project. Therefore, the cut-off date should be 3 years from COD.</p> <p>For Sl. No. 2 &amp; 4: Additional Capitalization may be allowed as</p>



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	<p>that may be legitimately required post cut-off date other than those presently allowed under Regulation 26 to 29, the same may be allowed as special compensation as proposed in the case of existing station that have crossed the cut-off date.</p> <p>3. While determining special compensation for a thermal or hydro generating station, costs incurred towards works presently covered under Regulations 26 to 29, wherever applicable, may not be included as these expenses may be allowed separately.</p> <p>4. 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&amp;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>and when requires if it is found to be beneficial &amp; also essential for continued operations. Special compensation is not acceptable.</p> <p>For Sl. No. 3: No comment</p>
4.11	<p><b>GFA/NFA/Modified GFA approach</b> ..... Increasing the Investors confidence by ensuring assured returns is important, and further considering the recent spikes in power tariffs in power exchanges indicating shortage of power availability, investment in Power sector needs a boost, and therefore the existing GFA approach, being a balanced approach, may be continued. However, comments/suggestions are invited on alternate approaches, i.e. GFA/ NFA/ Modified GFA approach.</p>	<p>As per Approach paper, it is stated that existing GFA approach is balanced approach and thus may continue. However, since NFA approach is beneficial, thus it is preferred. Approach paper, mentioning recent shortage of availability of power in power exchanges and consequential high power tariff, proposed that such tariff hike may be controlled by increasing installed capacity. In this respect, this is to say, that in India, thermal generation is meeting approximately 80% to 85% on total energy generation mix. In most cases, this spike in tariff in power exchange has happened due to shortage of coal or problem in Rail Transportation of coal or sudden outage of big units of thermal power plants. Further % age power procured</p>

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		through power exchange is very low compared to total power requirement.
4.12.1	<p><b>Segregation of Normative O&amp;M Expenses</b>  .....  The Commission observes that it is mostly in the case of employee expenses that such a one-time effect, mostly pay revision impact, is required to be given, and further, in the forthcoming tariff period, wage/salary revision is also anticipated, so <b>O&amp;M norms may be specified under the following two categories.</b></p> <p><b>1. Employee Expenses</b></p> <p><b>2. Other O&amp;M Expenses comprise Repair and Maintenance and Administrative and General Expenses.</b></p> <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 though the total O&amp;M expenses of such systems may be comparable.</p> <p>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>Comments and suggestions are sought from stakeholders on above suggestions and alternatives, if any.</p>	<p>Existing methodology for O&amp;M may continue. However employee cost component of O&amp;M expense may be shown separately in tariff order to get impact of employee cost on O&amp;M.</p>
4.13	<p><b>Depreciation</b>  .....  In view of the above, a depreciation rate may be specified considering a loan tenure of 15 years instead of the current</p>	<p>Presently loan is available with higher repayment period of 18 years. Therefore, loan tenure may be considered as 18 years</p>



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	<p>practice of 12 years. Further, additional provisions may also be specified that allow lower rate of depreciation to be charged by the generator in the initial years if mutually agreed upon with the beneficiary(ies).</p> <p>Comments and suggestions are therefore sought from stakeholders on the above proposal and any modifications required, if any.</p>	<p>instead of 15 years.</p>
4.16.4	<p><b>Rate of Return on Equity Methodology</b></p> <p>.....</p> <p>Comments and suggestions are sought from stakeholders on the following issues:</p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Whether the revised rate of RoE to be made applicable to only new projects or to both existing and new projects?</li> <li>3. Whether timely completion of hydro generating stations can be incentivised to attract investments?</li> <li>4. Merit behind approving different Rate of RoE to thermal, hydro generation and transmission projects with further incentives for dam/reservoir based projects including PSP.</li> <li>5. Merit in allowing RoE by linking the rate of return with market interest rates such as G-SEC rates/MCLR/RBI Base Rate.</li> </ol>	<p>1, 2, 3 &amp; 4) ROE is already sufficient for Generation project. There is no need for allowing additional ROE for any type of generation project.</p> <p>Timely completion of a project is the primary responsibility of a project developer. So, no incentive should be allowed for completion of project in time. For delay in SCOD of new power project, option 2 of paragraph 4.9 is preferred as ROE for delayed portion</p> <p>Considering less risk involvement, ROE for transmission should be lesser than that of generation. At present RoE of Dam/Reservoir based projects is already higher. Quantum of energy generated from Pumped Storage Projects is much less than that of other conventional power station. Therefore, more ROE may not be viable to run PSP commercially. In view of above, proposal to provide further incentive is disagreed.</p>
4.16.5	<p><b>Rate of Return – Old Thermal Generating Station</b></p> <p>Possible options to encourage higher availability and generation from old</p>	

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	<p>generating stations can be as follows.</p> <p>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.</p>	<p>Additional incentive against generation beyond the target PLF may be allowed. However to reduce burden on consumers, for old projects (beyond life), ROE may be reduced if they are allowed for lower norms.</p>
4.17	<p><b>Tax Rate</b></p> <p>.....</p> <p>In view of the above discussion and recent amendments to the Income tax regime, 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"> <li>1. At MAT rate (If not opted for Section 115 BAA)</li> <li>2. At effective tax rate (if not opted for Section 115BAA) subject to ceiling of Corporate Tax Rate; or</li> <li>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.</li> </ol> <p>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>Any one option may be followed subject to trued up of tax on actual basis. Any financial gains after truing-up may be shared with the beneficiaries on annual basis.</p>
4.18.2	<p><b>Interest on Working Capital</b> <b>Rate of Interest on Working Capital</b></p> <p>The Commission, while formulating the CERC Tariff Regulations, 2019, shifted from base rate to a more efficient MCLR based funding which is more responsive to policy rate changes. As per the existing Regulations, the Bank Rate for the purpose of computing the Interest on Working Capital (IoWC) is defined as</p>	<p>The proposed rate of interest on working capital is agreed subject to truing-up of normative amount on actual basis at the end of each financial year. Any financial gains after truing-up may be shared with the beneficiaries.</p>



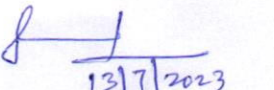
Para No.	As stated in the draft	Comments/ Suggestion of WBSEDCL
	one-year MCLR plus 350 bps. Stakeholders may comment as to whether the same may be continued or may suggest any better alternative to the same.	
4.19	<p><b>Life of Generating Stations and Transmission System</b></p> <p>.....the useful life 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>.....As the need for higher repairs will still be required, the current dispensation of allowing a special allowance or provision of R&amp;M may be continued after 25 years.</p>	<p>Useful life of coal based thermal generating stations and transmission sub-stations may be extended from 25 years to 35 years.</p> <p>Observation as already given in para 4.6 above. Existing provisions should continue.</p>
4.20	<p><b>Input Price of coal – Integrated Mine</b></p> <p>.....</p> <p>Comments and suggestions are sought from the stakeholders on any modifications that may be required to current tariff provisions with regard to the determination of the input price of coal and lignite from integrated mines.</p>	<p>Main aim of allotment of Captive Coal Mine to the Generating Company is to reduce the input price of captive coal (i.e reduction of generation tariff for the benefit of the consumers) and improve availability of coal. But, due to non-determination of input price of coal of Captive Coal Mine beneficiaries of thermal generating companies do not able to get such benefit.</p> <p>However, it is proposed that input price of coal of a Captive Coal Mine should be determined in a manner that the price of coal should be lower than the notified price of CIL of respective grade of Coal.</p>
4.21	<p><b>Sharing of Gains</b></p> <p>Regulation 60 of the CERC Tariff Regulations 2019, allows sharing of gains on account of the following:</p> <p>.....</p> <p>3. Non-Tariff Income – The net income to be shared in the ratio of 50:50.</p>	<p>3. Non-tariff should also include gain on account of normative expense as well as Late Payment Surcharge (LPSC) by truing up with actual cost</p>
4.22	<p><b>Treatment of arbitration award – Servicing of Principal and Interest Payment</b></p> <p>..... To avoid such situations, the 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 may also involve carrying cost.</p>	<p>Agreed about capitalization of principal amount of arbitration award &amp; payment of interest in installment.</p>



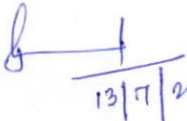
Para No.	As stated in the draft	Comments/ Suggestion of WBSEDCL
4.23	<p><b>Treatment of interest on differential tariff after truing up</b></p> <p>..... In order to streamline the rate of interest on the differential amount, the current practice of allowing a simple interest rate as per Regulation 10(7) in the 2024-29 tariff block may be continued. Further, interest may be allowed to be charged on the differential amount by the utility only until the issuance of the order, and no interest may be allowed during the recovery in six equal monthly instalments.</p>	No interest should be allowed on differential tariff after truing up.
5.1.1	<p><b>Normative Annual Plant Availability Factor (NAPAF)</b></p> <p>Review of Existing Norms:</p> <p>.....</p> <p>In view of the above, 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.</p>	Existing norms of NAPAF should continue.
5.1.2	<p><b>Recovery of Energy Charge for Hydro Generating Stations:</b></p> <p>.....</p> <p>It is observed that in the current mechanism, recovery of 50% of AFC is linked to actual generation, and in the event of any shortfall in actual generation below the saleable design energy, the same is allowed to be recovered as per Regulation 44(7). As the hydrological risk is eventually passed on to consumers, the usefulness of a two-part tariff may need to be reviewed. The existing provisions of the shortfall in recovery of AFC are leading to complications in the recovery process, wherein the affected generating company has to file petitions seeking such recovery.</p>	Noticing cheap single part tariff of Bhutan hydro power supply for long period based on energy supplied, there is need to restrict / remove the existing provision of the recovery of shortfall of AFC due to shortfall of hydro generation compared to design energy for change in hydrology because the beneficiary has to arrange power from other sources in such situation and WBSEDCL has already observed that several application for shortfall of generation has been filed for number of years of different central sector hydro power plants.
5.2	<p><b>Peak and Off-Peak Tariff</b></p> <p>.....</p> <p>As recovery of reasonable costs is of prime importance for any infrastructure sectoral growth, comments/suggestions are sought on the possible interventions/</p>	



Para No.	As stated in the draft	Comments/ Suggestion of WBSEDCL
	<p>modifications required to address the issues highlighted above. Specific suggestions are also sought on the following:            .....            2. Suggestions on National versus Regional Peak as a reference point for recovery of fixed charges.</p>	<p>Peak demand of power of any State depends on various issues like geographical location, weather condition etc. Thus, State peak may to some extent match that of its Regional Peak as a reference point which may be considered for recovery of fixed charges.</p>
5.4	<p><b>Operational Norms – Inefficient Generating Stations</b>            .....            Comments and suggestions are sought from stakeholders on the option to do away with relaxed norms currently allowed on the basis of actual performance for various efficiency norms of generating stations.</p>	<p>Existing norms may continue.</p>
5.6	<p><b>Operational Norms - Emission Control System</b>            .....            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 auxiliary consumption, the current tariff norms may be continued for the next control period. However, comments and suggestions are sought from stakeholders on the continuation of the existing norms, or is there a need to modify the same?             Further, as considerable expenses have been incurred to reduce the adverse impact on the environment, suggestions are also sought on ways to incentivizing proper operation of such emission control systems so that the very purpose of incurring such huge expenses can be achieved and accounted for.</p>	<p>Existing tariff norms may continue.             As per existing norms, supplementary energy charges arises due to implementation of emission control system not considered while preparing merit order. This is also a type on encouragement / incentive to install emission control system.</p>
5.8	<p><b>Gross Calorific Value (GCV) of Fuel</b>            -----            Comments and suggestions are sought from stakeholders on ways to reduce the gap between GCV “as billed” and “as</p>	<p>The GCV loss of coal during transportation from mines to thermal power plant should not be passed to beneficiaries (consumers) as beneficiaries are paying coal cost of mines end with all charges and taxes upto</p>

  
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Para No.	As stated in the draft	Comments/ Suggestion of WBSEDCL
	received”.	power plant. At best GCV loss during transportation of coal should be shared among Generating Company and Distribution Licensee.
5.9	<p><b>Blending of Coal</b></p> <p>.....</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>	Existing provisions of taking consent of beneficiaries in case of blending of import coal should continue to avoid hike in power cost.
5.10	<p><b>Incentives</b></p> <p>.....</p> <p>However, 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. This will result in increased generation from such plants and will also benefit beneficiaries.</p>	Already capacity charge for Thermal power station is segregated for Peak and off-peak period. Storage Based Hydro Projects is already having higher RoE. Hence further incentive for more generation in peak-period should be avoided. Existing provisions will be continued.
6.1	<p><b>Separate Norms for ROR/Storage Based Hydro Projects</b></p> <p>.....</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 periods.</p>	Storage Based Hydro Projects is already having higher RoE. Hence further incentivization of those project for peak power should be avoided.
6.8	<p><b>Necessity to Review the need of Regulation 17 (2)</b></p> <p>In view of the above, 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>	Agreed

  
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