



GMR Kamlanaga Energy Limited

**Comments on: Suo-Motu order in
Petition No. 4/SM/2024**

GMR Group



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Aspect	Existing Provision of CERC order 6/SM/2021	Proposed revision in 4/SM/2024	Remarks/Comments
Depreciation	<ul style="list-style-type: none"> 90% recoverable in 25 Years from COD of ECS @ 3.6% /Annum. i.e. 43% in 12 Years 	<ul style="list-style-type: none"> 63% in 12 Years from COD of ECS @ 5.25% /annum Balance : to be recovered in balance operation life 	<ul style="list-style-type: none"> Entire deprecation should be recovered with in the PPA tenure or Plant useful life whichever is higher. Proposed revision falls short and left ~27% depreciation beyond the useful life of the Plant. (recovery uncertain)
Return On Equity	<p>Lowest of :</p> <ul style="list-style-type: none"> Wt. Avg of Existing ECS loans+3.5% OR One Year SBI MCLR+3.5% 	<ul style="list-style-type: none"> SBI MCLR+2.5%. 	<ul style="list-style-type: none"> Proposed amendment is against the principle of restitution. Equity returns should be 15%-16%. Cost of Equity> Cost of debt. Proposed revision ignores this aspect and provides parity to debt and equity. Lack of reasonable equity returns IPPs shall discourage equity infusion and in absence of equity lenders would not fund FGD. Tariff regulation provide SBI MCLR+3.5% OR 14% (<i>which ever is lower</i>) as rate of equity return for FGFD projects where as Proposed amendment provides lesser rate of equity return which is not justified and shall create disparity among Sec-62 & 63 PPAs.

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Interim tariff	Should be mutually agreed	<ul style="list-style-type: none"> to be Mutually agreed b/w parties. In case of disagreement → Petition to be filed after installation of ECS. 	<ul style="list-style-type: none"> Unlikely that DISCOMs pay provisional tariff. petition for provisional Tariff post ECS Installation serves no purpose as CERC proceedings would take at least an year but IPPs would need cash to serve loan and other obligations from Day-1 of ECS installation. Therefore provisional tariff must be provided prior to completion of ECS.
O&M Expense	<ul style="list-style-type: none"> 2.5% of Capex (excl IDC, & FERV) Annual escalation of O&M: 3.5% 	<ul style="list-style-type: none"> 2% of Capex (excl IDC, IEDC & FERV) Annual escalation of O&M: 5.25% 	<ul style="list-style-type: none"> Favorable Amendment. However CERC must review the norms periodically and make necessary changes in the regulations based on the operational experience.

Additional Aspects: Not covered in the order:

- 1. Norms of new emerging FGD technologies:** Dry/Semi Dry Sorbent Injection (SI/SDSI) & Ammonia based FGD to be included in the final order.
- 2. Operational Life Concept:** The concept of considering 35 Years life of TPPs for depreciation recovery of ECS must be reviewed as not all the thermal units are designed for 35 years of life. Life extension beyond 25 years must be unit specific not a generic norm.
- 3. Norms of Reagent consumption:** 85% norm of Limestone purity must be relaxed as its difficult to always get Limestone of 85% purity.
- 4. Complete restitution of financial position:** ROE, O&M, Reagent consumption and others norm must be aligned to principle of restitution.