

Date: 24 July 2024

Reference: Apraava/Reg24-25/004

To,

Shri Harpreet Singh Purthi, Secretary,
Central Electricity Regulatory Commission (**Commission**),
8th Floor, Tower B, World Trade Centre,
Nauroji Nagar, New Delhi, 110029

Subject: Comments on this Hon'ble Commission's Draft Suo-Motu Order dated 3 July 2024 in Petition No. 4/SM/2024 (**Draft Revision Order**)

Respected Sir,

By way of an introduction, Jhajjar Power Limited (**JPL**) (*a wholly owned subsidiary of Apraava Energy Private Limited*) is a privately owned domestic coal-based thermal plant with a capacity of 1320 MW supplying power to the states of Haryana and Delhi, set up under Section 63 of the Electricity Act 2003. JPL had installed the Flue-Gas Desulphurization unit (**FGD Unit**) at the time of construction of the project and had received the environment clearance in this regard from the Ministry of Environment, Forest and Climate Change (**MoEFCC**) on 16 October 2008. JPL has been operating the FGD Unit since February 2019 in accordance with the terms of the MoEFCC Notification dated 7 December 2015 (**MoEFCC Notification**). Currently, JPL is one of the few ISTS entities whose FGD Unit is operational in accordance with the MoEFCC Notification.

Vide its order dated 16 April 2024 in Petition No. 131/MP/2022, this Hon'ble Commission allowed JPL to recover Operational and Maintenance (**O&M**) expenses in accordance with the terms of this Hon'ble Commission's Suo-Motu order in 6/SM/2021 dated 13 August 2021 (**Suo Motu Order**).

The Hon'ble Commission issued the public notice No. L-1 /259/2021/CERC dated 3 July 2024 vide which it invited comments / suggestions / objections on the subject Draft Revision Order, which has sought to revise the Suo Motu Order.

At the outset, it is observed that this Hon'ble Commission is proposing to make certain provisions enshrined under the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024 (**Tariff Regulations 2024**), which are applicable on Section 62 projects, to be applicable on Section 63 projects as well. It is submitted that that Section 63 projects, having been set up on a definitive tariff for their entire project life are different from Section 62 projects, in terms of the financials and return on investment. While Section 62 projects have the benefit of passing through their additional costs upon their off-takers, Section 63 projects can only do so under specific conditions and post approval of this Hon'ble Commission.

Hence, it is humbly submitted that since the financials and methodology of recovery vary for projects set up under Section 63 and Section 62 projects, in light of which we suggest that the same maybe kept in consideration determining the compensation payable to Section 63 projects in this regard.

Our comments on the Draft Revision Order has been enclosed as **ANNEXURE A**.

We request the Hon'ble Commission to take our views on record and into consideration at the time of finalising the Suo-Motu Order in 4/SM/2024.

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Thanking you,

Yours Sincerely,
For Jhajjar Power Limited



Authorised Signatory

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Annexure A

Clause of the Draft Revision Order	Comments/Suggestions to the Draft Revision Order
<p>17. Accordingly, it is proposed to modify Para 44 of the Sou Motu Order as under:-</p> <p><i>44. Accordingly, the Commission is of the view that operation and maintenance expenses shall be allowed @2.0% of the additional capital expenditure (ACEe) for installation of ECS (excluding IDC, IEDC, and FERV) as admitted by the Commission and to be escalated at the rate of 5.25% per annum till 31st March 2029 or revision by the Commission based on availability of data, whichever is earlier. Till 31.03.2029, the additional O&M expenses (O&Me) shall be worked out as follows:-</i></p> <p><i>First Year: 2.0% of ACEe excluding IDC, IEDC, and FERV (to be allowed proportionately if the operation of the ECS is for part of the year)</i></p> <p><i>Second Year onwards: 2.0% of ACEe escalated annually at the rate of 5.25%.</i></p> <p><i>The additional O&M expenses payable shall be worked out by reducing the income generated from the sale of gypsum or other by-products from the operation and maintenance expenses.</i></p> <p><i>44A. All generating companies are directed to maintain the operation & maintenance expenses of the emission control system separately and submit them to the Commission as and when directed.</i></p>	<p>Under the Suo Motu Order, the O&M expenses were calculated on a normative basis. For JPL, the actual O&M expenses are significantly higher than what was provided under the Suo Motu Order; this data was submitted by JPL vide an affidavit in Petition 131/MP/2022 which provided categorical data in this regard.</p> <p>It is submitted that vide the Draft Revision Order, this Hon'ble Commission has proposed to revise the O&M expenses of Emission Control System (ECS) from 2.5% to 2% and escalation from 3.5 to 5.25%. Vide this modification, this Hon'ble Commission shall effectively lower the amount payable as compensation to thermal power producers, thereby increasing further financial burden on generators.</p> <p>In light of the same, it is our humble submission that the proposed changes in the Draft Revision Order specifically pertaining to arriving at the base O&M expense i.e., 2% of admitted capital expenses, should only be considered for new projects. For the existing projects, the the base O&M expenses maybe considered at 2.5% of the admitted capital expenses, as provided under the Suo Motu Order. This shall also ensure that the generating companies are not being additionally burdened, and that undue financial benefit is not provided to the off-takers.</p> <p>Gypsum is a by-product of the operation of the ECS/FGD Unit. It is to be noted that gypsum so produced by operation of the ECS is of varying quality and can be sold to third parties only when it meets certain quality standards.</p> <p>In order to produce gypsum of the market-accepted standard, JPL has incurred additional expenses at its own costs towards the following:</p> <ol style="list-style-type: none"> a) Enhancement of the wastewater system capacity to control fines. b) Expansion of vacuum belt capacity to control moisture content and produce high-quality gypsum. c) Increase in lime mill and hydro cyclone capacities to achieve high-density concentration and produce saleable high-quality gypsum. d) Gypsum bleeding system (i.e. Hydro cyclone)

Clause of the Draft Revision Order	Comments/Suggestions to the Draft Revision Order
	<p>The aforementioned expenses ensure that the quality of gypsum manufactured is of saleable quality. Furthermore, JPL also incurs additional O&M expenses towards generation of gypsum. These expenses are incurred by JPL at its own cost, and such expenses are recouped by the sale of gypsum to third parties.</p> <p>Vide the Draft Revision Order, this Hon'ble Commission is proposing to deduct the income generated from gypsum sale from O&M costs. It is submitted that JPL has incurred recurring expenses to ensure that the gypsum being produced is of marketable quality and can be sold to third parties. By this modification, this Hon'ble Commission is effectively eliminating the generators' ability to recover such expenses. It is submitted that being a project set up under Section 63 of the Electricity Act 2003, any additional expense which was not factored at the time of setting up the project is a burden on such power plants and cannot be incurred without the opportunity of recovering the same.</p> <p>It is also submitted that in the event generators are not able to recover these regular expenses to ensure production of gypsum, it will eventually result in the generator not being able to invest such amounts which will result in poor quality gypsum. The generator will not be able to find buyers for such gypsum, thereby resulting in the same being disposed off by the generator, which disposal process itself is cumbersome and expensive.</p> <p>In view of the aforesaid, it is suggested that the income generated from sale of gypsum maybe removed from the ambit of O&M expenses, with directions upon the generators and off-takers to arrive at suitable arrangements for profit sharing.</p> <p>Alternatively, this Hon'ble Commission might consider allowing generating stations to recover: (i) O&M and other expenses incurred by them in the production of good quality gypsum and (ii) expenses incurred for disposal of gypsum.</p>



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	<p>It is submitted that JPL has installed its ECS unit and has been allowed to claim its operational and maintenance charges in accordance with the Suo Motu Order and order dated 16 April 2024 in Petition No. 131/MP/2021. Basis the said orders, JPL has been allowed certain escalations of the additional capital expenditure.</p> <p>It is submitted that the modification does not clarify as to how this is going to be applicable for the existing project which has already installed the ECS unit and is claiming O&M expenses as per the principles laid down in the Suo Motu Order. The recovery of O&M expenses for projects like JPL have followed a certain trajectory based on the provisions of the Suo Motu Order. Therefore, it is pertinent to provide an illustration or clarification as to how the revisions provided in the corresponding paragraph will be applicable for projects like JPL, so that any concerns from the offtakers in this regard can also be effectively addressed.</p>

