Ref.: APL/CERC/19022024
Date: 19.02.2024

To
The Secretary,
Central Electricity Regulatory Commission,
3rd and 4th Floor, Chanderlok Building,
36 Janpath, New Delhi – 110001

Sub.: Submission of comments on the Draft (Terms and Conditions of Tariff) Regulations, 2024 for the tariff period from 01.04.2024 to 31.03.2029, sought vide Notification No. L-1/268/2022/CERC dated 04.01.2024.

Dear Sir,

We appreciate the steps taken by the Hon'ble Commission to publish the Draft Terms and Conditions for Tariff Regulations for the ensuing Control Period viz. FY 2024-25 to FY 2028-29 for stakeholders' consultation.

With reference to the comments/suggestions invited by the Hon'ble Commission on the said Draft Regulations, we hereby submit our comments with a request to kindly take the same on record.

Thanking You,
Yours Sincerely,

For **Adani Power Limited**

M. R. Krishna Rao
President

Encl: As above.

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Adani Comments on Draft CERC Terms & Conditions of Tariff Regulations, 2024

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1.	(7) Bank Rate' means the one year marginal cost of lending rate (MCLR) of the State Bank of India issued from time to time plus **350** basis points.	3 (67) 'Reference Rate of Interest' means the one year marginal cost of funds based lending rate (MCLR) of the State Bank of India (SBI) issued from time to time plus **325** basis points	**Proposed:** 'Reference Rate of Interest' means the one-year marginal cost of funds based lending rate (MCLR) of the State Bank of India (SBI) issued from time to time plus **~~325~~ 350** basis points. **Rationale:** The rate of interest should be restored to SBI MCLR plus 350 points as per" Bank Rate" referred to in CERC Regulations 2019-2024 since the interest rates have increased as compared to previous control period.
2.	(73) 'Useful Life' in relation to a unit of a generating station, integrated mines, transmission system and communication system from the date of commercial operation shall mean the following: .. (f) Transmission line (including HVAC & HVDC) - 35 years (g) Communication system **- 15 years** **Provided that the extension of life of the projects beyond the completion of their useful life shall be decided by the Commission on case to case basis;**	3 (88) 'Useful Life' in relation to a unit of a generating station, integrated mines, transmission system and communication system from the date of commercial operation shall mean the following: .. (f) Transmission line (including HVAC & HVDC) & **OPGW** - 35 years (g) Communication system **excluding OPGW, IT and SCADA - 7 years** (h) Integrated mine(s) - As per the Mining Plan **Provided that in the case of coal/lignite based thermal generating stations and hydro generating**	(g) With rapid change in technology and software upgradations, Useful life for IT & SCADA systems along with DCS & PLC systems should be considered as 7 years.

Adani Comments on Draft CERC Terms & Conditions of Tariff Regulations, 2024

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		stations, the Operational Life may be 35 years and 50 years, respectively.	
3.	-	9 (5) In case the generating company or the transmission licensee files the application as per the timeline specified in sub-clause (1) to (4) of this Regulation, carrying cost shall be allowed from the date of commercial operation of the project: Provided that in case the generating company or the transmission licensee delays in filing of application as per the timeline specified in sub-clause (1) to (4) of this Regulation, carrying cost shall be allowed to the generating company or the transmission licensee from the date of filing of the application as per Regulation 10(7) and 10(8) of these regulations.	**Proposed:** • In case the generating company or the transmission licensee files the application as per the timeline specified in sub-clause (1) to (4) of this Regulation, carrying cost shall be allowed to the generating company or the transmission licensee from the date of commercial operation of the project: • Provided that in case the generating company or the transmission licensee delays in filing of application as per the timeline specified in sub-clause (1) to (4) of this Regulation, carrying cost shall be allowed to the generating company or the transmission licensee from the date of filing of the application as per Regulation 10(7) and 10(8) of these regulations. **Rationale:** • The non-filing of application for tariff determination will adversely affect the revenues of the generating company. Hence, the generating company will not intentionally delay the application for tariff determination. • However, application for tariff determination may be delayed due to factors not under control of the generating

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			company. Accordingly, in case of delay in filing application for tariff determination, the carrying cost should be allowed from the COD.
4.	**10. Determination of tariff** 10 (3) If the information furnished in the petition is in accordance with these regulations **and is adequate for carrying out prudence check of the claims made, the Commission may consider granting interim tariff in case of new projects.**	**10. Determination of tariff** 10 (3) If the information furnished in the petition is in accordance with these regulations, **the Commission may consider granting interim tariff of up to ninety per cent (90%) of the tariff claimed in case of new generating station or unit thereof or transmission system or element thereof during the first hearing of the application:** **Provided that in case the final tariff determined by the Commission is lower than the interim tariff by more than 10%, the generating company or transmission licensee shall return the excess amount recovered from the beneficiaries or long term customers, as the case may be with simple interest at 1.20 times of the rate worked out on the basis of 1 year SBI MCLR plus 100 basis points prevailing as on 1st April of the financial year in which such excess recovery was made.**	**Proposed:** • If the information furnished in the petition is in accordance with these regulations, the Commission shall ~~may consider~~ grant~~ing~~ interim tariff ~~of~~ as ~~up to~~ ninety per cent (90%) of the tariff claimed in case of new generating station or unit thereof or transmission system or element thereof during the first hearing of the application: • Provided that in case the final tariff determined by the Commission is lower than the interim tariff by more than **10%**, the generating company or transmission licensee shall return the excess amount recovered from the beneficiaries or long term customers, as the case may be with simple interest ~~at 1.20 times of the rate worked out~~ on the basis of 1 year SBI MCLR plus 100 basis points prevailing as on 1st April of the financial year in which such excess recovery was made. **Rationale:** • In case, commission considers that the tariff claimed by the generating company is appropriate and in accordance with the

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			regulations, Commission should allow 90% of the tariff claimed by generating company as interim tariff. • The generating company should not be penalized for difference between final tariff and interim tariff as determined by commission. Additional 20% carrying cost will have adverse impact on the operations and debt obligations of the generating company. Carrying cost for recovery by generating company or transmission licensee and for refund to beneficiaries, both have to be at the same level.
5.	**19. Capital Cost:** 19 (2) The Capital Cost of a new project shall include the following: …	**19. Capital Cost:** 19 (2) The Capital Cost of a new project shall include the following: … **(p) Expenditure required to enable flexible operation of the generating station at lower loads.**	Welcome step.
6.	19 (3) The Capital cost of an existing project shall include the following: …	19 (3) The Capital cost of an existing project shall include the following: … **(g) Expenditure required to enable flexible operation of the generating station at lower loads; and** **(h) Capital expenditure on account of biomass handling equipment and facilities, for cofiring.**	Welcome step.

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7.	-	**19 (5) For Projects acquired through NCLT proceedings, the following shall be considered while approving Capital Cost for determination of tariff:** **(a) For projects already under operation, historical GFA of the project acquired or the acquisition value paid by the generating company, whichever is lower;** **(b) For considering the historical GFA for the purpose of Sub-Clause (a) above, the same shall be the capital cost approved by the appropriate commission till the date of acquisition;** **Provided that in the absence of any prior approved cost of an Appropriate Commission, the Commission shall consider the same on the basis of audited accounts subject to prudence check;** **Provided further, that in case additional capital expenditure is required post acquisition of an already operational project, the same shall be considered under the provisions of Chapter 7 of these Regulations;**	• It may be noted that the projects which undergo NCLT process are unviable loss-making projects and therefore the recovery of tariff is inadequate to compensate for the expenses and earn the reasonable level of return. • While bidding for stressed assets, the acquirer considers several factors including cost to be incurred for completion of the facilities, standardization of the schemes as per the industry practice, etc. and any unforeseen factors the acquisition value is arrived. Accordingly, the procurer would acquire the asset at a discount to the existing price in order to make the stressed asset financially viable. • Moreover, Hon'ble APTEL vide judgment dated 27.09.2019 in Appeal No. 183 of 2019 in case of *Renascent Power Ventures Pvt. Ltd. vs UPERC, UPPCL, SBI and others* held that "*The change in the PPA tariff, which being the fundamental basis for arriving at the bid amount by the bidders, any subsequent reduction in the PPA tariff, post conclusion of the bid process by lenders of the project, would amount to change in the fundamental basis of the bid*."

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		(c) In case any under construction project is acquired which is yet to achieve commercial operation, the acquisition value or the actual audited cost incurred till the date of acquisition, whichever is lower, shall be considered. and; **(d) any additional capital expenditure incurred post acquisition of such project up to the date of commercial operation of the project in line with the investment approval of the Board of Directors of the generating company or the transmission licensees shall also be considered on a case to case basis subject to prudence check.** **Provided that post commercial operation, any additional capital expenditure shall be allowed under the provisions of Chapter 7 of these Regulations.**	• As evident from the aforementioned judgment by Hon'ble APTEL also, the clause proposed to be inserted in respect of projects acquired through NCLT would be in violation of the settled law considering the said APTEL judgment has attained finality. • Therefore, considering the lower of historical GFA of the project acquired or the acquisition value paid by the generating company for purpose of tariff determination will not only prevent the servicing of legitimate costs to the generator but also the same is not in public interest as it shall lead to continuance of stranding of stressed assets as investors will not show interest to acquire stranded assets through NCLT if the proposed regulation is implemented. There shall be no incentive to investors with the proposed regulation. Moreover, recovery of tariff based on historical GFA is not causing any additional burden to end consumers. Accordingly, it is strongly suggested that tariff of projects acquired through NCLT should continue to be computed based on the historical GFA only otherwise the stranded power projects, which are

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			national assets, will become useless which is not in the overall public interest. • Additionally, there is a need to have a provision for recovery of revival cost for NCLT units which need recommissioning, additional infrastructure as per standard requirements.
8.	21 (5) If the delay in achieving the COD is attributable either in entirety on in part to the generating company or the transmission licensee or its contractor or supplier or agency, in such cases, IDC and IEDC **beyond SCOD** may be disallowed after prudence check either in entirety or on pro-rata basis corresponding to the period of delay not condoned and the liquidated damages, if any, recovered from the contractor or supplier or agency shall be retained by the generating company or the transmission licensee, as the case may be.	21 (5) If the delay in achieving the COD is attributable either in entirety or in part to the generating company or the transmission licensee or its contractor or supplier or agency, in such cases, **IDC and IEDC due to such delay** may be disallowed after prudence check either in entirety or on pro-rata basis corresponding to the period of delay not condoned **vis-à-vis total implementation period** and the liquidated damages, if any, recovered from the contractor or supplier or agency shall be retained by the generating company or the transmission licensee, **in the same proportion of delay not condoned vis-à-vis total implementation period**. [Note: For e.g.: In case a project was scheduled to be completed in 48 months and is actually completed in 60 months.	• The generating company or transmission licensee is already being penalized by way of disallowance of IDC and IEDC in case of delay in COD attributable to contractors. Therefore, not allowing such generators / licensees to retain liquidated damages from contractors would result into a double jeopardy adversely affecting the cashflows for day-to-day operations of the generators/licensees. • Therefore, the generating company / licensee should be allowed to retain all the liquidated damages recovered from the contractors or suppliers. • Delay in grant of approval/ clearances by Statutory Authorities are beyond the control of the generator/licensees and accordingly needs to be fully condoned. • In fact, in respect of clearances by statutory bodies, it is necessary that the Hon'ble Commission issues directions to Statutory Authorities for mandatory approvals/

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		Out of 12 months of time overrun, if only 6 months of time overrun is condoned, the allowable IDC and IEDC shall be computed by considering the total IDC and IEDC incurred for 60 months and allowed in the proportion of 54 months over 60 month period.] Provided that in case of activities like obtaining forest clearance, NHAI Clearance, approval of Railways, and acquisition of government land, where delay is on account of delay in approval of concerned authority, in such cases maximum condonation shall be allowed **up to 90%** of the delay associated with obtaining such approvals or clearances.	clearances within a specified timeline. In any case, 100% delay in approvals Statutory Authorities has to be appropriately compensated to generating company or transmission licensee and accounted for condonation. • Further, no rationale has been provided for condoning delay on account of such Statutory Authorities only up to 90%.
9.		**26. Additional Capitalization beyond the original scope** (1) The capital expenditure, in respect of the existing generating station or the transmission system, including the communication system, incurred or projected to be incurred on the following counts beyond the original scope, may be admitted by the Commission, subject to prudence check: …	• Separate norm of Special Compensation for coastal plants considering corrosion factor and sea water utilization to be provided based on their historical add cap details. • Generators should be allowed to approach the Commission for approval of new expenses not covered under add cap or special compensation on case to case basis.

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10.	**30. Return on Equity** 30 (2) Return on equity shall be computed at the base rate of 15.50% for thermal generating station, transmission system including communication system and run-of river hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run-of river generating station with pondage: - - - - - - - - - - - - - -	**30. Return on Equity** 30 (2) Return on equity for existing project shall be computed at the base rate of 15.50% for thermal generating station, transmission system including communication system and run-of river hydro generating station and at the base rate of 16.50% for storage type hydro generating stations, pumped storage hydro generating stations and run-of-river generating station with pondage; **(3) Return on equity for new project achieving COD on or after 01.04.2024 shall be computed at the base rate of 15.00% for the transmission system, including the communication system, at the base rate of 15.50% for Thermal Generating Station and run-of-river hydro generating station and at the base rate of 17.00% for storage type hydro generating stations, pumped storage hydro generating stations and run-of-river generating station with pondage;** Provided that return on equity in respect of additional capitalization beyond the original scope, **including additional**	• The Govt. of India has set ambitious targets to meet the rising power demand through substantial Renewable sources based power generation to achieve its net zero target by the year 2070. Most of such RE generation would occur in RE rich states, however, it would be consumed across the entire country. Consequently, a robust, reliable, and efficient transmission network would be required to evacuate such huge quantum of RE generation to transmit it from the source to the load centres. This would therefore necessitate substantial investment in the sector and any move to reduce the rate of RoE from the existing 15.5% would dampen the investor spirit and prevent the sector from garnering the much needed investment to meet not only the demand for power but also the climate change initiatives of the GoI. • It is also essential to consider the aspect that the transmission licensee is not entitled to any RoE for the period up to COD. As per the current experience, the commissioning of most of the assets is being delayed due to reasons not attributable to the project proponents. Ex: COVID delays, serious issues in RoW. In

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	Provided that return on equity in respect of additional capitalization after cut-off date beyond the original scope **excluding additional capitalization due to Change in Law**, shall be computed at the **weighted average rate of interest on actual loan portfolio** of the generating station or the transmission system; Provided further that: i. In case of a new project, the rate of return on equity shall be reduced by 1.00% for such period as may be decided by the Commission, if the generating station or transmission system is found to be declared under commercial operation without commissioning of any of the **Restricted Governor Mode Operation (RGMO)** or Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system based on the report submitted by the respective RLDC;	**capitalization on account of the emission control system, Change in Law, and Force Majeure** shall be computed at the **base rate of one-year marginal cost of lending rate (MCLR) of the State Bank of India plus 350 basis points as on 1st April of the year, subject to a ceiling of 14%**; Provided further that: i. In case of a new project, the rate of return on equity shall be reduced by 1.00% for such period as may be decided by the Commission if the generating station or transmission system is found to be declared under commercial operation without commissioning of any of the Free Governor Mode Operation (FGMO), data telemetry, communication system up to load dispatch centre or protection system based on the report submitted by the respective RLDC; ii. in case of an existing generating station, as and when any of the requirements under (i) above of this Regulation are found lacking based on the report submitted by the concerned RLDC, the rate of return on equity shall	such circumstances, there is actually a need to allow higher RoE to adequately compensate the developers. • In view of the above, it is submitted that there is strong case to increase the rate of RoE from the existing 15.5% for the new projects and in any case the same should not be reduced below 15.5% but retained at existing level of 15.5%. even for new projects.. • Similarly, the capex towards Emission Control System required to be undertaken by the generators to meet the revised emission control norms notified by the MOEF&CC on 07.12.2015 is a change in law event. However, nature of this change in law is different from the other change in law events affecting the generators during the operation period such as domestic coal shortfall, changes in taxes & duties etc. as such changes in law can be funded through short term loans / working capital considering that such cost needs to be funded only for the period from date of occurrence to date of regulatory approval. However, capex towards ECS needs to be funded through long term loans as well as long term equity infusion neither of which

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	ii. in case of existing generating station, as and when any of the requirements under (i) above of this Regulation are found lacking based on the report submitted by the concerned RLDC, rate of return on equity shall be reduced by 1.00% for the period for which the deficiency continues; iii. in case of a thermal generating station, with effect from 1.4.2020: a) rate of return on equity shall be reduced by 0.25% in case of failure to achieve **the ramp rate of 1% per minute**; b) an additional rate of return on equity of 0.25% shall be allowed for every incremental ramp rate of 1% per minute achieved over and **above the ramp rate of 1% per minute**, subject to ceiling of additional rate of return on equity of 1.00%: **Provided that the detailed guidelines in this regard shall be issued by National Load Dispatch Centre by 30.6.2019.**	be reduced by 1.00% for the period for which the deficiency continues; iii. in the case of a thermal generating station: a) rate of return on equity shall be reduced by 0.25% in case of failure to achieve the **ramp rate as specified under Regulation 45(9) of IEGC Regulations, 2023**. b) an additional rate of return on equity of 0.25% shall be allowed for every incremental ramp rate of 1% per minute achieved over and **above the ramp rate specified under Regulation 45(9) of IEGC Regulations, 2023**, subject to the ceiling of additional rate of return on equity of 1.00%:	were envisaged at the time of original investment / bid. • It is also pertinent to be recognized that the risks of equity investment in the additional capitalization after COD are far higher for the existing generating plants as the original OEM of BTG package will not take any responsibility for deterioration of plant performance and the entire risk of system integration is completely on the original developer. • It is also a settled position that since equity is risk-capital, the cost of equity is higher than cost of debt. Accordingly, allowing RoE at the rate equivalent to MCLR + 350 bps is unjustified and unfair to the generators. Furthermore, lenders would not extend debt funding to ECS projects in case a rate of RoE lower than the existing 15.5% is allowed. Accordingly, there is a strong case in favour of allowing RoE at 15.5% to the generators towards meeting cost of installation of ECS. • It is also necessary to note that the equity investment by the investor is based on the assurance to allow RoE at 15.5%. If the same %RoE is not allowed for change in law investments, then it defeats the concept of 'restitution'.

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11.	**31. Tax on Return on Equity** 31 (1) The **base** rate of return on equity as allowed by the Commission under Regulation 30 of these regulations shall be grossed up with the effective tax rate of the respective financial year. For this purpose, the effective tax rate shall be considered on the basis of **actual tax paid in respect of the financial year** in line with the provisions of the relevant Finance Acts by the concerned generating company or the transmission licensee, as the case may be. The actual tax paid on income from other businesses including deferred tax liability (i.e. income from business other than business of generation or transmission, as the case may be) shall be excluded for the calculation of effective tax rate.	**31. Tax on Return on Equity** 31 (1) The rate of return on equity as allowed by the Commission under Regulation 30 of these regulations shall be grossed up with the effective tax rate of the respective financial year. The effective tax rate shall be calculated at the beginning of every financial year **based on the estimated profit and tax to be paid estimated** in line with the provisions of the relevant Finance Act applicable for that financial year to the concerned generating company or the transmission licensee by excluding the income of non-generation or non-transmission business, as the case may be, and the corresponding tax thereon. **Provided that in case a generating company or transmission licensee is paying Minimum Alternate Tax (MAT) under Section 115JB of the Income Tax Act, 1961, the effective tax rate shall be the MAT rate, including surcharge and cess;** **Provided further that in case a generating company or transmission licensee has opted for Section**	• Effective Tax rate should be the Tax rates, including surcharge and Cess, specified as under relevant finance Act for the Generating Stations or Transmission Licensee in line with second proviso related to Section 115 BAA (New tax Regime). No actual effective tax rate computation should be required.

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		115BAA, the effective tax rate shall be tax rate including surcharge and cess as specified under Section 115BAA of the Income Tax Act, 1961.	
12.	31 (2) Rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below: Rate of pre-tax return on equity = Base rate / (1-t) **Where "t" is the effective tax rate in accordance with clause (1) of this Regulation and shall be calculated at the beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that financial year to the company on pro-rata basis by excluding the income of non-generation or non-transmission business, as the case may be, and the corresponding tax thereon. In case of generating company or transmission licensee paying Minimum Alternate Tax (MAT), "t" shall be considered as**	31 (2) The rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below: Rate of pre-tax return on equity = Base rate / (1-t)	

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	MAT rate including surcharge and cess. **Illustration-** ...		
13.	31 (3) The generating company or the transmission licensee, as the case may be, shall **true up the grossed up rate of return on equity** at the end of every financial year based on actual tax paid together with any additional tax demand including interest thereon, duly adjusted for any refund of tax including interest received from the income tax authorities pertaining to the tariff period 2019-24 on actual gross income of any financial year. However, penalty, if any, arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the generating company or the transmission licensee, as the case may be. Any under-recovery or over-recovery of grossed up rate on return on equity after truing up, shall be recovered or refunded to beneficiaries or the long term customers, as the case may be, on year to year basis.	31 (3) The generating company or the transmission licensee, as the case may be, shall **true up the effective tax rate** for every financial year based on actual tax paid together with any additional tax demand, including interest thereon, duly adjusted for any refund of tax including interest received from the income tax authorities pertaining to the tariff period 2024-29 on actual gross income of any financial year. Further, any penalty arising on account of delay in deposit or short deposit of tax amount shall not be considered while computing the actual tax paid for the generating company or the transmission licensee, as the case may be. **Provided that in case a generating company or transmission licensee is paying Minimum Alternate Tax (MAT) under Section 115JB, the generating company or the transmission licensee, as the case may be, shall true up the**	

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		grossed up rate of return on equity at the end of every financial year with the applicable MAT rate including surcharge and cess. **Provided that in case a generating company or transmission licensee is paying tax under Section 115BAA, the generating company or the transmission licensee, as the case may be, shall true up the grossed up rate of return on equity at the end of every financial year with the tax rate including surcharge and cess as specified under Section 115BAA.** Provided that any under-recovery or over recovery of grossed up rate on return on equity after truing up, shall be recovered or refunded to beneficiaries or the long term customers, as the case may be, on a year to year basis.	
14.	-	**32. Interest on loan capital:** 32 (6) In the case of New Project(s), the rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio of the generating company or the transmission licensee, as the case may be;	**Proposed:** • In the case of New Project(s), the rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio of the generating company or the transmission licensee, as the case may be.

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		Provided further that if the generating station or the transmission system, as the case may be, does not have any actual loan, then the rate of interest for a loan shall be considered as 1-year MCLR of the State Bank of India as applicable as on April 01, of the relevant financial year.	• Provided further that if the generating station or the transmission system, as the case may be, does not have any actual loan, then the rate of interest for a loan shall be considered as ~~1-year MCLR of the State Bank of India as applicable as on April 01, of the relevant financial year.~~ **weighted average rate of interest of the loan portfolio of the generating company or the transmission licensee as a whole shall be considered.**
15.	**33. Depreciation** 33 (5) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-I to these regulations for the assets of the generating station and transmission system: …	**33. Depreciation** 33 (5) Depreciation for **Existing Projects** shall be calculated annually based on the Straight Line Method and at rates specified in Appendix-I to these regulations for the assets of the generating station and transmission system: … **Provided further that in the case of an existing hydro generating station, the generating company, with the consent of the beneficiaries, may charge depreciation at a rate lower than that specified in Appendix I and Appendix II to these Regulations to reduce front loading of tariff.**	• Depreciation is the component of tariff corresponding to the normative loan repayment and the rate for the same is fixed considering a loan repayment tenure of 12 years. However, for new projects, the same is now proposed to be changed considering a loan repayment tenure of 15 years. However, the generator / licensee shall have to repay the actual loan over a shorter duration of 10-12 years and consequently will be unable to service the debt considering a lower normative depreciation proposed to be allowed pushing the project towards financial stress and eventual insolvency.

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16.	-	33 (6) Depreciation for New Projects shall be calculated annually based on the Straight Line Method and at rates specified in Appendix-II to these regulations for the assets of the generating station and transmission system: Provided that the remaining depreciable value as on 31st March of the year closing after a period of 15 years from the effective date of commercial operation of the station shall be spread over the balance useful life of the assets. Provided further that in the case of a new hydro generating stations, the generating company, with the consent of the beneficiaries, may charge depreciation at a rate lower than that specified in Appendix II to these Regulations to reduce front loading of tariff.	• In view of the above, it is submitted that depreciation rate for new projects should also be aligned with that of the existing projects to keep the new projects solvent.
17.	-	33 (12) In case the date of operation of the emission control system is subsequent to the date of completion of the useful life of generating station commercial operation of the generating station or unit thereof, depreciation of ECS shall be computed annually from the date of operation of such emission control system based on the straight line	**Proposed:** • In case the date of operation of the emission control system is subsequent to the date of completion of the useful life of generating station commercial operation of the generating station or unit thereof, depreciation of ECS shall be computed annually from the date of operation of such emission control system based on the

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		method, with a salvage value of 10% and recovered over ten years or a period mutually agreed by the generating company and the beneficiaries, whichever is higher.	straight line method, with a salvage value of 10% and recovered over ~~ten years or a period mutually agreed~~ **<u>remaining term of PPA</u>** by the generating company ~~and the beneficiaries, whichever is higher~~. **Rationale:** • Many power generators are already stressed in the country due to inability to fulfill debt obligations. • Non-recovery of depreciation value of emission control system during the term of the PPA would lead to the generators defaulting on loans due to lack of power offtake guarantee and ultimately more plants would be pushed towards insolvency. • Accordingly, depreciation of emission control system should be allowed to be recovered during the balance term of the PPA to ensure adequate funds towards meeting debt obligations for emission control system.
18.	**34. Interest on Working Capital** 34 (1) The working capital shall cover: (a) For Coal-based/lignite-fired thermal generating stations: …	**34. Interest on Working Capital** 34 (1) The working capital shall cover: (a) For Coal-based/lignite-fired thermal generating stations: …	**Proposed:** • Limestone towards stock for ~~15~~ **<u>20</u>** days corresponding to the normative annual plant availability. **Rationale:**

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		(ii) Limestone towards stock for **15 days** corresponding to the normative annual plant availability.	• The limestone stock corresponding to the normative annual plant availability should be considered as equivalent to coal stock for non-pit head stations corresponding to the normative annual plant availability for 20 days.
19.	**35. Operation and Maintenance Expenses:** 35 (1) (1) For 600 MW series - 20.26 to 23. 26 Lakhs/MW	**36. Operation and Maintenance Expenses:** 36 (1) (1) For 600 MW series - 24.81 to 31.20 Lakhs/MW	• With ref. to notified Regulation on Flexible operation of coal based Thermal Power Generating Units on 30.1.2023, Flexible operation also leads to a higher rate of deterioration of plant components. This is observed in an increased failure rate and more frequent replacement of components. The impact on the life of components increases with increase in number of flexible operation instances and with number of start-stops the unit undergoes in a year. As a result, the operation and maintenance costs are significantly higher in units operated on a daily or weekly start-stop basis. Based on CEA Report "Flexibilization of coal fired power plants" the increase in annual O&M cost has been considered as 9%, 14% and 20% of O&M Cost at 50%, 45%, 40% loading respectively. Also, for unit loading from 55% to 85% during flexible operations with frequent ramp up & downs, additional compensation in O&M

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			cost has to be provided. The increase in O&M cost shall be allowed based on plant actual low load operation and could be calculated based on CEAs compensation methodology for operating below 55% load and should be under change in law provisions of PPA to the generators.
20.	35 (3) Transmission system: (a) The following normative operation and maintenance expenses shall be admissible for the transmission system: …	36 (3) Transmission system: (a) The following normative operation and maintenance expenses shall be admissible for the transmission system: …	• Reduction in Normative O&M Expenses for sub-station bays and HVDC stations will result in distresses to the licensees due to aging of assets. Accordingly, the Normative O&M Expenses for substation bays and HVDC stations for FY 2024-25 should at least cover escalation of 5.89% over Normative O&M expenses of FY 2023-24. Escalation in O&M expenses for transmission assets would be at the same level of such expenses for generating companies.
21.	35 (3) (a) …. (iii) the O&M expenses of ±500 kV Mundra-Mohindergarh HVDC bipole scheme (2000 MW)shall be allowed as worked out by multiplying 0.80 of the normative O&M expenses for **±500 kV Talchar-Kolar** HVDC bi-pole scheme (2000 MW);	36 (3) (a) … Provided that the O&M expenses of ±500 kV Mundra-Mohindergarh HVDC bipole scheme (2500 MW) shall be allowed as worked out by multiplying **0.80** of the normative O&M expenses for HVDC bipole scheme; ..	• Reduction in Normative O&M Expenses for sub-station bays and HVDC stations will result in distresses to the licensees due to aging of assets. Accordingly, the Normative O&M Expenses for substation bays and HVDC stations for FY 2024-25 should at least cover escalation of 5.89% over Normative O&M expenses of FY 2023-24.

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		Provided further that the O&M expenses for Transmission Licensees whose transmission assets are located solely in NE Region, States of Uttarakhand and Himachal Pradesh, the Union Territories of Jammu and Kashmir and Ladakh shall be worked out by multiplying **1.50** to the normative O&M expenses prescribed above.	
22.	**36. Input Price of coal and lignite for energy charges (from integrated mine)** 36 (4) In case of excess or short recovery of input price under Clauses (2) or (3) of this Regulation, the generating company shall refund the excess amount or recover the shortfall amount, as the case may be, with simple rate of interest, equal to the bank rate prevailing as on 1st April of the respective years of the tariff period, in six equal monthly instalments.	**37. Input Price of coal and lignite for energy charges (from integrated mine)** 37(4) In case of excess or short recovery of input price under Clauses (2) or (3) of this Regulation, the generating company shall refund the excess amount or recover the shortfall amount, as the case may be, with simple interest at the rate equal to 1-year SBI MCLR plus 100 basis points prevailing as on 1st April of the respective year of the tariff period, in six equal monthly instalments. Provided that such interest shall be payable till the date of issuance of the Order and no interest shall be allowed or levied during the period of six-monthly instalments.	**Proposed change in 2nd proviso:** • Provided that in case there is a delay in filing the Petition for determination of input price as per the timelines specified under Regulation 9 of these regulations, no carrying cost shall be allowed to the generating company or the mining company for such delay and in such cases the carrying cost at the simple interest rate of 1-year SBI MCLR plus 100 bps shall be allowed from the date of ~~filing of the Petition.~~ **<u>commercial operation of the integrated mine.</u>** **Rationale:** • The delay in filing of application for input price determination will adversely affect the revenues of the generating company. Hence, the generating company will not

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		Provided that in case there is a delay in filing the Petition for determination of input price as per the timelines specified under Regulation 9 of these regulations, no carrying cost shall be allowed to the generating company or the mining company for such delay and in such cases the carrying cost at the simple interest rate of 1-year SBI MCLR plus 100 bps shall be allowed **from the date of filing of the Petition.**	intentionally delay the application for input price determination. • However, application for input price determination may be delayed due to factors not under control of the generating company. Accordingly, in case of delay in filing application for input price determination, the carrying cost should be allowed from the commercial operation of the integrated mine.
23.	**49 (C) Gross Station Heat Rate:** (a) Existing Thermal Generating Stations achieving COD before 1.4.2009 200/210/250 MW Sets - **2,430kCal/kWh** 500 MW Sets (Sub-critical) - **2,390kCal/kWh** Note 1: In respect of 500 MW and above units where the boiler feed pumps are electrically operated, the gross station heat rate shall be 40 kCal/kWh lower than the gross station heat rate specified above.	**70 (C) Gross Station Heat Rate:** (a) Existing Thermal Generating Stations achieving COD before 1.4.2009 200/210/250 MW Sets - **2,400kCal/kWh** 500 MW Sets (Sub-critical) - **2,375kCal/kWh** Note 1: **The normative gross station heat rate above is exclusive of the compensation specified as per the Grid Code. The generating company shall, based on the unit loading factor, consider the compensation in**	• It is submitted that the power plant equipment once designed based on the prevalent regulations at the point in time does not undergo a change during the operation period hence there is no rationale to vary the margin over and above the design heat rate in successive Control Period. Moreover, with increased RE penetration, the actual PLFs of thermal plants are reducing substantially as compared to the normative levels and coupled with flexible operation leads to further degradation of operational parameters. In view of above, the margin over design heat rate should be retained as per the existing 2019 Tariff Regulations. • With ref. to notified Regulation on Flexible operation of coal based Thermal Power

<table>
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<tr><td></td>
<td>(b) Thermal Generating Stations achieving COD on or after 1.4.2009:

(i) For Coal-based and lignite-fired Thermal Generating Stations: 1.05 X Design Heat Rate (kCal/kWh)
.
.
.
Provided also that maximum turbine cycle heat rate shall be adjusted for type of dry cooling system:
..</td>
<td>addition to the normative gross heat rate above.

(b) Thermal Generating Stations achieving COD on or after 1.4.2009:

(i) For Coal-based and lignite-fired Thermal Generating Stations:
For 200/210/250 MW Sets.: 1.05 X Design Heat Rate (kCal/kWh)
For 500 MW Sets and above: 1.04 X Design Heat Rate (kCal/kWh)
..
Provided units based on a dry cooling system, the maximum turbine cycle heat rate shall be considered as per the actual design or 6% higher than the values given in the table above, whichever is lower;</td>
<td>Generating Units on 30.1.2023 and as per CEA recommendations vide file no. CEA-TH-17-13/1/2019-TETD division dated 19th Dec-2023, below unit Heat rate degradation due to part load (flexible operations) needs to be considered over and above to the normative heat rate.
<table>
<tr><th colspan="4">Unit Heat Rate % Degradation due to part load operation</th></tr>
<tr><th>SR No</th><th>Unit Loading %</th><th>Sub-Critical Unit</th><th>Super-Critical unit</th></tr>
<tr><td>1</td><td>85-100</td><td>0</td><td>0</td></tr>
<tr><td>2</td><td>80- <85</td><td>2.1</td><td>1.8</td></tr>
<tr><td>3</td><td>75- <80</td><td>3</td><td>2.5</td></tr>
<tr><td>4</td><td>70- <75</td><td>4</td><td>3.3</td></tr>
<tr><td>5</td><td>65- <70</td><td>5.1</td><td>4.1</td></tr>
<tr><td>6</td><td>60- <65</td><td>6.1</td><td>4.9</td></tr>
<tr><td>7</td><td>55- <60</td><td>7.6</td><td>6</td></tr>
<tr><td>8</td><td>50- <55</td><td>9.35</td><td>7.7</td></tr>
<tr><td>9</td><td>45- <50</td><td>11.9</td><td>10.7</td></tr>
<tr><td>10</td><td>40- <45</td><td>14.2</td><td>13.2</td></tr>
</table>
The compensation to be calculated block wise since the loss incurred in a block cannot be recovered. The recommendation of the Expert Committee appointed by the CERC in this regard needs to be implemented without any further delay.</td></tr>
</table>

Sr. No.	Existing CERC Tariff Regulations, 2019	Draft CERC Tariff Regulations, 2024	Comments / suggestions
			• Additional compensation for impact of high moisture of imported coal in heat rate also needs to be considered.
24.	**49 (E) Auxiliary Energy Consumption:** (a) For Coal-based generating stations: 200 MW series - 8.50% 300 MW and above Steam driven boiler feed pumps - **5.75%** Electrically driven boiler feed pumps - 8.00% . . . . **(d) For Lignite-fired thermal generating stations:** **(iv) Limestone consumption for lignite-based generating station using CFBC technology:** **Barsingsar : 0.056 kg/kWh** **TPS-II (Expansion) : 0.046 kg/kWh**	**70 (E) Auxiliary Energy Consumption:** (a) For Coal-based generating stations: 200 MW series - 8.50% 300 MW and above Steam driven boiler feed pumps - **5.25%** Electrically driven boiler feed pumps - 8.00% **600 MW and above** **Steam driven boiler feed pumps - 5.25%** **Electrically driven boiler feed pumps - 8.00%** **...**	• It is submitted that the power plant equipment once designed based on the prevalent regulations at the point in time does not undergo a change during the operation period hence there is no rationale to vary the AEC in successive Control Period. Moreover, with increased RE penetration, the actual PLFs of thermal plants are reducing substantially as compared to the normative levels and coupled with flexible operation leads to further degradation of operational parameters. In view of above, the AEC norms should be retained as per the existing 2019 Tariff Regulations. • Further with ref. to notified Regulation on Flexible operation of coal based Thermal Power Generating Units on 30.1.2023 and as per CEA recommendations vide file no. CEA-TH-17-13/1/2019-TETD division dated 19th Dec-2023, below auxiliary energy consumption degradation due to part load (flexible operations) needs to be considered over and above the normative auxiliary energy consumption.

<table>
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<tr><td></td><td>(e) For Generating Stations based on coal rejects: 10%</td><td></td><td>
<table>
<tr><th colspan="3">% Degradation in Auxiliary power consumption due to part load operation</th></tr>
<tr><th>SR No</th><th>Unit Loading %</th><th>% degradation</th></tr>
<tr><td>1</td><td>85-100</td><td>0</td></tr>
<tr><td>2</td><td>80- <85</td><td>0.5</td></tr>
<tr><td>3</td><td>70- <80</td><td>1.1</td></tr>
<tr><td>5</td><td>60- <70</td><td>1.8</td></tr>
<tr><td>7</td><td>50- <60</td><td>2.5</td></tr>
<tr><td>10</td><td>40- <50</td><td>3.2</td></tr>
</table>
</td></tr>
<tr><td>25.</td><td></td><td>70 (D) Secondary Fuel oil consumption</td><td>• With ref. to notified Regulation on Flexible operation of coal based Thermal Power Generating Units on 30.1.2023 and as per CEA recommendations vide file no. CEA-TH-17-13/1/2019-TETD division dated 19th Dec-2023, additional specific oil consumption of 0.2 ml/KWh should be provided for units operating in 40-55% average loading as oil support may be needed for safe plant operations at such low load operations. Further, Startup cost to be added after predefined number of start-ups to compensate for its impact on SOC, SHR and APC.</td></tr>
</table>