

Ref: DIL/REG/CERC/FY 23-24/08

Date: 20.02.2024

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

**Sub: Comments/suggestions on Draft CERC (Terms & Conditions of Tariff) Regulations, 2024
for the period from 01.04.2024 to 31.03.2029**

Dear Sir,

At the outset, we thank the Hon'ble Commission for providing us an opportunity to give our comments/suggestions on the Draft CERC (Terms & Conditions of Tariff) Regulations, 2024 for the period from 01.04.2024 to 31.03.2029 vide its notification No. L- 1/268/2022/CERC dated 04.01.2024 read with the notice dated 30.01.2024.

Accordingly, please find attached comments on the same on behalf of Dhariwal Infrastructure Limited, a Generating Company having its Registered Office at Kolkata and a 2 x 300 MW Coal-fired Power Generating Station at Tadali, near Chandrapur, Maharashtra.

The 3 hard copies along with soft copy as per the above notifications are being submitted for your kind consideration.

Thanking you

Yours faithfully,
For Dhariwal Infrastructure Limited



Authorized Signatory

Encl: As above

DHARIWAL INFRASTRUCTURE LIMITED
COMMENTS ON DRAFT CERC (TERMS & CONDITIONS OF TARIFF) REGULATIONS FOR THE TARIFF PERIOD FY 2024-29

At the outset, Dhariwal Infrastructure Limited (“*DIL*”) would like to thank the Hon’ble Central Electricity Regulatory Commission (“*Hon’ble Commission*”) for bringing out the Draft (Terms & Conditions of Tariff) Regulations 2024 (“*Draft Tariff Regulations 2024*”) for the period FY 2024-25 to FY 2028-29 and providing the stakeholders an opportunity to provide comments/suggestions on the same. Accordingly, the comments and suggestions on the Draft Tariff Regulations 2024 and its terms on behalf of DIL are provided in the following matrix for the kind perusal of the Hon’ble Commission.

SL. No.	REGULATION	COMMENTS AND SUGGESTIONS
DEFINITIONS		
3 (12) read with 3 (56)	<p><i>'Capital Spares' means spares individually costing above Rs. 20 lakh, which is maintained by the generating company or the transmission licensee over and above the initial spares.</i></p> <p><i>'Operation and Maintenance Expenses' or 'O&M expenses' means the expenditure incurred for operation and maintenance of the project, or part thereof, and includes the expenditure on manpower, maintenance, repairs and maintenance spares, other spares of capital nature valuing less than Rs. 20 lakhs, additional capital expenditure of an individual asset costing up to Rs. 20 lakhs, consumables, insurance and overheads and fuel other than used for generation of electricity:</i></p>	<p>We humbly request the Hon’ble Commission to consider the classification of capital spares based on the useful life and should not be allowed to be accommodated under normative O&M expenses. The practice of allowing all capital spare on actual basis may be continued. Maintenance spare can be continued to be a part of O&M expenses.</p> <p><u>Justifications:</u></p> <p>1. Ministry of Corporate Affairs (“MCA”), vide notification dated 30.03.2016 has amended the Accounting Standard 2, Valuation of Inventories, Accounting Standard 10 and Accounting Standard 16, now as ‘Property, Plant & Equipment’ applicable from FY 2016-17. Under revised AS-10 it has been specifically provided that for any spare part to be covered under the scope of Property, Plant & Equipment must satisfy the below mentioned condition which states that:</p> <p style="text-align: center;"><i>“Assets which are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes;”</i></p> <p>The cost of an item of property, plant and equipment should be recognized as an asset if, and only if:</p>

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		<p>(a) It is probable that future economic benefits associated with the item will flow to the enterprise; and</p> <p>(b) The cost of the item can be measured reliably.</p> <p>Hence, it is clear from the Accounting Standards that even if a capital spare costs less than ₹ 20 lakhs but is expected to extend its service upto the useful life of the fixed asset, the same cannot be included under O&M Expenses and has to be considered as capital asset.</p> <p>2. In our humble opinion, the Hon'ble Commission may consider the classification of capital spares based on the useful life and the same should not be allowed to be accommodated under normative O&M expenses. The practice of allowing all capital spare on actual basis may be continued. Maintenance spare can be continued to be a part of O&M expenses. Further, the definition of O&M Expenses may also be modified to remove any reference for inclusion of any capital spares based on value.</p>
3 (88)	<p><i>'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:</i></p> <p>.....</p> <p><i>(a) Coal/Lignite based thermal generating station 25 years</i></p> <p>.....</p> <p><i>Provided that in the case of coal/lignite based thermal generating stations and hydro generating stations, the Operational Life may be 35 years and 50 years, respectively.</i></p>	<p>1. It is humbly submitted before this Hon'ble Commission, that to enhance the regulatory framework's precision and clarity, it is recommended to explicitly define 'Operational Life' within the context of these regulations to understand its impact on various assets. This clarification will help stakeholders in the sector understand the distinct temporal aspects associated with the assets with respect to 'Useful Life' and 'Operational Life,' contributing to more effective interpretation and implementation of the regulations.</p> <p>2. This Hon'ble Commission may understand that operational life may involve considering various factors such as comprehensive asset assessment/life cycle cost analysis/asset specific risks/corrosion/fatigue wear and tear/cost effectiveness of retrofitting/in depth assessment & testing of critical equipment such as boilers, turbines etc. and often requires other specific studies, in this regard, operational life in projects lies in the diverse and dynamic nature of the projects in energy sector, and therefore, setting time period 35 years for all coal-based plants may not be suitable in defining Operational Life. In this</p>

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		context, the Hon'ble Commission may contemplate the inclusion of a provision acknowledging that, based on comprehensive studies, the actual operational life could potentially also be less than the prescribed 35 years.
SALE OF INFIRM POWER		
6	<p><i>Sale of Infirm Power: Supply of infirm power shall be in accordance with the Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related matters) Regulations, 2022:</i></p> <p><i>Provided that any revenue earned by the generating company from the supply of infirm power after accounting for the fuel expenses shall be applied in adjusting the capital cost accordingly.</i></p>	As per the CERC (Deviation & Settlement Mechanism) Regulations, 2022, the charges for deviation for injection of infirm power is zero. Therefore, the basic intent is that the generators should make necessary arrangements for scheduling transaction of their infirm power. In this regard, generators may encounter constraints due to limited avenues or insufficient buyers for the sale of their infirm power, which can impede generators from effectively recovering their fuel costs. It is essential to recognize the challenges generators face in realizing the economic value of infirm power, and addressing this concern will contribute to the sustainability and viability of power generation operations. Therefore, in our humble opinion, Final Tariff Regulations 2024-29 should also allow for capitalization of any loss incurred on sale of infirm power, i.e., in case revenue earned by the generating company from the supply of infirm power recovered is less than the actual Fuel Expenses. Therefore, this difference should be allowed to be capitalized as 'start-up and trial-run fuel expenses' as part of Capital Cost of the Project for recovery through Tariffs.
DETERMINATION OF TARIFF		
10 (7) Read with 10(8)	<p><i>Where the capital cost approved by the Commission on the basis of projected additional capital expenditure exceeds the actual trued up additional capital expenditure incurred on a year to year basis by more than 10%, the generating company or the transmission licensee shall refund to the beneficiaries or the long term customers as the case may be, the tariff recovered corresponding to the additional capital expenditure not incurred, as approved by the Commission, along with</i></p>	We appreciate the intention of this Hon'ble Commission to prevent overestimation of capital costs, which could result in higher tariffs for consumers and to further create an ecosystem which, aligns closely with the actual expenditures incurred. However, in this context, we humbly request this Hon'ble Commission to consider revisiting the said provision that imposes an additional factor of 20% on the rate of settlement, when actual capital cost is less than 10% of the projected capital cost, which seems to disproportionately disincentivize the generators.

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	<p><i>simple interest at 1.20 times of the rate worked out on the basis of 1 year SBI MCLR plus 100 basis points as prevalent on 1st April of the respective year</i></p>	<p><u>Justifications:</u></p> <ol style="list-style-type: none"> 1. In the dynamic landscape of the energy sector, generators are often compelled to make projections based on the best available information at a given point in time, however, as circumstances evolve and technology advances, certain elements initially projected as essential to capital costs, over time, may no longer be required for efficient operation. This provision would directly come in way of the commitment of generators, for opting for newer, more cost-effective technologies, thereby avoiding unnecessary expenditures on outdated equipment. This optimization may involve a reassessment of the initially projected capital costs, allowing generators to adopt streamlined and cost-effective approaches without compromising operational efficiency. Therefore, it is essential to provide generators with the flexibility to adapt to changing circumstances, technological advancements, and regulatory requirements without unduly penalizing for prudent adjustments. 2. Therefore, in the event that the mentioned provision is retained in the final Regulations, we recommend the inclusion of a commensurate 20% margin on the recovery aspect when the actual capital cost surpasses the projected figures, as providing a similar recovery margin for both overestimations and underestimations mitigates potential disincentives for generators.
10(7)	<p><i>Provided further that such interest, including that determined as per sub-clause (8) of this regulation 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.</i></p> <p><i>Provided further that in case where money is to be refunded and there is a delay in the raising of bills by the</i></p>	<p>In our humble submission, we propose that interest should be allowed to be accumulated even after the date of the Order, until the date of actual payment through equated monthly instalments, allowing for a fair representation of the actual recovery period, rather than restricting it only upto the date of Order.</p>

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	<p><i>generating company or transmission licensees beyond 30 days from the issuance of the Order, it shall attract a late payment surcharge as applicable in accordance with these regulations.</i></p>	<p><u>Justifications:</u></p> <ol style="list-style-type: none"> 1. It is asserted that the revenue gap signifies the deferred recovery of legitimate amounts owed to the generators. Therefore, interest on such amount should continue until the entire amount is settled. Hence, we request the Hon'ble Commission to permit generators to recover interest on approved revenue gap based on six EMIs, with interest calculated up to the due date of payment. 2. We further propose that the provision of LPS, currently applicable only in cases where money is to be refunded, be extended to cover instances of recovery from the beneficiaries as well. We believe that applying this provision universally would maintain a balanced approach in both refund and recovery scenarios.
CAPITAL COST		
<p>19 (3)</p>	<p><i>The Capital cost of an existing project shall include the following:</i></p> <p><i>(a) Capital cost admitted by the Commission prior to 1.4.2024 duly trued up by excluding liability, if any, as on 1.4.2024;</i></p> <p><i>(b) Additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with these regulations;</i></p> <p><i>(c) Capital expenditure on account of renovation and modernisation as admitted by this Commission in accordance with these regulations;</i></p> <p><i>(d) Capital expenditure on account of ash disposal and utilization, including handling and transportation facility;</i></p>	<p>We submit for the incorporation of provision allowing capital expenditures on Emission Control Systems (“ECS”) in existing projects, driven by the imperative need to comply with statutory norms, respond to Change in Law, and address Force Majeure events. This Hon’ble Commission may be aware that for some projects, the ECS can be implemented within the original scope of the generating station and the Date of Commercial Operation (“COD”) of the generating station/the date of operation of the ECS can be the same. This inclusion would help in removing the regulatory gaps, and would contribute to a more comprehensive and robust set of regulations, aligned with the evolving needs of existing projects, fostering adaptability and compliance.</p>

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	<p><i>(e) Capital expenditure incurred towards railway infrastructure and its augmentation for transportation of coal up to the receiving end of generating station but does not include the transportation cost and any other appurtenant cost paid to the railway;</i></p> <p><i>(f) Capital cost incurred or projected to be incurred by a thermal generating station, on account of implementation of the norms under the Perform, Achieve and Trade (PAT) scheme of the Government of India shall be considered by the Commission subject to sharing of benefits accrued under the PAT scheme with the beneficiaries;</i></p> <p><i>(g) Expenditure required to enable flexible operation of the generating station at lower loads; and</i></p> <p><i>(h) Capital expenditure on account of biomass handling equipment and facilities, for co-firing.</i></p>	
INTEREST DURING CONSTRUCTION (IDC)		
21(5)	<p><i>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</i></p>	<p>In our humble opinion, the Hon’ble Commission may allow the IDC proposed as per the said Regulation, or the IDC computed by deducting the actual IDC incurred during the period of delay from the total IDC, whichever is higher. This shall ensure a fair and reasonable approach to IDC determination.</p> <p>Further, it is requested that the limit of maximum condonation of 90% in case of delay on account of forest clearances or delay in acquisition of government land due to delay in approval by the government authorities, may please be removed. Delay in such cases which is not attributable to the project developer may be fully condoned and IDC and IEDC for such period may be allowed in entirety.</p>

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	<p><i>licensee, in the same proportion of delay not condoned vis-à-vis total implementation period.</i></p> <p>....</p> <p><i>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.</i></p>	<p><u>Justifications:</u></p> <ol style="list-style-type: none"> 1. In our humble submission, if the IDC, accrued by the developers, is pro-rated only for the period beyond the SCOD, the impact becomes much higher because of higher accrual during such period. Hence, as proposed by the Hon’ble Commission in the said Regulation, it would provide a fair treatment to the developers as the IDC would be pro-rated based on the SCOD and delay condoned vis-à-vis the actual implementation period. 2. Pertinently, IDC is computed on the loan provided by the Lenders of the Project from the date of first installment of disbursement of such loan. In case of delay at the beginning of the project due to difficulties faced by the developers in land acquisition, settlement of R&R, securing Right of Way, obtaining environment, forest and other applicable clearances, the disbursement of the project loan is generally deferred by the developers to reduce the burden of IDC. In such cases, there could be no IDC incurred during the initial period of the project which would cause the delay in achieving the SCOD. In such cases, if the delay is not condoned by the Hon’ble Commission, the IDC is deducted on a pro-rated basis. In our humble opinion, the actual IDC incurred during such period of delay must be deducted from the total IDC payout to compute the IDC incurred had there been no delay. Such IDC should be compared with the IDC computed under the said Regulation and higher of the two may be allowed. This is further explained with the following example: <p>Illustration: Let us suppose that the delay of 12 months, as considered in the example of the Draft Regulations, had occurred during a period when the actual IDC payout was Rs. Z. After detailed scrutiny, the Hon’ble Commission allows only 6 months delay for condonation. Therefore, the actual IDC disallowance should have been $(Z \times 6/12)$. In our humble opinion, the Hon’ble Commission may allow IDC as $(X+Y) \times 54/60$, as stated under the proposed Regulation, or $[(X+Y) - Z \times (6/12)]$, whichever is higher.</p>

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		<p>3. Further, it is submitted that activities like obtaining forest clearance, NHA Clearance, approval of Railways, and acquisition of government land involve approval from various government agencies. Such delays are caused despite all prudent steps being undertaken by the developers and as such are beyond the control of the developers. Therefore, any delay, on account of the above reasons, if not condoned would tantamount to a penalty to the developer for which the developer may not be responsible. Hence, the Hon'ble Commission may remove such provision and condone the delays, which are not attributable to the developers, fully.</p>
ADDITIONAL CAPITALIZATION		
26 (2)	<p><i>Additional Capitalisation beyond the original scope</i> <i>Any claim of additional capitalisation less than Rs. 20 lakhs shall not be considered under Clause (1) of this regulation.</i></p>	<p>We request the Hon'ble Commission to continue prudence check of claim of Additional Capitalization without applying any sifting mechanism based on value as it may discard any required schemes of capital nature fulfilling the criteria under Regulation 26(1) especially in view of requirement of flexible operation and biomass co-firing of thermal power plants in future.</p> <p><u>Justifications:</u></p> <p>1. Additional Capitalization may include any of the following:</p> <ul style="list-style-type: none">(a) Minor assets amounting to ₹ 20 Lakhs(b) Assets not of capital nature but having value greater than ₹ 20 Lakhs(c) Assets which are of capital nature but having value less than ₹ 20 Lakhs <p>Among the above, Additional Capitalization of minor assets and such assets which are not capital in nature need not be considered as Additional Capitalization but for items under Item No. 3 above, this Hon'ble Commission should consider the same based on the nature and requirement of the asset rather than the value of the asset.</p>

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		<p>2. In our humble opinion, the Hon’ble Commission may classify the nature of the Additional Capitalization based on prudence check and not based on a specific value like ₹ 20 Lakhs as proposed. It may be the case of any generator to propose 2-3 claims for Additional Capitalization each amounting to less than ₹ 20 Lakhs and also meeting the criteria under Regulation 26(1). In such case, it will lead to a conflict in application of Regulations 26(1) and 26 (2). The Hon’ble Commission may retain the provision as in Tariff Regulations 2019 and continue prudence check of claim of Additional Capitalization without sifting the claims based on value.</p> <p>3. Further, the capital cost of an existing generation project would also include capital expenditure necessary towards enabling flexible operations of the generating station at a lower load as well as capital expenditure towards biomass handling equipment and facilities for co-firing. The Draft Regulations have rightly addressed the concern of the generating companies, by allowing the same under additional capital expenditure beyond original scope and thereby as part of the capital cost, and therefore may please be incorporated in the final Regulations.</p>
RENOVATION AND MODERNISATION AND SPECIAL ALLOWANCE		
27	<i>Additional Capitalisation on account of Renovation and Modernisation</i>	<p>Renovation & Modernisation should be allowed to be undertaken after specified years of service. Further, depreciation and debt servicing cost of the Additional Capitalization should be allowed to be recovered within the balance useful life of the plant after considering the life extension, if any. Any objection of the beneficiaries in providing consent to the proposal for Renovation & Modernisation should be supported with detailed justification.</p> <p><u>Justifications:</u></p> <p>1. Approval of R&M expenditure for generating companies should be provided through a separate exercise by the Hon’ble Commission after specified years of operation (to be fixed by the Hon’ble Commission). Plants completing specified number of years of operation (say</p>

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		<p>15-20 years) may opt to take up R&M evaluation based on OEM recommendation & certification before submitting the proposal before the Hon'ble Commission. Based on the evaluation, R&M schemes for the plant should be approved by the Hon'ble Commission based on a cost benefit analysis and expected life extension.</p> <p>2. Taking up R&M on completion of 25 years could deteriorate the unit to such a condition that the R&M may not be able to bring intended results. Taking up projects for R&M before completing 25 years of operation will give sufficient time for recovery of R&M expenses through tariff without significant increase. The utilities taking up R&M Projects, with expected life extension, should be allowed to recover the depreciation and debt servicing costs within the extended useful life of the project. In our humble opinion, the Hon'ble Commission may consider it essential to specify in Tariff Regulations the time period after which the generating companies/transmission licensees may opt for such R&M activities, based on industry trends and recommendations of key OEMs in the power sector.</p> <p>3. Further, the Hon'ble Commission may also specify that if the beneficiaries are not providing their consent, they should provide written statement alongwith reasons for such objections. It is submitted that the terms of the PPAs of the generating companies with the long-term/medium-term beneficiaries may not be same as the useful life of the project. Hence, while evaluating the proposal of R&M of any generating station, the beneficiaries would be inclined to reject such proposal till the time of their PPA tenure.</p>
RETURN ON EQUITY		
Regulation 30 (3)	<i>Provided that return on equity in respect of additional capitalization beyond the original scope, including additional 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</i>	We humbly request the Hon'ble Commission to allow the RoE on additional capitalization after cut-off date within or beyond the original scope at 15.50% on account of the fact that the risk in such investments remains the same, particularly when the same is on account of any Change in Law or any Forced Majeure event, and can realize returns for a shorter period i.e., up to the useful life of the entire project. Further, cost of equity being higher than the cost of debt, servicing of equity investment at a rate below the envisaged returns would lead

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	<p><i>basis points as on 1st April of the year, subject to a ceiling of 14%;</i></p>	<p>to double impact on the shareholders. Even for renovation and modernisation, return on equity should be allowed on a gross basis, without adjusting for accumulated depreciation from admitted project cost.</p> <p><u>Justifications:</u></p> <ol style="list-style-type: none"> 1. It is submitted that the thermal capacity caters to meet the base load of the demand pattern in the country. While the current policy changes are being made keeping in mind the necessity to promote renewable energy generation and replacement of thermal capacity by 2070, the variability of such renewable energy generation and the investment requirement in terms of capacity addition is much higher than the thermal capacity. The Hon’ble Commission is also aware that in the Approach Paper for Tariff Regulations 2024, it has been envisaged that about 38 GW thermal capacity addition is required to meet the expected demand in FY 2031-32. Apparently, thermal capacity cannot be replaced by equivalent amount of renewable capacity in near future. Further, such thermal capacity would continue to play the critical role in meeting the base load as well as in the form of balancing load. 2. Till such time the new capacities are commissioned, existing capacities would be catering to the increasing load demand thereby achieving higher PLF as has been happening over the last few years. The National Tariff Policy 2016 suggests that all new thermal generation capacities should be catered through competitive bidding u/s 63 of the Act. Therefore, the existing thermal generation capacities will form the majority of the pie whose tariff will be determined u/s 62 of the Act. The Hon’ble Commission has vide its Approach Paper for Tariff Regulations 2024 acknowledged that the risk perception of the investors in such sector should be lowered so as to put the right signals regarding investment in the sector.

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		<p>3. In our humble opinion, the above viewpoint is not reflecting in the instant Draft Tariff Regulations 2024 apropos to the proposed rate of Return on Equity (“RoE”) on additional capitalization beyond the original scope, including additional capitalization on account of the ECS, Change in Law, and Force Majeure. Considering the fact that occurrence of Change in Law event or a Force Majeure event puts the developer in such situation of uncertainty wherein the decision regarding future investments becomes difficult and the expected return of the stakeholders get reduced. Hence, the rate of RoE on additional capitalization should never be less than that allowed on the equity component of original project cost.</p> <p>4. Pertinently, the equity is deployed with an expected return higher than the cost of debt owing to the higher risk undertaken by the equity shareholders while investing in the project. Hence, in case of funding of additional capital expenditure, the nature of the risk on equity vis-à-vis the debt does not alter. Rather, when such capital expenditures are incurred in order to mitigate any Change in Law event or Force Majeure event, the risk factor increases owing to the uncertainties involved with such events. However, the developers can expect RoE only up to the useful life of the project and therefore the equity invested in assets which are capitalized beyond the cut-off date do not realize the envisaged returns for the shareholders thereby impacting the project’s equity internal rate of return (“IRR”). In view of the above, reduction of the rate of RoE to the level of one-year MCLR plus 350 basis points capped at 14% would lead to double impact on the developers.</p> <p>5. We, therefore, suggest that the rate of RoE for additional capital expenditure, particularly on account of any Change in Law event or Force Majeure event, should be considered at the rate equivalent to that of the original project investment i.e., 15.50%.</p>

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INTEREST ON LOAN		
32(6)	<p><i>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;</i></p> <p><i>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.</i></p>	<p>In the context of new projects, we request the Hon’ble Commission to deliberate on the determination of the rate of interest based on a progressive hierarchy, as produced below. By adopting this hierarchical approach, this Hon’ble Commission may ensure a nuanced and context-specific evaluation of the rate of interest, aligning with the financial intricacies of new projects. Therefore, we specifically propose the following:</p> <p>1) Weighted Average Rate of Project-Specific Loan of Generating Station: We humbly propose that, in the case of new projects, this Hon’ble Commission may give due consideration to the weighted average rate of interest associated with the actual project-specific loan of the generating station. This approach ensures a tailored evaluation, accounting for the unique financial characteristics and requirements of each project.</p> <p>2) Weighted Average Rate of Generating Company's Loan Portfolio: In instances where no project-specific loan exists, we humbly recommend this Hon’ble Commission to contemplate the weighted average rate of interest derived from the actual loan portfolio of the generating company. This broader perspective still maintains a degree of specificity to the company's financial arrangements, acknowledging its diversified nature.</p> <p>3) Last Outstanding Actual Loan Portfolio of the Generating Station: Should information on the overall loan portfolio of the generating company not be available, we propose that this Hon’ble Commission, as a further step, consider the weighted average rate of interest based on the last outstanding actual loan portfolio of the generating station, instead of adopting an approach to consider the same at 1-year SBI MCLR. This approach maintains a project-centric focus while accommodating scenarios where comprehensive loan portfolio data at the company level may be unavailable.</p>

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		<p>In view of the same we also humbly submit that, 1-year SBI MCLR as proposed is significantly lower than the market-reflective rates of financing, potentially underestimating the market standards of financing for a generating station/generating company. To ensure a fair and realistic representation, it is proposed that the rate of interest (when actual loan is not available) may not be linked to the same and adopted as per proposed above.</p>
32(6)	<p><i>Provided that the rate of interest on the loan for installation of the emission control system shall be the weighted average rate of interest of the actual loan portfolio of the emission control system, and in the absence of the actual loan portfolio, the weighted average rate of interest of the generating company as a whole shall be considered subject to a ceiling of 14%.</i></p>	<p>We request this Hon’ble Commission, to reconsider the imposition of a fixed ceiling rate of interest, particularly at 14%, which may potentially hinder the financing of emission control projects during periods of elevated interest rates as interest rates are subject to fluctuations influenced by various economic factors, therefore, imposing a fixed ceiling may not account for changes in market conditions.</p> <p><u>Justifications:</u></p> <p>In this context, it is essential to consider that emission control projects vary in scale, complexity, financing needs and a regulatory framework that allows for adaptability to market fluctuations ensures the continued financial viability of emission control projects. Further, by providing an environment where the rate of interest is not unduly constrained, the regulatory framework can incentivize investments in cleaner technologies. In light of these considerations, it is recommended that the imposition of a fixed interest rate ceiling of 14% be removed and a more flexible and market-oriented approach, allowing for consideration of the weighted average rate of interest based on the actual loan portfolio of the ECS without any ceiling, would better serve the objectives of promoting environmental sustainability without unduly constraining the financial aspects of these crucial projects.</p>
DEPRECIATION OF NEW PROJECTS		
33(6)	<p><i>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</i></p>	<p>For new project, the recovery through tariff against Depreciation is used to repay the principal amount of long-term loan and in order to honor the debt servicing ability of the generators, we request this Hon’ble Commission to adopt the depreciation schedule that is</p>

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<p>read with 33(8)</p>	<p><i>assets of the generating station and transmission system:</i></p> <p><i>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.</i></p> <p><i>(As per Appendix-II, depreciation rates for plant and machinery for new projects has been reduced to 4.22%)</i></p> <p>...</p> <p><i>The generating company or the transmission licensee, as the case may be, shall submit the details of capital expenditure proposed to be incurred during five years before the completion of useful life along with proper justification and proposed life extension. The Commission, based on prudence check of such submissions, shall approve the depreciation by equally spreading the depreciable value over the balance Operational Life of the generating station or unit thereof or fifteen years, whichever is lower, and in case of the transmission system shall equally spread the depreciable value over the balance useful life of the Asset.</i></p>	<p>allowed for existing projects as per Appendix I, (i.e, for P&M at 5.28%, over 12-year period, prior to spreading the same over the balance useful life of the assets), even for new projects.</p> <p><u>Justifications:</u></p> <ol style="list-style-type: none"> Typically, bank loans for generation projects and transmission projects, have a duration of 12-13 years. Therefore, it is important that depreciation allowed is higher during such long-term loan is outstanding. Therefore, it may be important to note that a depreciation rate of 4.22%, may not provide sufficient funds for loan repayment, which typically have a duration of 12-13 years. In the event that the allowed depreciation does not adequately align with the requirements for loan repayment, it would have adverse implications for the generators, potentially hindering the generators' ability to meet their debt servicing obligations in a timely manner. Therefore, recognizing this industry norm, allowing depreciable rate of 5.28% for 12 years instead of 4.22% for 15 years, prior to spreading the same over balance useful life is aligned more closely with the practicality of repaying the entire loan (@70% of the entire cost) within the typical 12-13 year loan duration. In fact, in many cases loans tenure offered is lesser at 8-10 years, thus, there can be case for increase in depreciation rate in the initial years, but the same may not be reduced. It appears that the Operational Life of a plant is likely to represent the period over & above the useful life, during which a plant is expected to operate and also recover its depreciation of the assets which were capitalized 5 years prior to the end of useful life of the plant. However, specifying operational life may involve considering various factors such as comprehensive asset assessment/life cycle cost analysis/asset specific risks/corrosion/fatigue wear and tear/cost effectiveness of retrofitting/in depth assessment & testing of critical equipment such as boilers, turbines etc. and often requires other specific studies, in this regard, we would like to state that operational life in projects lies in the diverse and dynamic nature of the projects in energy sector, and therefore,

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		<p>specifying an Operational Life of 35 years for all coal-based plants may not be suitable. In this context, the Hon'ble Commission may, in cases of life extension of the generating company, approve the depreciation of assets by equally spreading the depreciable value over the lower of the maximum Operational Life of 35 years or the specific Operational Life determined for a particular generating station through comprehensive studies.</p>
INTEREST ON WORKING CAPITAL		
34(3)	<p><i>Rate of interest on working capital shall be on a normative basis and shall be considered at the Reference Rate of Interest as on 1.4.2024 or as on 1st April of the year during the tariff period 2024-29 in which the generating station or a unit thereof or the transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later:</i></p> <p><i>Provided that in case of truing-up, the rate of interest on working capital shall be considered at Reference Rate of Interest as on 1st April of each of the financial year during the tariff period 2024-29.</i></p>	<p>Working capital, being a fundamental component of operational liquidity, plays a pivotal role in ensuring the seamless functioning of generating stations. Its efficient management is crucial for sustaining operational activities and responding to unforeseen exigencies. It is humbly submitted in this context that the risk perception of the electricity business has enhanced significantly in light of the increasing uncertainties in the business and higher cost of finance in a high inflation environment. Therefore, the interest rate on working capital may kindly be increased to account for the increased risks and allow the same at @ MCLR + 450-500 bps.</p> <p><u>Justifications:</u></p> <ol style="list-style-type: none"> 1. This Hon'ble Commission may acknowledge that working capital requirement depends on variety of factors such as credit rating of individual company, risk associated with sector, cash flow, security available, etc., and such loans are normally available at higher rates. Further, lenders generally charge higher interest rates to companies operating in high-risk sectors to mitigate potential losses also further during periods of economic uncertainty or financial market volatility, the same may be additionally increased to account for increased risk and uncertainty. All the above factors coupled with the delayed payments by DISCOMs also pose greater risk perception by bankers towards working capital loan to the private generating companies.

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		<p>2. Further, in case of shortfall of coal supply under FSA, the generators have to procure e-Auction coal/additional coal which accounts for substantial part of the total coal procurement. Apart from the payment of initial Security Deposit (in cash or through BG) the generators are required to place advance cash deposit for the coal value either upfront or as per scheduled delivery. However, the actual materialization of bid quantity happens after long gestation periods with high chances of sub optimal materialization in many cases. The above results in blockage of working capital for the bidders with consequential higher interest cost. Getting refunds of coal value against quantity not supplied for some auction(s) is also a prolonged time-consuming process leading to further blockage of working capital. In addition to the above difficulties already faced by the generators, further reduction in the rate of interest of working capital would pose additional challenges and cause financial adversity to generators.</p> <p>3. Normative fuel stock is allowed to the generators for maintaining adequate inventory so as to generate as per the required schedule of the beneficiaries. In case the Plant Availability suffers on account of shortage of fuel (which is beyond the control of generators) the generators are penalized by way of reduction in Fixed Charges as the period is not considered as deemed available under the Tariff Regulations, thereby impacting the working capital.</p> <p>4. Therefore, in view of the above difficulties, working capital, being a cost-intensive requirement, should be treated in a manner that reflects the prevailing financial market conditions and adequately compensates generators for the opportunity cost of capital. In view of the same, we request this Hon'ble Commission to provide rate of interest of working capital at SBI MCLR + 450-500 basis points, contributing to the overall stability and reliability of the generating plants.</p>

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OPERATION & MAINTENANCE (O&M) EXPENSES																																																																																																																			
36 (1)(1)	<p>Thermal Generating Station: Normative Operation and Maintenance expenses of thermal generating stations shall be as follows:</p> <p><i>Coal based and lignite fired (including those based on Circulating Fluidised Bed Combustion (CFBC) technology) generating stations, other than the generating stations or units referred to in clauses (2), (4) and (5) of this Regulation:</i></p> <p align="center">(in Rs Lakh/MW)</p> <table border="1"> <thead> <tr> <th>Year</th> <th>200/210/ 250 MW Series</th> <th>300/330/ 350 MW Series</th> <th>500 MW Series</th> <th>600 MW Series</th> <th>800 MW Series and above</th> </tr> </thead> <tbody> <tr> <td>FY 2024-25</td> <td>39.96</td> <td>33.09</td> <td>26.22</td> <td>24.81</td> <td>22.33</td> </tr> <tr> <td>FY 2025-26</td> <td>42.32</td> <td>35.04</td> <td>27.77</td> <td>26.27</td> <td>23.64</td> </tr> <tr> <td>FY 2026-27</td> <td>44.81</td> <td>37.11</td> <td>29.41</td> <td>27.82</td> <td>25.04</td> </tr> <tr> <td>FY 2027-28</td> <td>47.45</td> <td>39.29</td> <td>31.14</td> <td>29.46</td> <td>26.51</td> </tr> <tr> <td>FY 2028-29</td> <td>50.25</td> <td>41.61</td> <td>32.97</td> <td>31.20</td> <td>28.08</td> </tr> </tbody> </table>	Year	200/210/ 250 MW Series	300/330/ 350 MW Series	500 MW Series	600 MW Series	800 MW Series and above	FY 2024-25	39.96	33.09	26.22	24.81	22.33	FY 2025-26	42.32	35.04	27.77	26.27	23.64	FY 2026-27	44.81	37.11	29.41	27.82	25.04	FY 2027-28	47.45	39.29	31.14	29.46	26.51	FY 2028-29	50.25	41.61	32.97	31.20	28.08	<p>The Hon'ble Commission may consider the normative O&M Expenses for FY 2023-24 as the base O&M Expenses for 300 MW series and allow the escalation factor of 6.17% thereon to arrive at the O&M Expenses for the first year.</p> <p>Justifications:</p> <ol style="list-style-type: none"> The generating stations, irrespective of their size, incurs expenditure under the three broad categories a) Repairs & Maintenance Expenses b) Administrative & General Expenses and c) Employee Expenses. These expenses are directly related to the inflation rate and are also specific to the State where the Generating Station is located since it decides the availability of labour, spares and other administrative expenses. We understand that the Hon'ble Commission has considered the weighted average inflation rate for last five years (including COVID-19 pandemic) to arrive at the average annual escalation factor of 5.89%. However, due to normalization of the O&M expenses based on actual expenses of the last 5 years, the derived O&M expenses for FY 2023-24 is lower than the present norm for FY 2023-24. Therefore, even after applying the escalation rate of 5.89% on such derived O&M Expenses for FY 2023-24, the actual escalation appears to be a different rate of escalation for the Generating Stations across capacities for the first year, i.e., FY 2024-25. <table border="1"> <thead> <tr> <th>Year</th> <th>Normative O&M Expenses for 250 MW Sets (Lakhs/MW)</th> <th>Escalation over Previous Year (%)</th> <th>Normative O&M Expenses for 300 MW Sets (Lakhs/MW)</th> <th>Escalation over Previous Year (%)</th> <th>Normative O&M Expenses for 500 MW Sets (Lakhs/MW)</th> <th>Escalation over Previous Year (%)</th> <th>Normative O&M Expenses for 600 MW Sets (Lakhs/MW)</th> <th>Escalation over Previous Year (%)</th> <th>Normative O&M Expenses for 800 MW Sets (Lakhs/MW)</th> <th>Escalation over Previous Year (%)</th> </tr> </thead> <tbody> <tr> <td>FY 2023-24</td> <td>37.84</td> <td></td> <td>31.84</td> <td></td> <td>25.84</td> <td></td> <td>23.26</td> <td></td> <td>23.26</td> <td></td> </tr> <tr> <td>FY 2024-25</td> <td>39.96</td> <td>5.60%</td> <td>33.09</td> <td>3.93%</td> <td>26.22</td> <td>1.47%</td> <td>24.81</td> <td>6.66%</td> <td>24.81</td> <td>6.66%</td> </tr> <tr> <td>FY 2025-26</td> <td>42.32</td> <td>5.91%</td> <td>35.04</td> <td>5.89%</td> <td>27.77</td> <td>5.91%</td> <td>26.27</td> <td>5.88%</td> <td>26.27</td> <td>5.88%</td> </tr> <tr> <td>FY 2026-27</td> <td>44.81</td> <td>5.88%</td> <td>37.11</td> <td>5.91%</td> <td>29.41</td> <td>5.91%</td> <td>27.82</td> <td>5.90%</td> <td>27.82</td> <td>5.90%</td> </tr> <tr> <td>FY 2027-28</td> <td>47.45</td> <td>5.89%</td> <td>39.29</td> <td>5.87%</td> <td>31.14</td> <td>5.88%</td> <td>29.46</td> <td>5.90%</td> <td>29.46</td> <td>5.90%</td> </tr> <tr> <td>FY 2028-29</td> <td>50.25</td> <td>5.90%</td> <td>41.61</td> <td>5.90%</td> <td>32.97</td> <td>5.88%</td> <td>31.20</td> <td>5.91%</td> <td>31.20</td> <td>5.91%</td> </tr> </tbody> </table>	Year	Normative O&M Expenses for 250 MW Sets (Lakhs/MW)	Escalation over Previous Year (%)	Normative O&M Expenses for 300 MW Sets (Lakhs/MW)	Escalation over Previous Year (%)	Normative O&M Expenses for 500 MW Sets (Lakhs/MW)	Escalation over Previous Year (%)	Normative O&M Expenses for 600 MW Sets (Lakhs/MW)	Escalation over Previous Year (%)	Normative O&M Expenses for 800 MW Sets (Lakhs/MW)	Escalation over Previous Year (%)	FY 2023-24	37.84		31.84		25.84		23.26		23.26		FY 2024-25	39.96	5.60%	33.09	3.93%	26.22	1.47%	24.81	6.66%	24.81	6.66%	FY 2025-26	42.32	5.91%	35.04	5.89%	27.77	5.91%	26.27	5.88%	26.27	5.88%	FY 2026-27	44.81	5.88%	37.11	5.91%	29.41	5.91%	27.82	5.90%	27.82	5.90%	FY 2027-28	47.45	5.89%	39.29	5.87%	31.14	5.88%	29.46	5.90%	29.46	5.90%	FY 2028-29	50.25	5.90%	41.61	5.90%	32.97	5.88%	31.20	5.91%	31.20	5.91%
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		<p>It is observed that the escalation factor for 500 MW sets is only about 1.47%. Since the escalation of 300 MW sets have been derived as an average of 200 MW series and 500 MW series, the same is about 3.93%. In our humble opinion, such process of arriving at the Normative O&M Expenses of 300 MW Units for FY 2014-15 is not fair.</p> <p>3. In the Draft Tariff Regulations 2024, the rate of escalation of O&M expenses has been proposed at the hybrid inflation rate of 5.89% (CPI : WPI = 60 : 40) worked out on the basis of the last 5 years average which includes the impact of COVID-19 pandemic in FY 2020-21. In this context it is humbly submitted that during FY 2020-21, the increase in WPI index is just 1.29%. Hence, to rationalize the impact of COVID-19 pandemic, the escalation factor should be computed after excluding the increase in WPI and CPI index for FY 2020-21. Accordingly, the escalation factor works out to 6.17%. The Hon'ble Commission may therefore derive the O&M Expenses for FY 2024-25 for 300 MW series by applying the above escalation factor of 6.17% on the Normative O&M Expenses of FY 2023-24.</p>
36 (1) (8)	<p><i>In the case of a generating company owned by the Central or State Government, the impact on account of implementation of wage or pay revision shall be allowed at the time of truing up of tariff.</i></p>	<p>We request the Hon'ble Commission not to discriminate private sector and government sector generating companies on the aspect of wage revision and allow the private sector companies to recover the impact of wage revision subject to prudence check by the Hon'ble Commission based on appropriate reasoning for undertaking such wage revision.</p> <p><u>Justifications:</u></p> <p>Wage revision is a common exercise undertaken by the generating companies owned by the Central or State Government as well as those owned by the private sector. Since wage revision has been acknowledged as a legitimate expense which impacts the O&M Expenses of the generating companies, this Hon'ble Commission has proposed to consider the same for Central or State Government owned generating companies at the time of truing-up. It is submitted herein that the Hon'ble Commission may not discriminate between government</p>

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		owned generating companies and the private generating companies with respect to the impact of wage revision. While the wage revision in a government company is based on the recommendations of the Pay Commission reports, the wage revisions of a private company is also approved by company management based on market economics and inflation. Hence, if the impact of wage revision of Central or State Government owned generating company is allowed, the Hon’ble Commission may allow the same for a private sector generating company during truing-up of tariff subject to submission of suitable reasoning for undertaking such wage revision.

COMPONENTS OF ENERGY CHARGE

59	<p>Transit and Handling Losses: For coal and lignite, the transit and handling losses shall be as per the following norms:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Thermal Generating Station</th> <th style="text-align: center;">Transit & Handling Losses (%)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;"><i>Pit Head</i></td> <td style="text-align: center;"><i>0.20%</i></td> </tr> <tr> <td style="text-align: center;"><i>Non-Pit Head</i></td> <td style="text-align: center;"><i>0.80%</i></td> </tr> <tr> <td style="text-align: center;"><i>Non-pit head multi-modal transportation (using two or more than two modes of transport involving multiple trans-shipments)</i></td> <td style="text-align: center;"><i>1.00%</i></td> </tr> </tbody> </table> <p><i>Provided that in the case of pit-head stations, if coal or lignite is procured from sources other than the pit-head mines which is transported to the station through rail,</i></p>	Thermal Generating Station	Transit & Handling Losses (%)	<i>Pit Head</i>	<i>0.20%</i>	<i>Non-Pit Head</i>	<i>0.80%</i>	<i>Non-pit head multi-modal transportation (using two or more than two modes of transport involving multiple trans-shipments)</i>	<i>1.00%</i>	<p>We request the Hon’ble Commission to consider transit and handling loss of 1% for imported coal as the same is procured by inland generating stations at emergent times and is transported through normal public transportation system from sea-ports to the generating stations.</p> <p><u>Justifications:</u></p> <ol style="list-style-type: none"> It is humbly submitted that the norms for transit and handling losses should be defined in terms of the distance traversed by the coal from its source to destination as has been adopted by this Hon’ble Commission as well. While the transit and handling loss of domestic coal have been kept unchanged, the same for multi-modal transport have been newly introduced. However, in case of imported coal, which also experiences multi-modal transportation for delivery to any generating station located away from the coastal areas, has been specifically kept outside the scope of such multi-modal transportation. Pertinently, during FY 2022-23 and FY 2023-24, due to scarcity of domestic coal, Ministry of Power (“MoP”) issued specific directions to the generating stations of the country to import coal for the purpose of blending. This Hon’ble Commission has also issued several enabling Orders to facilitate the determination and approval of cost of such imported coal
Thermal Generating Station	Transit & Handling Losses (%)									
<i>Pit Head</i>	<i>0.20%</i>									
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<i>Non-pit head multi-modal transportation (using two or more than two modes of transport involving multiple trans-shipments)</i>	<i>1.00%</i>									

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	<p><i>transit and handling losses applicable for non-pit head stations shall apply;</i></p> <p><i>Provided further that in case of imported coal, the transit and handling losses applicable for pit-head station shall apply.</i></p>	<p>procured at contingent situations. Hence, imported coal is now not only procured by specific imported coal-based coastal plants utilizing captive transportation system from sea-port to the generating stations, but also by inland plants under emergent situations. At such times, even the inland plants have to procure imported coal and such coal has to be transported through vessels upto the sea-ports and thereafter through inland transportation system via rail or road to the generating stations.</p> <p>3. In our considered opinion, transit and handling loss of 0.2% for imported coal for inland plants which are using inland transportation system for transport of coal from the sea port to the generating station is very nominal and the same should be allowed transit and handling losses at 1% due to the nature and types of transportation utilized for carriage of such coal. Otherwise, the proposed Regulation would be self-contradictory in terms of the applicable transit and handling loss of imported coal.</p>
60	<p>Gross Calorific Value of Primary Fuel:</p> <p><i>(1) The gross calorific value for computation of energy charges as per Regulation 64 of these regulations shall be done in accordance with 'GCV as Received'.</i></p> <p><i>Provided that the generating station shall have third party sampling done at the billing end and the receiving end through an agency certified by the Ministry of Coal and ensure recovery of compensation as per Fuel Supply Agreement(s) and pass on the benefits of the same to the beneficiaries of the generating station;</i></p> <p><i>Provided further that in the absence of any third party sampling through an agency certified by the</i></p>	<p>We request the Hon'ble Commission to include suitable provision for waiver of Proviso 2 regarding treatment of difference between GCV as billed and GCV as received for such periods analysis of coal samples may not be possible for any contractual exigencies.</p> <p><u>Justifications:</u></p> <p>1. It has been experienced by the generating stations that the certified agencies conducting sampling, testing and analysis of coal samples for the generating stations can terminate the contract midway due to various reasons. Further, the list of certified agencies is also periodically updated by the Ministry of Coal and the agencies are newly listed as well as de-listed from time to time. In case, the contract between the generating company, coal company and the third party listed company gets terminated on whatsoever reasons, some time is taken for appointment of new third-party sampling agency.</p>

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	<p><i>Ministry of Coal, the GCV shall be considered on the basis of 'as billed' by the Supplier less:</i></p> <p><i>i. Actual loss in calorific value of coal between as billed by the supplier and as received at the generating station, subject to maximum loss in calorific value of 300 kCal/kg for Pit-head based generating stations or generating stations with Integrated mine and 600 kCal/kg for Non-Pit Head based generating stations.</i></p>	<p>2. Further, there can be situations wherein the third-party sampling agency may face difficulties in conducting the due procedures for problems at the loading end which are to be solved by the coal companies. At such times, the generating stations have to carry out due advocacy of such issues with the coal companies and follow-up regarding resolution of the same which may take some time.</p> <p>3. In our humble opinion, in all such above cases where the third-party sampling is not possible for a finite period of time for such issues which are beyond the control of the generating stations, this Hon'ble Commission may allow waiver of the proposed provision regarding treatment of the difference between the GCV as Billed and GCV as Received.</p>
70 (A) (b)	Normative Annual Plant Availability Factor (NAPAF)	<p>Since, the Tariff Regulations considers a useful life of 25 years for various tariff elements of fixed cost, Provision of R&M and Special Allowance, etc. We, therefore, request the Hon'ble Commission for reduction in NAPAF and NAPLF of 80% may be made applicable for stations completing 25 years from COD on or after 31.03.2024 instead of 30 years.</p>
70(C)(b) (i)	<p>Gross Station Heat Rate</p> <p>Thermal Generating Stations achieving COD on or after 1.4.2009:</p> <p>For 200/210/250 MW Sets: 1.05 X Design Heat Rate (kCal/kWh)</p> <p>.....</p> <p><i>The Gross Station Heat Rate norms as specified in sub-clauses (a) and (b) of this clause, in respect of the coal and lignite based generating stations or units thereof</i></p>	<p>We request this Hon'ble Commission to include necessary provision for increase on GSHR on account of installation of ECS, i.e., De-NOx system in final Regulations and continue the practice of fixing the norm of GSHR for thermal power projects after review of the past performance at the start of each Control Period instead of fixing the norm to the present level.</p> <p><u>Justifications:</u></p> <p>1. The Draft Regulation does not address an important aspect related to degradation of GSHR of a generating project due to installation of De-NOx System, which is an essential component of ECS. Based on the insights from consultations with diverse technical experts and Original Equipment Manufacturers (OEMs), due to installation of De-NOx System, the combustion pattern of Boiler will change which will invariably result in increase in combustibles in the fly ash as well as bottom ash. Such an increase in unburnt combustibles</p>

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	<p><i>(except for the generating stations or units thereof for which relaxed norms have been specified) and commissioned till 31.3.2024 (before 2009 and after 2009) shall remain applicable for such generating stations or units thereof for the remaining operational life of the respective generating stations or units thereof.</i></p>	<p>shall consequently reduce the Boiler Efficiency thereby, increasing the existing GSHR of the thermal generation projects by more than 1%. As such, no degradation factor in normative GSHR due to installation of De-NO_x System shall lead to substantial under recovery of Energy Chargers by the generating companies. Therefore, we request that 2% increase in the existing normative GSHR on account of installation of De-NO_x System be allowed while finalizing the final Regulations.</p> <p>2. It is further submitted that the GSHR of a generating station generally degrades due to wear and tear and deviations from design operating conditions. It is unlikely that the existing generating stations which have about 15-20 years of balance Operational Life would be able to sustain at the level of GSHR as they are maintaining presently. Further, with the variations in the operating philosophy like introduction of flexible operation and such other various factors, the GSHR is expected to degrade to levels which cannot be predicted at present. In case the Hon'ble Commission fixes the norm of GSHR at the present level, the generating companies may face severe challenge to sustain the same on account of the aforesaid reasons. Hence, we request the Hon'ble Commission to fix the norm of GSHR for thermal power projects after review of the past performance at the start of each Control Period.</p>
70 (D)	<p>Secondary fuel oil consumption:</p> <p>(a) For Coal-based generating stations: 0.50 ml/kWh....</p>	<p>We request the Hon'ble Commission to increase the Secondary fuel oil consumption from 0.5 ml/Kwh to 1.0 ml/kWh, mainly taking into account the evolving landscape of renewable energy and a transformative shift towards increased integration of renewable energy sources.</p> <p><u>Justifications:</u></p> <p>1. Rapid Growth of Renewable Energy Capacity: A higher norm for Secondary Fuel Oil Consumption is necessary to facilitate the seamless integration of renewable energy and to ensure that thermal generating stations can effectively balance the intermittency and</p>

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		<p>variability associated with renewable generation. Therefore, it is suggested that norm of specific oil consumption may be suitably increased for its adequacy under increased flexible operation of the coal and lignite based thermal generating stations. As the ability to provide reliable power during periods of low renewable generation is contingent on the operational flexibility of thermal generators coupled with the obligation to also meet Renewable Generation Obligations set by regulatory authorities, it is essential to acknowledge the potential impact on thermal generation.</p> <p>2. Further, it is submitted that a new Generating Unit undergoes many outages due to various reasons during the Stabilization Period post COD. The start-ups after the outages require secondary fuel oil support before synchronization with the system. The secondary fuel oil consumption during this period is generally higher than the 1 ml/kWh. The regulations may therefore specify separate norms for secondary fuel oil consumption, done as in case of CERC Tariff Regulations 2004, for Pre-Stabilization and Post-Stabilization period from the date of Commercial Operation of the Units.</p>
	<p><i>Compensation towards part load operation of thermal generating units</i></p>	<p>We request the Hon'ble Commission to include compensation mechanism for part load operation of thermal generating units in the Final Regulation.</p> <p><u>Justifications:</u></p> <p>1. It has been stated in the Explanatory Memorandum that CERC, in accordance with IEGC, 2023 will specify a fresh compensation mechanism based on CEA's recommendation separately through Regulations/Order. In the Draft Regulations, though the norms have been made stringent compared to the extant Tariff Regulations, compensation mechanism for part load operation has not been introduced. Implementation of new norms without the corresponding part load compensation will result in further operational losses. Therefore, we prayed that considering the CEA recommendations, the compensation mechanism for part load operations may also be provided in the Tariff Regulations.</p>

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		2. It is also prayed that the degradation factor applicable for compensation should be applied on normative parameters and not on the basis of actual or normative, whichever is lower, as suggested by Tariff Policy and followed by the Hon'ble Commission consistently in these Regulations.
70 (E)	<i>Auxiliary Energy Consumption</i>	<p>Biomass co-firing may impact operational parameters in terms of increased Auxiliary Energy Consumption coupled with high cost and lower heat value of biomass pellets, resulting in increased variable costs of power generation. Auxiliary Energy Consumption will be higher due to operation of coal mills at lower fuel throughput, which may need operation of an additional mill at a particular load.</p> <p>Therefore, we request this Hon'ble Commission to address/assess the challenges and risks on account of increased in Auxiliary Energy Consumption due to biomass co-firing on thermal power generators and allow additional Auxiliary Energy Consumption on account of the same. Such assessment may be crucial before finalizing the final Tariff Regulations 2024, as it could significantly impact the stakeholders involved.</p>