



COMMENTS ON: CENTRAL ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2024

Submitted by: GMR Energy Ltd.



GMR Energy Ltd.
Opp. IGI Airport Terminal-3
New Delhi-110037

Comments: Draft Regulations: Terms & Conditions of tariff for 2024-29

Clause No.	2024-29 Draft regulations	Comments & Suggestions	Rationale
(1) (2)	<p>2. Scope and extent of application. (1) These regulations shall apply to all cases where tariff for a generating station or a unit thereof and a transmission system or an element thereof is required to be determined by the Commission under section 62 of the Act read with section 79 thereof:</p> <p>Provided that any generating station for which agreement(s) have been executed for the supply of electricity to the beneficiaries on or before 5.1.2011 and the financial closure for the said generating station has not been achieved by 31.3.2024, such projects shall not be eligible for determination of tariff under these regulations unless fresh consent of the beneficiaries is obtained and furnished.</p>	<p>→ Following clause may be added:</p> <p><i>“Provided that the provision of fresh consent requirement shall be subject to the provisions of the executed PPA with beneficiaries. “</i></p>	<p>→ If parties have already agreed for supply of power and executed the PPA then Regulations should not undermine the explicit provisions of the PPA and impose requirement for fresh consent by diluting the PPA terms.</p>
(3) (12)	<p>Chapter-1 Clause (3) (12)</p> <p>New Provision: 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.</p>	<p>→ First, there should be no retrospective application of the proposed regulations on already commissioned plants.</p> <p>→ There should not be any monetary limit instead the nature of the utilized spares should be considered in order to be qualified as Capital spares. & existing provisions of 2019-24 regulation must continue.</p> <p>→ The commission has proposed not to allow the Capital spares of less than 20 lakhs separately and that is to be funded with the allowed Normative O&M expenses. This Provision cannot be applied retrospectively for already commissioned projects.</p> <p>→ The definition of the Capital Spares should be as follows: <i>“Spares over and above initial spares and are in nature of capital expenditure.”</i></p>	<p>→ The basis of proposing Rs. 20 Lakh monetary limit is not disclosed and the amount is on higher side.</p> <p>→ The proposal to cater the Capital spares up to Rs 20 Lakh value under O&M expenses is unwarranted since every expense is allowed only after the prudence check & thorough regulatory scrutiny.</p> <p>→ For projects already commissioned and tied-up PPAs financing is already over based on prevalent regulations. Further, it is difficult to forecast and budget the capital spares requirement. Therefore, there should not be any tweaking with the applicable norms for the existing projects.</p> <p>→ Disallowing Capital spares of value less than 20 Lakhs is inappropriate and shall cause loss of ROE & Depreciation for the Generating Companies.</p>
(3) (56)	<p>O&M Expenses</p> <p>(56) '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:</p> <p>Provided that for integrated mine(s), the Operation & Maintenance Expenses shall not include the mining charge paid to the Mine Developer and Operator, if any, engaged by the generating company and the mine closure expenses.</p>	<p>→ There should be no retrospective application of the proposed regulations on already commissioned plants.</p> <p>→ The basis of proposing Rs. 20 Lakh monetary limit is not disclosed and the amount is too high.</p> <p>→ Existing provisions as per 2019-24 regulations must continue.</p>	<p>→ Allowing Ad-Cap & Capital Spares upto Rs 20 Lakhs value under O&M expenses is inappropriate and generator shall be losing the depreciation, ROE etc. on account of inclusion of the same under O&M.</p> <p>→ There may be multiple expenses of Ad-Cap OR Capital Spares each less than 20 Lakhs but the cumulative value may be too high. It Shall cause huge loss of ROE, depreciation etc. to the generating company on account of the proposed regulations.</p> <p>→ The proposal to cater the Capital spares up to Rs 20 Lakh value under O&M expenses is unwarranted since every expense is allowed only after the prudence check & thorough regulatory scrutiny.</p>

Clause No.	2024-29 Draft regulations	Comments & Suggestions	Rationale																
(3) (88)	<p>Useful Life:</p> <p>(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:</p> <table border="0"> <tr> <td>(a) Coal/Lignite based thermal generating station</td> <td>25 years</td> </tr> <tr> <td>(b) Gas/Liquid fuel based thermal generating station</td> <td>25 years</td> </tr> <tr> <td>(c) AC and DC sub-station</td> <td>25 years</td> </tr> <tr> <td>(d) Gas Insulated Substation (GIS)</td> <td>25 years</td> </tr> <tr> <td>(e) Hydro generating station including pumped storage hydro generating stations</td> <td>40 years</td> </tr> <tr> <td>(f) Transmission line (including HVAC & HVDC) & OPGW</td> <td>35 years</td> </tr> <tr> <td>(g) Communication system excluding OPGW, IT and SCADA</td> <td>7 years</td> </tr> <tr> <td>(h) Integrated mine(s)</td> <td>As per the Mining Plan</td> </tr> </table> <p>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</p>	(a) Coal/Lignite based thermal generating station	25 years	(b) Gas/Liquid fuel based thermal generating station	25 years	(c) AC and DC sub-station	25 years	(d) Gas Insulated Substation (GIS)	25 years	(e) Hydro generating station including pumped storage hydro generating stations	40 years	(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	<p>Following clause may be added:</p> <p>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: ----- ----- ----- -----</p> <p>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 or less, respectively subject to the renovation modernization & life extension opted by the Generating company/ transmission Licensee under clause 27 & 33 (8) of the regulations,</p>	<p>Operational Life of 35 years as proposed in the Draft may not be feasible for all generating stations:</p> <ul style="list-style-type: none"> → There are some units which are designed for specifically 25/30 years. → The Units which are running efficiently beyond 25 Years are supplied by BHEL. However, most of the IPPs have installed the Units of Chinese origin which are yet to establish their actual age. → CEA part load operations regulations shall come in force during next control period which may reduce the useful life of the Thermal units due to part load operations. Thereby the Operational life beyond the useful life shall also be less → The Increment of Age beyond useful life should be Unit specific and only those units should be allowed to operate beyond 25 years which are given clearance in the technical studies of the independent experts subject to approval of Cost incurred in life extension. <p>Therefore useful life of Thermal Stations may be less than 35 years as against proposed in the draft regulations.</p>
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(21) (5)	<p>21. Interest During Construction (IDC) and Incidental Expenditure during Construction (IEDC)</p> <p>(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. 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.</p> <p>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.</p>	<p>The limit of 90% as proposed for delay corresponding to approvals and clearances must be removed.</p>	<ul style="list-style-type: none"> → Reduction of 10% of the IDC & IEDC is arbitrary and not in line with the clause 22(2)(c) of the draft regulations → Delay in project implementation caused due to delay in providing Approval/clearances is beyond the reasonable control of the generator and Generator must not be penalized for the same. → Delay caused on account of delay in clearance/ approval must be included in the list of Non-controllable Parameters (Clause 22 of the Draft Regulations). and associated cost must be pass-through and project developer could not be burdened for the Lapse. → The proposal is unwarranted since every expense is allowed only after the prudence check & thorough regulatory scrutiny. 																

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(22)	<p>22. Controllable and Uncontrollable factors:</p> <p>The following shall be considered as controllable and uncontrollable factors for deciding time overrun, cost escalation, IDC and IEDC of the new projects:</p> <p>(1) The "controllable factors" shall include but shall not be limited to the following: a. Efficiency in the implementation of the new projects not involving an approved change in scope of such new projects, change in statutory levies or change in law or force majeure events; and b. Delay in execution of the new projects on account of contractor or supplier or agency of the generating company or transmission licensee. (2) The "uncontrollable factors" shall include but shall not be limited to the following: a. Force Majeure events; b. Change in Law; and c. Land acquisition <u>except where the delay is attributable to the generating company or the transmission licensee.</u></p>	<p>Uncontrollable factors should also include the following events:</p> <p><i>I. Delay in Forest Clearance</i> <i>II. Delay in providing land to the implementing authority</i> <i>III. Delay in Providing the Evacuation facility or Delay in approval for synchronization of the Unit.</i> <i>IV. Court stay orders</i> <i>V. Restriction/Hindrances from buyers/procurers.</i> <i>VI. Any other event not covered under controllable factors</i></p> <p>Hon'ble Commission is requested to revisit the draft based on the above suggestions.</p>	<p>→ All those factors are beyond the reasonable control of the generator hence must be included in the list of non-controllable factors.</p>
(25) (2)	<p>25. Additional Capitalization within the original scope and after the cut-off date: ----- ----</p> <p>(2) In case of replacement of assets deployed under the original scope of the existing project after the cut-off date, the additional capitalization may be admitted by the Commission after making necessary adjustments in the gross fixed assets and the cumulative depreciation, subject to prudence check on the following grounds:</p> <p>(a) Assets whose useful life is not commensurate with the useful life of the project and such assets have been fully depreciated in accordance with the provisions of these regulations; (b) The replacement of the asset or equipment is necessary on account of a change in law or Force Majeure conditions; (c) The replacement of such asset or equipment is necessary on account of obsolescence of technology; and (d) The replacement of such asset or equipment has otherwise been allowed by the Commission.</p> <p>Provided that any claim of additional capitalization with respect to the replacement of assets under the original scope and on account of obsolescence of technology, less than Rs. 20 lakhs shall not be considered as part of Capital cost and shall be met by Generating company and Transmission licensee through normative O&M charges only.</p>	<p>→ Proposal to cater Ad-Cap up to Rs. 20 Lakhs value under O&M expenses is inappropriate & there should be no retrospective application of the proposed regulations on already commissioned plants.</p> <p>→ Existing provisions as per 2019-24 regulations must continue.</p>	<p>→ The basis of proposing Rs. 20 Lakh monetary limit is not disclosed and the amount is on higher side.</p> <p>→ For projects already commissioned and tied-up PPAs financing is already over based on prevalent regulations. Therefore, there should not be any tweaking with the applicable norms for the existing projects.</p> <p>→ Generator shall be losing ROE, depreciation, etc. on account of inclusion of the Ad-cap expense under Normative O&M. Further, There may be multiple Ad-Cap expenses each having a value a value of less than 20 Lakhs but having a combined value of > 20 lakhs then as per the current draft of the regulations those shall be covered under O&M as a result generator shall be at a substantial Loss of ROE depreciation etc.</p> <p>→ The proposal to cater the Ad-Cap up to Rs 20 Lakh value under Normative O&M expenses is unwarranted since every expense is allowed only after the prudence check & thorough regulatory scrutiny.</p>

Clause No.	2024-29 Draft regulations	Comments & Suggestions	Rationale
(26) (1) & (2)	<p>26. Additional Capitalisation beyond the original scope</p> <p>(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:</p> <p>(a) Payment made against award of arbitration or for compliance of order or directions of any statutory authority, or order or decree of any court of law;</p> <p>(b) Change in law or compliance of any existing law;</p> <p>(c) Force Majeure events;</p> <p>(d) Need for higher security and safety of the plant as advised or directed by appropriate Indian Government Instrumentality or statutory authorities responsible for national or internal security;</p> <p>(e) Deferred works relating to ash pond or ash handling system in addition to the original scope of work, on case to case basis: -----</p> <p>(2) Any claim of additional capitalisation less than Rs. 20 lakhs shall not be considered under Clause (1) of this regulation.</p>	<p>Modified clause may be incorporated as under :</p> <p>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:</p> <p>(a) -----</p> <p>(b) -----</p> <p>(c) -----</p> <p>(d) Need for higher security and safety of the plant as assessed by the generating station or advised or directed by appropriate Indian Government Instrumentality or statutory authorities responsible for national or internal security;</p> <p>(e) -----</p> <p>2) Any claim of additional capitalisation less than Rs. 20 lakhs shall not be considered under Clause (1) of this regulation.</p>	<p>→ Generating Station is primarily responsible for ensuring smooth and safe operation of the plant and safety of its personnel. Therefore, a station must be allowed CAPEX to ensure safe operation of the Plant and cost may be approved by the commission subject to prudence check. This should not be subject to the advice or directions by Statutory Authorities or Government.</p> <p>→ Rationale provided against Regulations clause 3 (2), 3 (56) & 25 (2) are reiterated.</p>
(29)	<p>29. Additional Capitalization on account of Revised Emission Standards:</p> <p>(1) A generating company requiring to incur additional capital expenditure in the existing generating station for compliance with the revised emissions standards shall share its proposal with the beneficiaries and file a petition for undertaking such additional capitalization.</p> <p>(2) The proposal under clause (1) above shall contain details of the proposed technology as specified by the Central Electricity Authority, scope of the work, phasing of expenditure, schedule of completion, estimated completion cost including foreign exchange component, if any, detailed computation of indicative impact on tariff to the beneficiaries, and any other information considered to be relevant by the generating company.</p> <p>(3) Where the generating company makes an application for approval of additional capital expenditure on account of the implementation of revised emission standards, the Commission may grant approval after due consideration of the reasonableness of the cost estimates, financing plan, schedule of completion, interest during construction, use of efficient technology, cost-benefit analysis, and such other factors as may be considered relevant by the Commission.</p> <p>(4) After completion of the implementation of revised emission standards, the generating company shall file a petition for determination of tariff. Any expenditure incurred or projected to be incurred and admitted by the Commission after prudence check based on the reasonableness of the cost and</p>	<p>Following modified clause may be incorporated as under:</p> <p>29. Additional Capitalization on account of Revised Emission Standards:</p> <p>(1) A generating company requiring to incur additional capital expenditure in the existing generating station for compliance with the revised emissions standards shall share its proposal with the beneficiaries and file a petition for undertaking such additional capitalization. The Commission will accord In-principal approval to such additional capital expenditure subject to prudence check.</p> <p>(2) -----</p> <p>(3) -----.</p> <p>(4) -----</p>	<p>→ To implement FGD, In Principal approval is necessary to secure the funding form lending agencies.</p>

Clause No.	2024-29 Draft regulations	Comments & Suggestions	Rationale
	<p>impact on operational parameters shall form the basis of the determination of tariff.</p> <p>(5) Un-discharged liability, if any, on account of the emission control system shall be allowed as additional capital expenditure during the year it is discharged, subject to prudence check.</p>		
30.	<p>30. Return on Equity:</p> <p>(1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with Regulation 18 of these regulations.</p> <p>(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;</p> <p>(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;</p> <p><u>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 basis points as on 1st April of the year, subject to a ceiling of 14%;</u></p> <p>Provided further that:</p> <p>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;</p> <p>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 be reduced by 1.00% for the period for which the deficiency continues;</p>	<p>→ ROE for Ad-Cap on account of Change in Law/ Force Majeure & Emission Control System expenses should be same as per the Equity Returns rate for the Ad-Cap within in the Original scope i.e. 15.5% as per the Draft regulations.</p> <p>The Commission should review this provision of the draft regulations.</p>	<p>→ Cost of equity is higher than cost of debt Therefore, giving equal treatment to cost of debt and cost of equity is unjustified.</p> <p>→ The draft regulations have allowed equity returns equivalent to cost of debt. In such scenario no one shall be willing to invest equity under FGD implementation which is a statutory requirement no under control of the generator.</p> <p>→ In the absence of equity contribution, lenders would not lend for FGD implementation</p> <p>→ Alternatively, if equity investments are made, the return to equity investors shall be much less than its cost eroding the wealth of the company and, hence, it will be contrary to the restitution principle.</p> <p>→ It may be noted that if any additional capitalization required due to Change in Law or FM event is to be entirely debt funded as the current provisos of draft regulations imply, then such projects CAPEX will not be bankable due to absence of equity contribution which has a higher cost than debt.</p>

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	<p>iii in the case of a thermal generating station:</p> <p>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.</p> <p>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%:</p>		
33.	<p>33. Depreciation:</p> <p>1.</p> <p>2.</p> <p>3.</p> <p>4.</p> <p>5.</p> <p>6.</p> <p>7.</p> <p>8.</p> <p>9.</p> <p>10.</p> <p>11. Depreciation of the emission control system of an existing generating station that is yet to complete its useful life or a new generating station or unit thereof where the date of operation of the emission control system is subsequent to the date of commercial operation of the generating station or unit thereof, shall be computed annually from the date of operation of such emission control system based on the straight line method at rates specified in Appendix- I to these regulations; Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from the date of operation of such emission control system shall be spread over the balance period of thirteen years or balance operational life of generating station, whichever is lower.</p> <p>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 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.</p>	<p>→ Existing plants which have completed half or more than half of the useful life cannot be put in same position as compared to new plants w.r.t to recovery of depreciation.</p> <p>→ Entire depreciation of the Emission control system (ECS) must be recovered within the useful life of the Station or PPA tenure or extended life beyond the useful life (<i>if life extension is opted & approved by the commission</i>) whichever is lower.</p> <p>→ For plants who have already completed their useful life and are running on life extension the Draft regulations have put a minimum life extension of 10 years in order to achieve full depreciation. This is arbitrary and must be removed.</p>	<p>→ Installation of FGD/ Emission Control System is a statutory requirement and Change in law.</p> <p>→ The Generating Companies ought to be restored to same economic position as if change in Law has not occurred. To ensure economic restitution it's necessary that all the costs associated with the FGD are recovered within the useful life or PPA tenure.</p> <p>→ There are considerable number of plants who have completed almost half of their useful life i.e. 12-15 years or shall be completing by the time FGD is installed. Therefore when FGD system shall complete the 12 years of operation there would be no or very little useful / operational life left of the Generating Station for recovery of depreciation as per the current draft of the regulations.</p> <p>→ Proposed regulations may also lead to tariff shock given balance useful life or Operational Life of Thermal asset is very low.</p>

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36	<p>36. Operation and Maintenance Expenses: (1) Thermal Generating Station: <div style="text-align: right;">(in Rs Lakh/MW)</div> <table border="1" data-bbox="186 352 1160 667"> <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> <p>(7) Any additional O&M expenses incurred by the generating company or transmission licensee due to any change in law or Force Majeure event shall be considered at the time of truing up of tariff.</p> <p>Provided that such impact shall be allowed only in case the overall impact of such change in law event in a year is more than 5% of normative O&M expenses allowed for the year.</p> </p>	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>There should be no threshold level of Additional O&M expenses (on account of Change in law) to be recoverable.</p>	<p>→ The proposed limit of 5% is unwarranted since every expense on account of Change in Law/ FM is allowed only after the prudence check & thorough regulatory scrutiny. Therefore there should not be nay limit for recovery of genuine expenses.</p>
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36 (9)	<p>(9) The operation and maintenance expenses on account of emission control systems in coal or lignite based thermal generating stations shall be 2% of the admitted capital expenditure (excluding IDC and IEDC) as on its date of operation, which shall be escalated annually @ 5.89% during the tariff period ending on 31st March 2029:</p> <p>Provided that income generated from the sale of gypsum or other by-products shall be reduced from the operation and maintenance expenses.</p>	<p>The Clause may be rephrased as below:</p> <p>9) The operation and maintenance expenses on account of emission control systems in coal or lignite based thermal generating stations shall be 2% of the admitted capital expenditure (excluding IDC and IEDC) as on its date of operation, which shall be escalated annually @ 5.89% during the tariff period ending on 31st March 2029:</p> <p>Provided that net income generated (after adjusting the cost incurred by generating company in handling & disposal of the By- product) from the sale of gypsum or other by-products shall be reduced from the operation and maintenance expenses</p>	<p>Income generated from sale of gypsum or other by products should be adjusted by the expense incurred in handling the byproduct and balance amount (if any) should be reduced from the O&M expenses.</p>																																				
36 (6)	<p>(6) The Water Charges, Security Expenses and Capital Spares for thermal generating stations shall be allowed separately after prudence check:</p>	<p>The threshold limit of 20 Lakhs for qualifying as capital spares must be eliminated and should be subject to regulatory approval after prudence check..</p>	<p>→ For new projects the commission may specify a limit. However, for the existing projects there should not be a threshold value to qualify as Capital Spares.</p>																																				

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			<ul style="list-style-type: none"> → There should not be any monetary limit instead the nature of the utilized spares should be considered in order to be qualified as Capital spares. & existing provisions of 2019-24 regulation must continue. → For the projects already commissioned since financing already over based on prevalent regulations. Hence there should not be any tweaking with the applicable norms for the old projects. → Rationale provided against clause 3 (12) & 3 (56) are reiterated/ 								
59.	<p>59. Transit and Handling Losses: For coal and lignite, the transit and handling losses shall be as per the following norms: -</p> <table border="1" data-bbox="189 699 1151 947"> <thead> <tr> <th data-bbox="189 699 834 768">Thermal Generating Station</th> <th data-bbox="842 699 1151 768">Transit & Handling loss</th> </tr> </thead> <tbody> <tr> <td data-bbox="189 774 834 808">Pit head</td> <td data-bbox="842 774 1151 808">0.20%</td> </tr> <tr> <td data-bbox="189 814 834 848">Non-pit head – Rail</td> <td data-bbox="842 814 1151 848">0.80%</td> </tr> <tr> <td data-bbox="189 854 834 947">Non-pit head multi-modal transportation (using two or more than two mode of transport involving multiple trans-shipments)</td> <td data-bbox="842 854 1151 947">1%</td> </tr> </tbody> </table>	Thermal Generating Station	Transit & Handling loss	Pit head	0.20%	Non-pit head – Rail	0.80%	Non-pit head multi-modal transportation (using two or more than two mode of transport involving multiple trans-shipments)	1%	<p>Its suggested that Normative Losses for Road Mode Coal Transportation should be specified in the regulations,</p>	<ul style="list-style-type: none"> → For Transport of coal through road mode cause significant Transit losses therefore separate norms has been requested.
Thermal Generating Station	Transit & Handling loss										
Pit head	0.20%										
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Non-pit head multi-modal transportation (using two or more than two mode of transport involving multiple trans-shipments)	1%										
60.	<p>60. Gross Calorific Value of Primary Fuel: (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';</p> <p>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;</p> <p>Provided further that in the absence of any third party sampling through an agency certified by the Ministry of Coal, the GCV shall be considered on the basis of 'as billed' by the Supplier less: 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.</p> <p><u>No loss in calorific value between 'GCV as billed' and 'GCV as received' is admissible for generating stations procuring coal from Integrated mines or through the import of coal.</u></p> <p>(2) The generating company shall provide to the beneficiaries of the generating station the details in respect of GCV and price of fuel i.e. domestic coal, imported coal, e-auction coal, lignite, natural gas, RLNG, liquid fuel etc., as per the Form 15 prescribed at Annexure-I (Part I) to these regulations:</p>	<p>For sake of abundant clarity in consideration of the GCV a phrase may be added as follows:</p> <p style="text-align: center;"><i>“Further, for reconciliation of GCV, equilibrated GCV so arrived by third party sampler may be corrected for moisture loss to arrive at GCV at unloading point as per formula given as under:</i></p> $GCV_{ARB} = GCV_{ADB} \times (1 - TM) / (1 - Meq)$ <p style="text-align: center;"><i>Where, GCV_{ARB} = Gross Calorific value of coal after moisture correction, GCV_{ADB} = Gross Calorific Value at Equilibrated Condition (60% RH and 40° C), TM = Total Moisture Meq = Equilibrated Moisture at 60% RH and 40° C. ”</i></p> <p>Commission has recommended that no Loss in GCV is admissible for Imported Coal. This condition must not be imposed and normative loss must be prescribed for multimodal transportation of imported Coal.</p> <p>The Final regulations may be drafted accordingly.</p>	<ul style="list-style-type: none"> → The Commission's recommendations w.r.t Loss of GCV of Imported coal are valid only for costal imported coal based plants only. → However, for non-costal region plants which are using imported coal, It's not feasible to avoid GCV loss of imported coal as the coal is being transferred from ports to these plants through rail/road mode or combination of both. i.e. Transportation of imported 								

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	<p>Provided that the additional details of the weighted average GCV of the fuel on a received basis used for generation during the period, the blending ratio of the imported coal with domestic coal, and the proportion of e-auction coal shall be provided, along with the bills of the respective month;</p> <p>Provided further copies of the bills and details of parameters of GCV and price of fuel such as domestic coal, imported coal, e-auction coal, lignite, natural gas, RLNG, liquid fuel, details of blending ratio of the imported coal with domestic coal, the proportion of e-auction coal shall also be displayed on the website of the generating company.</p>		<p>coal is a multimodal transportation involving hundreds/thousands of Kilometers. Therefore Loss of GCV is unavoidable.</p> <p>→ CERC has itself prescribed a transit and Handling Losses of 1% for multimodal coal shipments, (regulation 59) → Not allowing any relaxation in GCV degradation for imported coal shall be unjustified and shall lead to losses to generating companies</p> <p>Therefore a normative Loss must be prescribed for multimodal transportation of imported via rail/road/ inland waterways as the case may be.</p>
62	<p>62. Computation and Payment of Capacity Charge for Thermal Generating Stations:</p> <p>(1) The fixed cost of a thermal generating station shall be computed on annual basis based on the norms specified under these regulations and recovered on a monthly basis under capacity charge. The total capacity charge payable for a generating station shall be shared by its beneficiaries as per their respective percentage share or allocation in the capacity of the generating station. The capacity charge shall be recovered in two parts, viz., Capacity Charge for Peak Hours of the month and Capacity Charge for Off- Peak Hours of the month as follows:</p> <p>(2) The Capacity Charge payable to a thermal generating station for a calendar month shall be calculated in accordance with the following formulae: Capacity Charge for the Month (CCn) = Capacity Charge for Peak Hours of the Month (CCpn) + Capacity Charge for Off-Peak Hours of the Month (CCopn) ----- ----- -----</p> <p>Provided that in case generating station or unit thereof is under shutdown due to Renovation and Modernisation or installation of emission control system, as the case may be, the generating company shall be allowed to recover O&M expenses and interest on loan only.</p>	<p>For Shutdown during installation of emission control system Following must be allowed:</p> <ol style="list-style-type: none"> 1. ROE 2. Depreciation 3. IOL 4. O&M 5. Carrying Cost 	<p>→ Installation of Emission control system is a Change in law event and uncontrollable parameter under clause- 22 of the Draft regulations.</p> <p>→ DSCR of the Generating companies shall be adversely affected due to dis-allowance of ROE, Depreciation etc.</p> <p>→ Losses and cost incurred on account of uncontrollable parameters must be a pass-through.</p>

Clause No.	2024-29 Draft regulations	Comments & Suggestions	Rationale
62.	<p>62. Computation and Payment of Capacity Charge for Thermal Generating Stations:</p> <p>(3) Normative Plant Availability Factor for "Peak" and "Off-Peak" Hours in a month shall be equivalent to the NAPAF specified in Clause (A) of Regulation 70 of these regulations. The number of hours of "Peak" and "Off-Peak" periods during a day shall be four and twenty, respectively. The hours of Peak and Off-Peak periods during a day shall be declared by the concerned RLDC at least a week in advance.</p> <p>----- ----- -----</p> <p>Provided further that in respect of a generating station having beneficiaries across different regions, the Peak Hours shall correspond to Peak Hours of the region in which the majority of its beneficiaries, in terms of percentage of allocation of share, are located.</p> <p>The shortfall in recovery of Capacity Charge for cumulative Off-Peak Hours derived based on NAPAF shall be allowed to be off-set by over-achievement of PAF, if any, and consequent notional over-recovery of Capacity Charge for cumulative Peak Hours.</p> <p>Provided that the shortfall in recovery of Capacity Charge for cumulative Peak Hours derived based on NAPAF, shall not be allowed to be off-set by over-achievement of PAF, if any, and consequent notional over-recovery of Capacity Charge for cumulative Off-Peak Hours.</p>	<p>Shortfall in recovery of Capacity Charge for cumulative Peak Hours derived based on NAPAF, should be allowed to be off-set by over-achievement of PAF, if any, and consequent notional over-recovery of Capacity Charge for cumulative Off-Peak Hours.</p> <p><i>This relaxation may be extended for at least 3 years of the forth coming control period of FIVE years.</i></p>	<ul style="list-style-type: none"> → It may be noted that in the Forthcoming tariff period the CEA part load operations regulations shall come in force during next control period which may increase wear and tear and cause increased O&M and shutdown duration. → Therefore generators must have flexibility to recover the capacity charges lost on account of any breakdown/ Low Availability of unit during the Peak season. → Further in order to cater any other exigencies the relaxation has been requested.

Clause No.	2024-29 Draft regulations	Comments & Suggestions	Rationale
64. (4)	<p>64. Computation and Payment of Energy Charge for Thermal Generating Stations and Supplementary Energy Charge for Coal or Lignite based Thermal Generating Stations:</p> <p>----- -----</p> <p>(4) In case of part or full use of an alternative source of fuel supply by coal based thermal generating stations other than as agreed by the generating company and beneficiaries in their power purchase agreement for the supply of contracted power on account of a shortage of fuel or optimization of economical operation through blending, the use of an alternative source of fuel supply shall be permitted to generating station up to a maximum of 6% blending by weight.</p> <p>Provided that in such case, prior permission from beneficiaries shall not be a precondition, unless otherwise agreed specifically in the power purchase agreement:</p> <p>Provided also that where a higher blending ratio than that specified under sub-clause (4) above of this Regulation is required, prior consultation with the beneficiary shall be made at least three days in advance.</p>	<ul style="list-style-type: none"> → It is not clear whether 6% limit as proposed in the draft is on Daily, Weekly, Monthly or yearly basis. Commission should clarify the same. → The time limit of 3 days for providing approval for higher blending is too low and must be extended to 30 Days, → Further, 6% blending limit as proposed in the draft is too low. This should be relaxed. → Following clause may be added <i>“Provided that, if beneficiaries fail to provide the approval for higher blending ratio as specified in sub-clause (4) above within stipulated period then loss of Availability on account of the same shall be considered as deemed availability and 100% capacity charge payment liability for the affected capacity shall be of the concerned beneficiary.</i> <p>The draft regulations may be modified accordingly.</p>	<ul style="list-style-type: none"> → There are plants which are facing persistent coal shortages and have operated in the recent past with a blending ratio much higher than 6%. → The time limit of 3 days for providing approval for higher blending is too low as payment for the Coal is made in advance and it takes almost a month from arranging the funds for coal procurement to physical delivery of coal at Plant. Therefore the 3 days period must be extended to 30 Days. → If DISCOMs fail to provide approval then Generating companies should be reimbursed for the Loss of capacity charges
64. (6)	<p>64. Computation and Payment of Energy Charge for Thermal Generating Stations and Supplementary Energy Charge for Coal or Lignite based Thermal Generating Stations:</p> <p>(6) The Commission, through specific tariff orders to be issued for each generating station, shall approve the energy charge rate at the start of the tariff period. The energy charge rate so approved shall be the base energy charge rate for the first year of the tariff period. The base energy charge rate for subsequent years shall be the energy charge computed after escalating the base energy charge rate by escalation rates for payment purposes as notified by the Commission from time to time under competitive bidding guidelines.</p>	<p>This provision is irrelevant and there is no need for CERC to determine base energy Charge.in the current regulations .Needs to be deleted.</p>	

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70 (b)	<p>(b) Thermal Generating Stations achieving COD on or after 1.4.2009:</p> <p>(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)</p> <p>Where the Design Heat Rate of a generating unit means the unit heat rate guaranteed by the supplier at conditions of 100% MCR, zero per cent make up, design coal and design cooling water temperature/back pressure. Provided that the design heat rate shall not exceed the following maximum design, unit heat rates depending upon the pressure and temperature ratings of the units:</p>	<ul style="list-style-type: none"> → Proposed Draft regulations do not provide any separate norms of heat rate for 300/350 MW unit sizes. It is suggested that 300/350 MW units sizes should be clubbed with norms of 200 MW Unit sizes. → Proposed norms must be made applicable for the plants commissioned after 01.04.2019 and other plants should continue with the existing norms i.e. 1.05 X Design Heat rate → However, It is requested that considering the ageing related degradations, SHR Norms must be relaxed as compared to current norms. → However, If commission is not inclined to do so then it must be maintained as per the current regulations of 2019-24. Or alternatively compensate for the losses for reduced SHR separately. 	<ul style="list-style-type: none"> → It may be noted that 300/350 Mw Units are technically extension of 200/250 MW unit sizes. → The Cutoff date for application of SHR norms i.e. 1.04.2009 should be revised to 1.04.2019 2019 as a considerable time has elapsed and technology has also evolved. → It may be noted that SHR degrades with the ageing of units. In past the commission had relaxed the Heat Rate norms in 2019-24 regulations as compared to 2014-19 regulations. → CEA flexibilization and part load operational Norms shall cause further degradation of Heat rate. Therefore, the heat rate must be relaxed. 																						
	<p>(E) Auxiliary Energy Consumption:</p> <p>(a) For Coal-based generating stations except at (b) below:</p> <table border="1" data-bbox="219 1066 1003 1575"> <thead> <tr> <th>S. No.</th> <th>Generating Station</th> <th>With Natural Draft cooling tower or without cooling tower</th> </tr> </thead> <tbody> <tr> <td>(i)</td> <td>200/210/250 MW series</td> <td>8.50%</td> </tr> <tr> <td rowspan="2">(ii)</td> <td>300/ 330/ 350/ 500 MW and above</td> <td></td> </tr> <tr> <td>Steam driven boiler feed pumps</td> <td>5.25%</td> </tr> <tr> <td></td> <td>Electrically driven boiler feed pumps</td> <td>8.00%</td> </tr> <tr> <td rowspan="2">(iii)</td> <td>600 MW and above</td> <td></td> </tr> <tr> <td>Steam driven boiler feed pumps</td> <td>5.25%</td> </tr> <tr> <td></td> <td>Electrically driven boiler feed pumps</td> <td>8.00%</td> </tr> </tbody> </table>	S. No.	Generating Station	With Natural Draft cooling tower or without cooling tower	(i)	200/210/250 MW series	8.50%	(ii)	300/ 330/ 350/ 500 MW and above		Steam driven boiler feed pumps	5.25%		Electrically driven boiler feed pumps	8.00%	(iii)	600 MW and above		Steam driven boiler feed pumps	5.25%		Electrically driven boiler feed pumps	8.00%	<p>There should not be any reduction in the Norms of Auxiliary energy consumption. However if commission not inclined to do so then the Aux norms must be maintained as per the current 2019-24 regulations.</p>	<ul style="list-style-type: none"> → The commission has relaxed the Aux Consumption norms in 2019-24 regulations as compared to 2014-19 regulations. (for 300 MW Units). → There are some plants that have been designed for AUX consumption ~ 7% or even more which is far more than the prescribed Norms. → It may also be noted that Aux consumption degrades with the ageing of units. → CEA flexibilization and part load operational Norms shall cause further degradation of Aux Consumption.
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	<p>(F) Norms for consumption of reagent:</p> <p>(1) The normative consumption of specific reagents for various technologies for the reduction of emission of sulphur dioxide shall be as under:</p> <p>(a) For Wet Limestone based Flue Gas De-sulphurisation (FGD) system: The specific limestone consumption (g/kWh) shall be worked out by following the formula: $K \times \text{Normative heat rate (kcal/kWh)} \times \text{Sulphur content of coal (\%)} \text{ kg/kWh} / \text{GCV of Coal (kcal/kg)}$</p> <p>Where, GCV = (a) Weighted Average Gross calorific value of coal in kCal per kg for coal based thermal generating stations computed in accordance with Regulation 60 of these regulations; (b) Weighted Average Gross calorific value of lignite as received, in kCal per kg, as applicable for lignite based thermal generating stations: Provided that the value of K shall be equivalent to 35.2 for units to comply with the SO₂ emission norm of 100/200 mg/Nm³ or 26.8 for units to comply with the SO₂ emission norm of 600 mg/Nm³; Provided further that the limestone purity shall not be less than 85%.</p>	<ul style="list-style-type: none"> → It is submitted that it may not be always feasible to arrange the Limestone with purity higher than 85%. → Therefore the Norms must be relaxed for forthcoming tariff period and based on the experience Norms may be notified for 2019-35 control period. 	<ul style="list-style-type: none"> → Emission control Systems are being installed as a result of Change in Law event therefore the entire cost of Installation and reagent cost must be reimbursed to the generating company on actuals in order to restore the economic position so that change in Law has not occurred.
77.	<p>77. Recovery of Statutory Charges: The generating company shall recover the statutory charges imposed by the State and Central Government, such as electricity duty and water cess, by considering normative parameters specified in these regulations. In case the electricity duty is applied to the auxiliary energy consumption, such amount of electricity duty shall apply to the normative auxiliary energy consumption of the generating station (excluding colony consumption) and apportioned to each of the beneficiaries in proportion to their scheduled dispatch during the month.</p>	<ul style="list-style-type: none"> → Statutory charges incurred by a generating Station must be reimbursed on actuals. → Commission should reconsider the Draft Regulations accordingly 	
100.	<p>100. Public Procurement through Competitive Bidding: The generating company for a specific generating station or for an integrated mine or a transmission licensee shall procure equipment, work and services through a transparent process of competitive bidding.</p> <p>Provided that under certain exceptional circumstances, equipment, works and services may be procured through other methods, as provided under general financial rules issued by the Government of India and applicable from time to time.</p>	<ul style="list-style-type: none"> → It is suggested to categorize the equipment, works and services that must be mandatorily procured through competitive bidding. 	<ul style="list-style-type: none"> → In the interest of rationalization of procurement process according to procurement value the categorization is required to be prescribed.