VIEWS OF GRIDCO ON DRAFT CERC TARIFF REGULATIONS, 2024-29

~~abc~~ – Regulations to be striked out **xyz – Regulations to be inserted**

1) Regulation-3 (Definitions)

Cl.(2) 'Additional Capital expenditure' means the capital expenditure incurred, or projected to be incurred after the date of commercial operation of the **~~project by the generating company or the transmission licensee~~** **Generating Station or a unit thereof or Transmission System or element thereof**, as the case may be, in accordance with the provisions of these regulations;

GRIDCO's Views/Justification:

The Units/Elements of a Generating/Transmission Project come up gradually after their completion. As such Unit/Element after its completion supplies power to the Beneficiaries at the Tariff claimed there-of. Therefore each Unit of Station or each Element of Transmission System needs to be treated individually for additional capitalisation, considering the revenue earning ability of the unit as a separate Profit/Cost Centre with identifiable costs/revenue earned from the respective operations. Otherwise, it will burden the consumers with additional IDC and IEDC up to the completion of the project, in violation of the National Tariff Policy, for not ensuring "Cost reflective Tariff".

Cl. (5) Annual Target Quantity or ATQ:- 'Annual Target Quantity' or 'ATQ' in respect of an integrated mine(s) means the quantity of coal or lignite to be extracted during a year from such integrated mine(s) **~~corresponding to 85% of the quantity~~** **as** specified in the Mining Plan;

GRIDCO's Views:

(i) In the Tariff Regulations 2019, ATQ is considered as the quantity of coal or lignite extracted during a year as specified in the mining plan. There is a provision to relax the ATQ up to a maximum of 15% due to the reasons not attributable to the generating company and to address contingencies.

(ii) Since there is already provision of relaxation on case to case basis in the current tariff regulation, it is proposed to keep the Annual Target Quantity to be as per the mining plan instead of 85% of the quantity specified in the Mining plan.

(iii) Further, as per the guidelines of coal distribution policy, 100% of the quantity as per the normative requirement of the power utilities would be considered for supply of coal through Fuel Supply Agreement.

Cl. (7) 'Auxiliary Energy Consumption' or 'AUX'

Proviso (1): Provided that auxiliary energy consumption shall not include energy consumed for the supply of power to the housing colony, **Integrated Coal Mine(s)** and other facilities at the generating station and the power consumed for construction works at the generating station and integrated mine (s);

GRIDCO's Views/Justification:

Integrated coal mines are already availing power from the respective DISCOMs through their contract demand. Accordingly, any auxiliary consumption on account of integrated coal mines should be excluded from the auxiliary consumption of the generating station.

'Block' (Omitted in Draft Regulations)**:**

The definition of 'Block' ought to be considered in the finalized version of the Regulations since they are part of definition of Generating Stations and used frequently in the Draft Tariff Regulations, 2024

'Competent Authority' (Omitted in Draft Regulations)**:**

The definition of 'Competent Authority' ought to be considered in the finalized version of the Regulations since it has been used frequently in the Draft Tariff Regulations, 2024

Cl.(17) 'Cut-off Date' shall be the last day of the ~~financial year~~ **Calendar month** closing after thirty six months from the date of commercial operation of the **whole or part of the** project, except in case of integrated mine(s)

GRIDCO's Views/Justification:

(i) In the prevailing Tariff Regulations, the cut-off day is last day of the calendar month closing after thirty six months from the date of commercial operation. If it is allowed in the last day of the financial year, then the generator would be able to factor the cost of IDC & IEDC further by 11 months in case the CoD occurs in part or whole of the project at the beginning of the financial year. This will violate the National Tariff Policy.

(ii) As the Units of a Generating/Transmission Project come up gradually after their completion, Additional Capital Expenditure, IDC and IEDC will increase up to the completion of the project for the Units/Elements, which were already in commercial operation, thereby overburdening the Consumers.

Cl.(22)'De-capitalisation' for the purpose of the tariff under these regulations, means reduction in Gross Fixed Assets of the project as admitted by the Commission corresponding to the ~~inter–unit transfer of assets or~~ assets taken out from service;

GRIDCO's Views/Justification:

(i) Inter-Unit transfer of assets within a project has got no effect on Fixed Cost. The same can be effected, if assets were transferred between two projects of a Generating Company.

(ii) De-capitalisation of Transmission Project is not addressed in the Regulation

Cl.(23) 'De-Commissioning' means removal from service of a generating station or a unit thereof or transmission system including communication system or element thereof, **giving at least one year prior notice to the beneficiaries** after it is certified by the Central Electricity Authority or any other ~~authorized agency~~ **Statutory Auditor**, either on its own or on an application made by the

project developer or the beneficiaries or both, that the project cannot be operated due to non-performance of the assets on account of technological obsolescence or uneconomic operation or due to environmental concerns or safety issues or a combination of these factors;

GRIDCO's Views/Justification:

(i) Unless there is adequate Capacity addition to sustain the sudden shortfall caused due to outage (de-commissioning) of the units, reliable and uninterrupted 24X7 power supply strategy of the State Government would be seriously jeopardized. This will be worsen in case of sudden outage (due to de-commissioning) of large super critical units without allowing reasonable time period to the beneficiaries to take up adequate capacity in lieu of the stoppage of the allotted capacity.

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(ii) There is neither any stipulation for any authority who will authorize any other authorized agency nor the Electricity Act has empowered the CEA to appoint any other Authorized Agency on its behalf for the above purpose.

'Designated ISTS Customers' or **'DICs'** (Omitted in Draft Regulations) shall have the same meaning as defined in Central Electricity Regulatory Commission (Sharing of Inter State Transmission Charges and Losses) Regulations, 2010 as amended from time to time or subsequent reenactment thereof;

GRIDCO's Views:

The definition of 'Designated ISTS Customers' ought to be included in the final version of the Regulations.

Cl. (33) 'Fuel Supply Agreement' means the agreement executed between the generating company and the fuel supplier for the ~~**generation and**~~ supply **of fuel towards generation and** supply of electricity to the beneficiaries;

GRIDCO's Views/Justification:

The FSA is signed between the Fuel Supplier and the Generating Company for Supply of Fuel and not for Generation and Supply of Electricity.

Cl. (38) 'GCV as received' means the GCV of coal as ~~**measured**~~ **determined** at the ~~**unloading**~~ **receiving** point ~~**of the thermal generating station**~~ **as per terms and conditions of the Fuel Supply Agreement** through collection, preparation and testing of samples from the loaded wagons, trucks, ropeways, Merry-Go-Round (MGR), belt conveyor and ship in accordance with the IS 436 (Part-1/Section 1)-1964 and **IS 1350-1984**:

Provided that the measurement of **GCV of** coal or lignite **along with associated moisture levels** shall be carried out through sampling by a third party ~~**to be appointed by the generating companies**~~ in accordance with the guidelines**,** ~~**if any,**~~ issued by Central Government;

Provided further that samples of coal or lignite shall be collected eithermanually or through hydraulic augur **or auto samplers** or through any other method considered suitable, keeping in view the safety of personnel ~~**and equipment**~~:

Provided also that ~~**the generating companies may adopt**~~ any advance technology for collection, preparation and testing of samples for measurementof GCV **of Coal and associated moisture level** in a fair and transparent manner **through online coal analysers shall be carried out along with online publication of the analysis result**

GRIDCO's Views/Justification:

(i) Un-loading point of the Generating Station is not necessarily the receiving point of the Coal by the Generating Company, unless otherwise the same is mutually agreed by the Coal Supplier and the Generating Company as per the Fuel Supply Agreement (FSA). As per FSA, available with GRIDCO, the receiving point of Coal by the Generator from the Coal Supplier is the Colliery end.

(ii) Clause No.6 of IS:1350 (Part-II) stipulates reporting of results inter-alia **'As Received Basis'**. Therefore, 'As received basis' as per above Indian Standard cannot be assumed to be 'As Received Basis' at the Generating Station end.

(iii) GCV of Coal is measured by Air-dried basis in all cases. The moisture level is also measured for the same Coal at different conditions so as to arrive at the GCV for the required condition and also for compensation purpose as per terms and conditions of the FSA.

(iv) Auto-Samplers are available for sampling of Coal without human intervention. There is separate Safety Regulations to deal with safety issues.

(v) On-line Coal Analysers and online publishing of the analysis result are the best means to maintain transparency so far as the result of 'GCV of Coal is concerned, which is used for fixing the rate of Coal and also for ECR calculation for billing to Beneficiaries and ultimately to consumer.

(vi) However, the appropriate stage of sampling for determination of 'as received GCV of Coal' shall be subject to the decision of Hon'ble APTEL in Appeal No.238/2017 and Hon'ble High Court of Orissa in Writ Petition No.22227/2019 and shall stand modified accordingly.

Cl.(50) 'Long-Term Customer' or ' LTC' shall have the same meaning as 'Long Term Customer' as defined in the Central Electricity Regulatory Commission (Grant of Connectivity, Long-term Access and Medium-term Open Access in inter-State Transmission and related matters) 2009, **as amended from time to time;**

Provided that, the Long-Term Customer in relation to an Interstate Generating Station shall also include the person, who has allocation in Interstate Generating Stations.

GRIDCO's Views/Justification:

The Long Term customer as per Central Electricity Regulatory Commission (Grant of Connectivity, Long-term Access and Medium-term Open Access in inter-State Transmission and related matters) 2009 has not included the Long Term Customers of the Inter State Generating Stationsexcluding those owned and controlled by the Central Government (i.e. Independent Power Producers coming under composite scheme).

Cl. (64) 'Prudence Check' means scrutiny **by the Commission** of reasonableness of any cost or expenditure incurred or proposed to be incurred in accordance with these regulations by the Generating Company or Transmission Licensee, as the case may be.

Cl. (67) 'Reference Rate of Interest' means the one year marginal cost of funds based lending rate (MCLR) of the State Bank of India (SBI) issued from time to time ~~**plus 325 basis points**~~ **without any spread.**

Cl.(68) 'Revised Emission Standards' in respect of the thermal generating station means the revised norms notified as per Environment (Protection) Amendment Rules, 2015 or any other **subsequent** Rules as may be notified from time to time;

Cl. (88) 'Useful life'

Sl. No.	Item	Draft Reg. 2024-29 (Years)	GRIDCO's Proposal (Years)
(a)	Coal/Lignite based thermal generating station	25	35#
(b)	Gas/Liquid fuel based thermal generating station	25	-
(c)	AC and DC sub-station	25	35#

(d)	Gas Insulated Substation (GIS)	25	-
(e)	Hydro generating station including pumped Storage hydro generating stations	40	50#
(f)	Transmission line (including HVAC & HVDC)	35	-
(g)	Communication system excluding OPGW,IT and SCADA	7	15#
(h)	Integrated Mine(s)	As per the Mining Plan	As per approved Mining Plan

Provided that in the case of coal/lignite based thermal generating stations **and AC and DC sub-stations** ~~**and hydro generating stations,**~~ the Operational Life may be 35 years and **in the case of hydro generating stations, the Operational Life may be** 50 years **which shall be decided by the Commission on case to case basis.**

GRIDCO's Views/Justification:

(i) AC and DC Substation's life should commensurate with the life of generating station and Transmission line.

(ii) Communication system comprises of electronic hardware whereas, IT system comprises of computer hardware and software. So, both can't be equated. IT up gradation is more frequent to that of Telecommunication system. Hence, life of communication system ought to be fixed as 15 years as in previous Tariff Regulations 2019-24.

2) Regulation-8 (Tariff Determination) (4)

Assets installed for implementation of the revised emission standards shall form part of the existing generation project and the tariff thereof shall be determined separately in accordance with the application filed under the 5th proviso to Clause

(1) of Regulation 9 of these Regulations **subject to due verification on achievement of the required norms as per MoEF&CC Notifications**.

3) **Regulation-9 (Application for determination of tariff) (3)**

In case, emission control system is required to be installed in existing generating station or unit thereof to meet the revised emission standards, an application shall be made for the determination of supplementary tariff (capacity charges or energy charge or both) based on the actual capital expenditure duly certified by the Auditor;

Provided that the application should be accorded with due recommendation from CEA in terms of its requirement, technology selection and associated cost etc.

4) **Regulation-10 (Determination of tariff):**

10(8) Where the capital cost approved by the Commission on the basis of projected additional capital expenditure **of the Generating company or the Transmission Licensee** exceeds the actual trued up additional capital expenditure on a year to year basis by more than ~~**10%**~~ **5%**, the generating company or the transmission licensee shall refund to the beneficiaries or the long term transmission customers as the case may be, the tariff recovered corresponding to the additional capital expenditure not incurred, as approved by the Commission, along with 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.

GRIDCO's Views/Justification:

Estimation of Capital Cost or Projected Additional Expenditure is provided by the Generator/Transmission licensee and not by the Beneficiary (ies). Moreover, tolerance of 5% is reasonable instead of 10%.

5) **Regulation-17 (Special Provisions for Tariff for Thermal Generating station which have Completed 25 Years of Operation from Date of Commercial**

Operation)

(1) In respect of a thermal generating station that has completed 25 years of operation from the date of commercial operation, the generating company and the beneficiary ~~**may**~~ **shall** agree on an arrangement, including provisions for target availability and incentive, where in addition to the energy charge, capacity charges determined under these regulations shall also be recovered based on scheduled generation.

Provided that, the beneficiary shall have the first right of refusal and upon its refusal to enter into an arrangement as above, the generating company shall be free to sell the electricity generated from such station in a manner as it deems fit.

GRIDCO's Views/Justification:

(i) The above proviso was stipulated in CERC Tariff Regulations, 2019 as Regulation 17(2), which has been deleted in the draft CERC Tariff Regulations, 2024 without adequate rationale of such deletion.

(ii) First right of refusal should always be with the beneficiaries who have already paid the tariff of the generating station in its useful life. Since the beneficiary(ies) have paid the fixed cost along with capital recovery of the plant through depreciation of the generating station in full during its useful life period, provisioning for single part tariff beyond the useful life of the generating station would definitely be allowed to the beneficiary(ies) on priority basis.

(iii) Further, the original beneficiary is binding upon the validity of the PPA.

(iv) In the changing power scenario with infusion of RE power in great pace and other suitable conditions, after completion of useful life of the thermal generating station, any beneficiary will obviously want to exit from the terms and conditions of PPA, if the cost of procurement of power is not competitive.

(v) Hence, there should be exit clause for the sole beneficiary.

6) **Regulation-21 (IDC & IEDC) (4):**

If the delay in achieving the CoD is not attributable to the generating company or the transmission licensee, **as the case may be due to uncontrollable factor as specified in Regulation 22 of these Regulations**, IDC and IEDC **beyond COD** may be allowed after due prudence check and the liquidated damages, if any, recovered **or to be recovered** from the contractor or supplier or agency shall be adjusted in the capital cost of the generating station or the transmission system, as the casemay be.

7) **Regulation - 21(IDC & IEDC) (5):**

Proviso - 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%~~ **50 %** of the delay associated with obtaining such approvals or clearances"

GRIDCO's Views/Justification:

Getting statutory clearance as quickly as possible from different authorities is the sole responsibility of the generator. The motive behind getting early clearance is to achieve CoD as quickly as possible for which the beneficiaries shall avail the requisite share of power and for which the generator would get early revenue. Hence, the delay cannot be condoned in large percentage. If this is allowed, no generator would make their best effort for getting statutory clearance. As the delay may occur on part of the generator for not expediting the process maximum condonation of delay may be allowed maximum up to 50 %.

8) **Regulation-27 (Additional capitalisation on account of R&M) (2):**

Where the generating company or the transmission licensee, as the case may be, makes an application for approval of its proposal for renovation and modernization (R&M), approval may be granted after due consideration of reasonableness of the proposed cost estimates, financing plan, schedule of completion, interest during construction, use of efficient technology, cost-benefit

analysis, expected duration of life extension, **consent** ~~response~~ of the beneficiaries or long term customers and such other factors as may be considered relevant by the Commission.

GRIDCO's Views/Justification:

Consent of the beneficiaries or long term customers should be made mandatory. The additional capitalization may also be necessitated for increasing efficiency of the plant.

9) **Regulation-28: Special Allowance for Coal-based/Lignite fired Thermal Generating station:**

Provided that if the Generating Company doesn't avail R&M and opts for Special Allowance then the Generating Company shall guarantee for extension of useful life period for at least 10 Years from the date of completion of such investment.

GRIDCO's Views/Justification: Guaranteed Life extension ought to be stipulated for generators, availing special allowance.

10) **Regulation-29 (Additional capitalisation on account of Revised Emission Standards) (3):**

Where the generating company makes an application for approval of additional capital expenditure on account of implementation ofEmission Control Standards, the Commission may grant approval after due consideration of the reasonableness of the cost estimates, **cost arrived through international competitive bidding,** 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.

11) **Regulation-30 (Return on Equity) (2):**

Return on equity ~~**for existing project**~~ shall be computed at the base rate of ~~**15.50**~~ **14.00%** for **existing** thermal generating station including those who have outlived

their useful life, transmission system ~~including~~ **and** communication system**, at the base rate of 15.5%** for ~~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;

GRIDCO's Views/Justification:

i) The higher Rate of Return is meant to promote investment so as to add extra Generating Capacity in the Country. With infusion of RE power, in recent years as well as lower tariff structure as compared to earlier years there is lesser scope for addition of extra Thermal Generation Capacity. Hence, investment on Thermal Capacity Addition and associated risk thereof does not arise.

ii) In case of transmission, there is no such risk involved as compared to the generation sector.

iii) Hydro Generation is not only a green energy source, but also required for integration of intermittent power from renewable sources due to its inherent characteristics of quick Ramp-up and Ramp-down. Therefore, it is absolutely necessary to encourage for more investment in hydro generation sector. Moreover, investment in Hydro Generation has marginal scope for capacity addition and involves higher risk than that for Thermal Generation.

iv) Electricity Late Payment Surcharge Rule,2022 provides Regulation for access to power in case of non-payment of dues for one month after due date of payment or two and half months after presentation of the bill by the generating company. Payment to the generators are ensured through status of the PRAAPTI portal which is a platform aimed at enhancing transparency and encouraging best practices in Power Purchase transactions. As, the central thermal generators and the transmission utilities, as the case may be are ensured of their receivables/payments in all manner, the reduction in RoE in the changed power scenario is justified.

v) The Repo rate and the Soft loans from International Funding Agencies, providing funding to power sector have been reduced considerably over the

years, which warrants a reduced rate of return on Equity in the range of 13% to 14%, so as to have optimized tariff for the consumers at large.

vi) Hence, the rate of return on the equity contribution may be revisited by the Commission and re-determined under changed economic and market conditions on yearly or bi-yearly basis for affording appropriate return to the investors.

12) Regulation-32 (Interest on Loan Capital):

GRIDCO's views:

In the draft Regulations, there is no scope regarding propriety check of source and terms and conditions of loan availed authenticating the external funding. Whenever a loan is availed, there should be a comprehensive mechanism for exercising prudence check to examine whether the applicable Rate of Interest is as per the prevailing market conditions or not and moreover the external finance has been availed and utilized at the appropriate time, at the competitive rate and there is effective utilization of such borrowed funds.

13) Regulation-33 (Depreciation) (6)

1st Proviso: Provided that the remaining depreciable value as on 31st March of the year closing after a period of ~~15~~ 18 years from the effective date of commercial operation of the station shall be spread over the balance useful life of the assets.

GRIDCO's Views/Justification:

i) The bankability of the power sector especially, the power generation business has improved considerably, in comparison to the previous years and has gained momentum with increasing demand of energy for rapid industrialization. It is quite pertinent that, loans are available with longer tenure in the range of 15-20 years of repayment period for large capital projects. Foreign Soft Loans with much lower interest rate and long repayment period of 20-25 years are also available. Therefore, the existing as well as the upcoming Generators may need to exercise the option for

swapping of loans and reduce their finance costs through low interest rate and increase the repayment tenure. This shall be helpful in reducing front loading of tariff. In view of the above, depreciation rate may be specified considering a loan tenure of 18 years and additional provisions may also be specified for allowing lower rate of depreciation to be charged by the generator in the initial years for recovery of capital cost of the equipment

ii) Further, the Generating Stations and Transmission Systems are designed with required Factor of Safety to run at full load capacity for the entire life period on sustained basis, but practically those are not operating at full load for most of the time during their useful life period. Therefore, the useful life of the said assets is not fully utilized, which leaves a scope to go for a longer useful life.

iii) Hence, the Generators should endeavor to avail high tenure loans commensurate with low interest so that the depreciation repayment amount would be reduced and accordingly the consumers get paramount benefit of low front loaded tariff

14) **Regulation-34: (Interest on Working Capital):** (1) The working capital shall cover: (a) Coal-based/lignite- fired thermal generating stations:
Cost of coal or lignite, if applicable, for 10 days for pit-head generating stations and ~~20~~ **15** days for non-pit-head generating stations for generation corresponding to the normative annual plant availability factor or the maximum coal/lignite stock storage capacity, whichever is lower;

GRIDCO's View/Justification:

i) As per Cl.5.10 of National Electricity Plan (Generation) for January, 2018 [Table-5.14(c)], the PLF of Coal based Plants will hover around 60.5% in the year 2026-27 due to infusion of large quantum of RE power.

ii) Therefore, the requirement of Coal during this Control Period (2024-29) will come down drastically.

iii) Keeping in view the reduced requirement of Thermal Generation for the above Control Period, it is proposed that the Average Coal Stock of 15 Days should be considered for Non-Pit Head Thermal Power Plants towards

calculation of Interest on Working Capital.

15) **Regulation-34(3): (Interest on Working Capital):** Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate 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:

GRIDCO's views:

In the Draft Regulations, the 'Reference Rate of Interest' means the one year marginal cost of funds based lending rate (MCLR) of the State Bank of India (SBI) issued from time to time plus 325 basis points seems to be at higher side. It may be reduced to SBI one year MCLR without any spread to implement cost reflective tariff.

16) **Regulation-35 (De-Commissioning):**

(i) In case a generating station or unit thereof, or a transmission system including communication systems or element thereof after it is certified by CEA or CTU ~~**or any other statutory authority**~~, that any asset cannot be operated or needs to be replaced on account of environmental concerns or safety issues or ~~**system up gradation**~~ **technological obsolescence** or a combination of these factors not attributable to generating company or a transmission licensee, the unrecovered depreciable value may be allowed **up to maximum of 90% of the Capital Cost of the asset** to be recovered on a case-to-case basis after duly adjusting the actual salvage value, post disposal of such project **in addition with actual market value of the existing land** .

Provided that, the beneficiary (ies) would not bear any Decommissioning and Dismantling Cost.

Provided that, no depreciation would be allowed for spares purchased in excess of the percentage allowed in Regulation 23 of this Regulations.

Provided that, no depreciation would be allowed for capital spares which are not

allowed by this commission at the time of truing up under 3rd proviso to Regulation 36(1)(6) of this Regulations and/or equivalent Regulation of previous Tariff Regulations and kept in inventory/not consumed by the generator

Provided that the manner of recovery, including a number of instalments in which such unrecovered depreciation will be allowed, shall be specified by the Commission on a case-to case basis.

Provided further that no carrying cost shall be allowed on any delay associated with such recovery.

GRIDCO's View/Justification:

(i) It is believed that, the sole motive behind constructing a generating station or transmission system respectively by a generating company or transmission licensee, as the case may be, is to earn reasonable profit on account of rendering service to the consumers. It is also believed that, up to the period of de-commissioning the said motive mostly have achieved by the generator or the transmission licensee, as the case may be. Further, during the process of de-commissioning of the generating station or the transmission assets, as the case may be, revenue would arise in addition to the benefit of the existing Land, with Salvage Value of the Assets by way of disposal. Hence, it is not at all justifiable for the beneficiaries to bear the Decommissioning and Dismantling Cost.

(ii) During the process of de-commissioning, it is quite pertinent that, initial spares in excess of the percentage allowed in Regulation(s) and capital spares are purchased without proper assessment and kept in inventory over the period. However, as per Regulations, the generating company or the transmission licensee, as the case may be shall submit the details of year-wise actual capital spares consumed at the time of truing up with appropriate justification for incurring the same and substantiating that the same is not funded through compensatory allowance or Special Allowance or claimed as a part of additional capitalization or consumption of stores and spares and renovation and modernization. Thus, year wise not justifying the procurement and consumption of spares and keeping them in inventory is at the risk of the Generator or transmission licensee and cannot be passed on to the end Consumers.

(iii) Hence, the Commission should come out with the above guidelines/proviso in order to maintain robust consumer protection mechanism and avoid unnecessary burden on the consumer.

17) **Regulation-37 (Input Price of Coal and Lignite for energy charges) (4)**

2nd Proviso: Provided that in case there is a delay in filing the Petition for determination of input price as per the timelines specified under Regulation 9 of these regulations, no carrying cost shall be allowed to the generating company or the mining company for such delay and in such cases the carrying cost at the simple interest rate of 1-year ~~**year**~~ SBI MCLR ~~**plus 100 bps**~~ shall be allowed from the date of filing of the Petition

18) **Regulation - 45 (Depreciation) (3):**

The salvage value of an asset **in respect of integrated mines** shall be considered as ~~**5%**~~ **10%** of the capital cost of the asset

19) **Regulation-53 (Adjustment on account of Non-tariff income (NTI Adjustment):**

NTI Adjustment = ~~**(2/3) x**~~ (Total Non-tariff income during the year)/(Actual quantity of coal or lignite extracted during the year)

GRIDCO's View/Justification:

(i) The aforementioned formula in the Draft Regulations specifies for adjusting only 2/3rd of Non-tariff Income (NTI) in the credit note whereas Regulation 36P of CERC Tariff Regulations, 2019 (inserted by 2nd Amendment) stipulates for adjustment of 100% NTI in the credit note.

(ii) Adjustment of 2/3rd of Non-tariff Income (NTI) in the credit note will deprive the beneficiaries and the ultimate consumers of electricity from getting the benefit of reduced tariff in terms of reduced Energy Charge Rate (ECR) as the input price of coal has a direct impact on the ECR, thereby violating Section 61(d) of the Electricity Act, 2003 in terms of Consumer's Interest.

(iii) In view of the above, GRIDCO proposes to adjust 100% NTI in the credit Note as per

the existing Regulation.

20) **Regulation - 59 (Transit and Handling Losses):**

GRIDCO's Views:

(i) The Regulation has not stipulated any condition for contract between the Generating Company and the Railways/other means of Transport to allow such transit and handling loss. Specially, no logic has been established to allow 1% loss in case of multi-modal transportation.

(ii) Therefore, Regulation-59 towards Transit and Handling Loss may be modified suitably. Further, the loss of Coal during transit should be shared between the Transporter and the Power Utilities, so as to relieve the Consumers from additional financial burden due to Transit and Handling Loss.

21) **Regulation - 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':

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 thebeneficiaries of the generating station

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:

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 both Pit-head **and** ~~based generating stations or generating stations with Integrated mine and 600 kCal/kg for~~ Non-Pit Head based generating stations.

ii. In case of third party sampling, the difference in GCV, as billed by the supplier

and as received at the generating station exceeds 300 kCal/kg, then the third party shall justify the difference in excess of 300 kcal/kg with sufficient technical ground.

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

(2) Provided further that copies of the **Coal** bills and details of parameters of GCV **and Moisture Level** and price of fuel i.e. domestic coal, imported coal, e-auction coal, lignite, natural gas, RLNG, liquid fuel etc., details of blendingratio of the imported coal with domestic coal, proportion of e-auction coal shall also be displayed on the website of the generating company **prior to raising of the Energy Bills to the Beneficiaries and shall continue at least for the Control Period**.

GRIDCO's Views/Justification:

i. As per the Clause of Fuel Supply Agreement, Coal is received by the Generating Company from the Coal Supplier at the Colliery End itself.

ii. The equilibrated GCV of the Coal received at Colliery End is determined through Joint Sampling and Testing by the generator & Coal Supplier as per Terms and Conditions of the FSA. However, Coal is received along with associated Total Moisture [i.e. Equilibrated Moisture (Inherent Moisture) + Surface Moisture].

iii. Basing on the Equilibrated GCV, the Grade/Quality and corresponding Rate of Coal is fixed.

iv. The GCV of Coal may vary during transit through addition/ extraction of Moisture to/from the Coal as delivered at Colliery End. The extra Moisture added to the Coal during transit though increases the weight of the Coal, the total heat content of the Coal Consignment as received at the Generating Station end remains un-altered to that received at the Colliery End. Thus, there is decrease in GCV of Coal and ultimately increase in the Energy Charge to the Beneficiaries. In other words, Beneficiaries would have to pay for the extra Moisture (water) at the rate of Coal, which is ultimately passed to the Consumers.

v. By adopting a wide range of GCV loss (GCV loss on Total Moisture basis at the Generating Station End) the generator would be able to factor the externalities like Ingressed Moisture,

Rain, Dew etc. during Transit in addition to the Total Moisture (Equilibrated Moisture + Surface Moisture), as received by them at Colliery End resulting in lower GCV as well as ECR and consequently higher Tariff Burden on the Consumers.

vi. CEA vide its Letter dated 20.07.2021 stipulates Normative Coal requirement for different sizes of Pit head thermal power plants and Non-pit head thermal power plants wherein the difference in the adjusted GCV has been derived after accounting 5%GCV Loss between as received basis (ARB) and equilibrated (EQ) basis without any differentiation in GCV Loss due to pit head and non- pit head stations. The average of GCV loss between the different grades of coal ranging from G1 to G17 comes to 226kCal/kg, which comes approximately in the range of 300 kCal/kg for different grades of coal for both pit head and non-pit head based generating stations.

vii. Accordingly, it is proposed that, in the absence of any third party sampling, actual loss in calorific value of coal between as billed by the supplier and as received at the generating station may be allowed, subject to maximum loss in calorific value of 300 kCal/kg for both pit head and non-pit head generating stations, so that the generating stations would invoke their rights on GCV slippage as per FSA.

viii. In case of the third party sampling, the difference in GCV, as billed by the supplier and as received at the generating station exceeds 300 kCal/kg, it is the third party to justify with sufficient technical reasons for the difference in excess of 300 kcal/kg. This is because, the beneficiaries are paying the sampling and testing charges to the third party.

ix. Further, to maintain transparency in recovery of cost of Energy Charges from the Beneficiaries and ultimately the Consumers, the 2nd proviso to Regulation 60(2) is modified.

22) **Regulation-61 (Landed Cost of Reagent):**

The Landed Price of Reagent may be met from O&M Expenses

23) **Regulation-62 (Computation and Payment of Capacity Charge for Thermal Generating Stations (5):**

(i) The above Regulation is newly proposed in the draft Tariff Regulation 2024 to incentivize a thermal generator to remain in a frequency band.

(ii) As per grid code, in order to maintain system stability, it is the primary duty of the generator to maintain healthy frequency response, the absence of which leads to penal provision.

(iii) To remain in the frequency band, no special effort is required by the generator for which they need to be incentivized.

(iv) Rather, incentivizing the above statutory assignment would bring additional cost resulted in tariff shock to the consumers in lieu of which no extra benefit will be available to them.

(v) Incentivizing the generators for their performance has been already conferred in the existing Tariff Regulations as well as proposed Tariff Regulations

(vi) Hence, the above Regulatory provision need to be excluded from the Tariff Regulations, 2024.

24) **Regulation – 62 (Computation and Payment of Capacity Charge for Thermal Generating Stations (6):**

In addition to the capacity charge, an incentive shall be payable to a generating station or unit thereof @ ~~**75**~~ **65** paise / kWh for ex-bus scheduled energy during Peak period ~~**and @ 50 paise / kWh for ex-bus scheduledenergy during Off-Peak period**~~ corresponding to scheduled generation in excess of ex-bus energy corresponding to Normative Quarterly Plant Load Factor (NQPLF) as specified in Regulation 59 (B) of these Draft Regulations.

GRIDCO's View/Justification:

It is reasonable to incentivize the Generating Company to generate more than the normative PLF during Peak Load Hours. To maintain an equilibrium with the CERC Tariff Regulations, 2019, it is proposed that an incentive of 65 paise per kWh may

be incentivized to the Generator for ex-bus scheduled energy during Peak period. However, during Off-peak period, due to large integration of RE power, there is no justification to incentivize thermal generation in excess of ex-bus scheduled generation.

25) **Regulation - 64 (Computation and Payment of Energy Charge for Thermal Generating Stations and Supplementary Energy Charge for Coal or Lignite based Thermal Generating Stations) (4):**

(i) The Regulation 64(4) plead for use of an alternative source of fuel supply up to maximum of 6% blending by weight.

(ii) The 6 % blending is based on CEA's observation to which no techno economical observation has been made by the Commission.

(iii) The Commission is also silent about the impact on cost of such type of blending.

(iv) Hence, Commission is requested to provide necessary cost benefit analysis regarding use of alternative source of fuel supply and the blending ratio there-of.

26) **Regulation - 65 (Computation and Payment of Capacity Charge and Energy Charge for Hydro Generating Stations):**

(4)

(i) The above Regulation is newly proposed in the draft Tariff Regulation 2024 to incentivize a hydro generator to remain in a frequency band.

(ii) As per grid code, in order to maintain system stability, it is the primary duty of the generator to maintain healthy frequency response, the absence of which leads to penal provision.

(iii) To remain in the frequency band, no special effort is required by the generator for which they needs to be incentivized.

(iv) Rather, incentivizing the above work would give tariff shock to the consumers in lieu of which no extra benefit will be available to them.

(v) Incentivizing the generators for their performance has been already conferred in the existing Tariff Regulations as well as proposed Tariff Regulations

(vi) Hence, the above Regulatory provision must be excluded from the Tariff Regulations, 2024.

(7) In case the saleable schedule Energy (ex-bus) of a hydro generating station during ~~**a year**~~ **during the tariff period 2024-29** is less than the saleable design energy (ex-bus), for reasons ~~**beyond the control of generating station**~~ **due to natural calamity or act of God, then** the generating station ~~**may directly recover the shortfall in energy charges in six equal interest-free monthly instalments**~~ **will file an application before the Commission with proper justification to recover the short fall in energy charges. However, the shortfall of energy charges in comparison to 50% of the annual fixed cost, if any, may be recovered in 12 equal interest-free monthly instalments** after adjusting for DSM Energy in the immediately following year subject to truing up at the end of the tariff period.

(8) Any shortfall in the energy charges on account of saleable scheduled energy (ex-bus) being less than the saleable design energy (ex-bus) during the tariff period 2019-24, which was beyond the control of the generating station and which could not be recovered during the said tariff period **due to natural calamity or act of God shall be recovered in 12 equal interest-free monthly instalments after adjusting for DSM Energy in the immediately following year and shall be subject to truing up at the end of the tariff period** ~~**in accordance with Clause (7) of this Regulation.**~~

GRIDCO's Views/Justification:

In terms of Capacity Charges, hydro Generating stations are able to realize more than 50% AFC (inclusive of incentive) by making the machines available for 3 hours peak period only. So, further relaxation for realizing the shortfall of Energy Charges is not justified. The Commission may also make provisions for adjustment of excess Energy Charges realized by a hydro generating station over a particular control period as a tariff rational measure.

27) Regulation-70(A) Normative Annual Plant Availability Factor (NAPAF):

GRIDCO's Views:

(i) From Table 43 of the Explanatory Memorandum to the draft Tariff Regulations 2024, it is evident that, PAF of most of the existing generating stations are above 90%.

(ii) Even the generating stations who have outlived their useful life like TSTPS - I, KhSTPS - I, and FSTPS - I &II are running above 85% of Plant Availability Factor. They have already recovered their fixed cost during the useful life.

(iii) Further, most of the vintage generating stations are availing special allowance to incur the O&M expenses.

(iv) Hence, there is no need to reduce the target availability to 80%. It is proposed to revise the target availability for old generating stations at 85% and 90% for existing generating stations which have not completed 25 years of useful life.

(v) Similarly, incentives to be provided to existing generating stations running above PLF of 90% and old generating stations running above 85% of PLF

28) Regulation-70(C) Gross Station Heat Rate:

GRIDCO's Views:

(i) No Gross Station Heat rate has been specified by the Commission for super critical units of 600 MW and above, which to be taken care-of.

(ii) Further, the Commission should prudently review, the Station Heat rate based on the 'as received GCV' as determined by the third party (CIMFR), at the generating station end.