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Letter No. ....242...../Ranchi Dated 22-02-2024

From,

Rishi Nandan
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To,

Joint Chief (Finance)
CERC,
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Sub: **Comments on 'Draft Central Electricity Commission (Terms and Conditions of Tariff) Regulations, 2024. as notified by Central Electricity Regulatory Commission.**

Sir,

Hon'ble CERC has released a public notice dated 4.1.2024 seeking comments on the draft Central Electricity Commission (Terms and Conditions of Tariff) Regulations, 2024.

As a key player in the electricity distribution sector, we understand the significance of robust and equitable tariff regulations in fostering a sustainable and efficient energy ecosystem. These regulations play a pivotal role in shaping the dynamics of the industry, influencing investment decisions, operational strategies, and ultimately, the quality and affordability of electricity services delivered to consumers.

We commend Hon'ble CERC for their commitment to transparency and stakeholder engagement by seeking input from industry stakeholders like us. It is reassuring to see the commission's dedication to ensuring that the regulatory framework remains responsive to the needs and interests of all stakeholders, particularly consumers.

We appreciate the comprehensive approach taken in the regulations. However, upon a thorough review, we noticed a notable absence of provisions addressing demand-side measures such as ToU (Time of Use) Tariff, smart grid technologies etc. While we acknowledge the emphasis on PLF and generation incentives, we believe integrating demand-side measures into the tariff structure is essential for promoting energy efficiency and grid stability. We encourage further consideration of these measures in future revisions of the regulations.
Further, please find enclosed our comments on the regulations in the table below

S. No.	Heading/Para No.	Description of the Clause	Suggestions/Comments
1	Chapter 1 (7) Auxiliary Charges	'Auxiliary Energy Consumption' or 'AUX' in relation to a period in case of a generating station means the quantum of energy consumed by auxiliary equipment of the generating station, such as the equipment being used for the purpose of operating plant and machinery including switchyard of the generating station and the transformer losses within the	This is a welcome suggestion from CERC. It would help understand the auxiliary consumption in its true sense (i.e) power required only for its internal equipment used for operation. This will also help in saving precious energy that otherwise wasted in the internal housing colonies and construction works.

		generating station, expressed as a percentage of the sum of gross energy generated at the generator terminals of all the units of the generating station; Provided that auxiliary energy consumption shall not include energy consumed for the supply of power to the housing colony and other facilities at the generating station and the power consumed for construction works at the generating station and integrated mine(s); Provided further that auxiliary energy consumption for compliance with revised emission standards, sewage treatment plant and external coal handling plant (jetty and associated infrastructure) shall be considered separately.	Anything that is construed as freely available is of no use. Other genuine energy charges used elsewhere to be considered separately.
3	Ch 4 Tariff Structure	Components of Tariff: (1) The tariff for the supply of electricity from a thermal generating station shall comprise two parts, namely, capacity charge (for recovery of annual fixed cost consisting of the components as specified in Regulation 15 of these regulations) and energy charge (for recovery of primary and secondary fuel cost and cost of limestone and any other reagent, where applicable as specified in Regulation 16 of these regulations)	Some proportion of the fixed cost should be linked to the performance of the generator such as its ability to ramp up/ramp down basis the load conditions, overall PLF as well as contribution to grid stability etc.
2	Ch 4 (17) tariff Structure Special Provisions for Tariff for Thermal Generating Station which have Completed 25 Years of Operation from Date of Commercial Operation:	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 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.	It is not clear as to what the draft regulation refers by stating that " in addition to the capacity charges determined under these regulations shall also be recovered based on scheduled generation".

3	Chapter 6 (4) (a) (b) Computation of capital cost	The capital cost in case of existing or new hydro generating stations shall also include: (a) cost of approved rehabilitation and resettlement (R&R) plan of the project in conformity with National R&R Policy and R&R package as approved; and (b) cost of the developer's 10% contribution towards the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) and Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) project in the affected area. Expenditure incurred towards developing local infrastructure not exceeding Rs. 10 lakh/MW in the vicinity of the power plant approved in original scheme if funding is not provided for under "Budgetary Support for Flood Moderation and for Budgetary support for enabling infrastructure". Provided that such funds shall be allowed only if the funds are spent through Indian Governmental Instrumentality.	These additional charges should not have been recovered through the capital cost from the beneficiary consumers. Cost of the developers 10% contribution towards RGGVY and DDUGJY should not be recovered from the consumers. I n fact these charges need to be recovered from the concerned distribution companies in their respective ARR after prudence check. Developing local infrastructure in any case should not be recovered from consumers. It should have been recovered from the local government authorities like municipalities or Gram Panchayats or from the state governments budget.
4	Chapter 6 Computation of capital cost 27 Additional Capitalisation on account of Renovation and Modernisation	The generating company intending to undertake renovation and modernization (R&M) of the generating station or unit thereof for the purpose of extension of life beyond the originally recognized useful life for the purpose of tariff, shall file a petition before the Commission for approval of the proposal with a Detailed Project Report giving complete scope, justification, cost-benefit analysis, estimated life extension from a reference date, financial package, phasing of expenditure, schedule of completion, reference price level, estimated completion cost including foreign exchange component, if any, and any other information considered to be relevant by the generating company or the transmission licensee: Provided that the generating	Any R&M of generating station should have explicit consent from the beneficiaries. The beneficiaries should be provided an exit way in case it wants to get out of the long term PPA arrangement from the R&M of the generating plant if that is not financially viable to them or any other alternative available to them.

		company making the applications for renovation and modernization (R&M) shall not be eligible for Special Allowance under Regulation 28 of these regulations; Provided further that the generating company intending to undertake renovation and modernization (R&M) shall seek the consent of the beneficiaries or the long term customers, as the case may be, for such renovation and modernization (R&M) and submit the response of the beneficiaries along with the application	
2	Ch 8 (2) (3) Computation of Annual Fixed Cost	(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;	The ROE for the projects should be decided based on the life of the project. If the project is past its half life of its design parameters, the ROE should have been reduced to 10% as most of the risk factors have been dealt with. For new projects, ROE should be increased to 17% for the initial years, say upto 7 years, so as to attract fresh investments and related higher risk perception. The ROE system should be dynamically designed so as to attract fresh investments to newer projects such as pumped hydro or hydro with storage systems. For innovative green, new and sustainable projects, ROE should be 2% to 5% higher than the conventional projects.
5	Ch 8 (34) Interest on working capital (a) Coal based thermal generating stations	Cost of coal or lignite, if applicable, for 10 days for pit-head generating stations and 20 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;	For working capital requirement, cost of coal should be allowed only for 7 days stock for pit head generating stations and 14 days for non-pit head generating stations or the maximum coal/lignite stock storage capacity, whichever is lower; It should help the generating stations to function optimally and address any coal loss or coal pilferage issues.

1	Ch 11 (6) Computation of capacity charges and Energy charges	In addition to the capacity charge, an incentive shall be payable to a generating station or unit thereof @ 75 paise/ kWh for ex-bus scheduled energy during Peak Hours and @ 50 paise/ kWh for ex-bus scheduled energy during Off-Peak Hours corresponding to scheduled generation in excess of ex-bus energy corresponding to Normative Annual Plant Load Factor (NAPLF) achieved on a cumulative basis, as specified in Clause (B) of Regulation 70 of these regulations.	The compensation/incentives for the peak period generation should be tagged dynamically with the power exchange price for that period, depending on the load profile for the region. For the deficit regions, it should be incentivized with 50% of the price discovered at the power market at that time. The mechanism should be developed by the regulatory commission in consultation with the stakeholders. For off peak periods also, incentives should be tagged with load profiles of that region and linked with market price. This would help generating stations for higher generation during peak hours.

Yours faithfully,

22.2.24

(Rishi Nandan)
GM (Commercial