MB POWER (MADHYA PRADESH) LIMITED

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MBPMPL/ANP-I/CERC/2023-24/3342 **15.02.2024**

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

Subject: ***Comments/ suggestions of MB Power (Madhya Pradesh) Limited on the Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024 for the tariff period from 1.4.2024 to 31.3.2029***

Ref: ***Hon'ble CERC Public Notice(s) dated 04.01.2024 and 30.01.2024 on the subject matter.***

Dear Sir,

We write in reference to the above referred Public Notice(s) dated 04.01.2024 and 30.01.2024 issued by this Hon'ble Commission vide which comments/ suggestions of the various stakeholders have been invited on the Draft CERC (Terms and Conditions of Tariff) Regulations, 2024 for the tariff period from 1.4.2024 to 31.3.2029

We, MB Power (Madhya Pradesh) Limited, are a Generating Company having an operational 1200 MW (2X600 MW) coal based Thermal Power Project in district Anuppur of Madhya Pradesh. We are hereby furnishing our detailed comments/ concerns/ suggestions on the said Approach Paper (enclosed herewith as ***Annexure-1***) for your kind consideration.

We hope you would acknowledge a genuine merit in our comments/ concerns/ suggestions and would consider the same favourably while issuing the final Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024 for the tariff period from 1.4.2024 to 31.3.2029

Thanking You,

Yours Truly

Abhishek Gupta
AVP (Regulatory Affairs & Commercial)
MB Power (Madhya Pradesh) Ltd.

1) **Regulations 8, 9 & 10 with respect to Supplementary Tariff of Emission Control System**.

Our Comments:

A) Draft CERC Tariff Regulations 2024-29 allow determination of Supplementary Tariff only after installation of Emission Control System (ECS) with no enabling provision for grant of provisional and/or interim Supplementary Tariff for the period between "Date of Operation" (ODe) of the ECS till the date of determination of Supplementary Tariff.

It may kindly be appreciated that tariff determination process is an exhaustive process, which generally spans across 6-12 months after filing of the Tariff Petition by a generating company. Hence, in absence of any provisional and/or interim Supplementary Tariff, the generating company would not be able to secure any return on investment made on such ECS for such intervening period of 6-12 months. However, the debt servicing obligations of the generation company to its lenders would start immediately after ODe of the ECS. In absence of any provisional and/or interim Supplementary Tariff, it would be extremely difficult for a generating company to discharge its debt-servicing obligations during this intervening period, which would severely affect its cash flows.

Further, in the current challenging scenario, with a view to secure debt-servicing by the generating company, the lenders are increasingly insisting for a mechanism in terms of provisional and/or interim Supplementary Tariff as a pre-requisite for lending, in absence of which, it would be extremely difficult for a generating company to achieve timely financial closure. Such a delay in achieving financial closure, would eventually lead to breach of permissible timelines prescribed by MoEF for installation of ECS, for absolutely no fault of generating companies.

Hence it is earnestly requested that the generating company may be allowed to file an application upto 90 days before anticipated /scheduled ODe of the ECS for determination of provisional and/or interim Supplementary Tariff, based on which such Tariff may be determined which shall be subsequently trued-up at the time of determination of final

Supplementary Tariff. This will be a win-win proposition for the all stake holders viz. the lending institutions, generating companies, Discoms etc as:

- **This would enable the generating companies to secure the Fixed/Capacity Charges of ECS thereby facilitating them to honor their debt-servicing obligations to their lending institutions in a timely basis.**
- **Further, this will also prevent accumulation of substantial arrears Discoms/ Beneficiaries in terms of Supplementary Tariff and Carrying Cost thereof during such intervening period of 6-12 months, which may otherwise impair the cash-flows of Discoms/ Beneficiaries on account of an accumulated liability accrued for such intervening period of 6-12 months.**

B) Further, the draft CERC Tariff Regulations 2024-29 do not clarify whether the Supplementary Tariff for the ECS shall be determined separately for both the existing Projects as well as new Projects? While these Regulations unequivocally provide for determination of a separate Supplementary Tariff of ECS for the existing Projects, where ECS is implemented subsequent to their COD, however, a bare perusal of these Regulations renders an impression that for the new Projects, where the ECS is being implemented along with the original scope of work, there shall be no Supplementary Tariff and a consolidated tariff covering the generating station and ECS shall be determined. This aspect may be suitably clarified in the final CERC Tariff Regulations 2024-29

2) <u>Regulation 19 (5) with respect to Capital Cost for determination of tariff of the Projects acquired through NCLT Proceedings</u>

<u>Our Comments:</u> It has been proposed that for the Projects acquired through NCLT proceedings, lower of their historical GFA or the acquisition value paid by the generating company, shall be considered for determination of tariff.

A) Firstly, from the bare perusal of the draft CERC Tariff Regulations 2024-29, it is not clear whether such a dispensation would be applicable to only such Projects which are acquired after the date of draft CERC Tariff Regulations 2024-29 coming into effect i.e. 01.04.2024 or would it also be applicable for the Projects acquired though NCLT even before 01.04.2024? Accordingly, the same may be duly clarified in the final CERC Tariff Regulations 2024-29

B) Further, it may kindly be appreciated that the bidding value for acquisition of such Projects through NCLT proceedings are essentially arrived on the basis of the existing tariff streams arrived considering the actual GFA and hence any downside revision of the existing tariff structure (on account of reduction of the Project cost or otherwise) would severely affect their financial viability and sustained operability. This would have a cascading adverse impact on the debt repayment capabilities and/ or meeting the service obligations of the operational creditors by such Projects and ultimately resulting in such Projects becoming NPAs yet again. Such an issue would be further amplified for the Projects having limited paying capacity on account of marginal power tie-ups under Long term PPAs.

Accordingly, it is submitted that in the overall interest of the sector, such a proposed intervention may not be implemented at this juncture and only the historical GFA (and not the acquisition cost) be considered for the purpose of tariff determination under the final CERC Tariff Regulations 2024-29.

3) Regulations 25 and 26 with respect to Additional Capitalization

Our Comments:

A) It has been proposed any Additional Capitalization less than Rs. 20 Lakhs shall not be admissible as a part of Capital Cost and the same is required to be met by the Project developer through normative O&M charges only.

It is to be appreciated that O&M Charges are already capped at their normative levels. The actual O&M expenses incurred by a Project developer are significantly higher than the respective allowable normative levels thereby resulting in under recovery of actual O&M

expenses. Under this backdrop, restricting the pass through of capital cost of assets less than Rs. 20 Lakhs would further increase the under-recovery of the actual expenditure under Sec-62 Cost Plus regime of The EA 2003. Such an approach is indisputably in violation of:

a) Sec-61(d) & (g) of The EA 2003 which provide for recovery of cost of generation in a reasonable manner and determination of tariff in a such a manner that tariff reflects the actual cost of supply of electricity.

b) The accounting principles which provide a different treatment of capital and operational expenses.

c) Principles of Restitution as upheld by the Hon'ble Supreme Court of India in its various judgments issued from time to time.

Accordingly, it is submitted that no such restriction be imposed on Additional Capitalization and the same may be considered on actual basis subject to the due prudence check by this Hon'ble Commission.

B) Further, under the Regulation 25 dealing with "Additional Capitalization within the original scope and after the cut-off date", there is an omission of Additional Capitalization on account of "Raising of ash dyke as a part of ash disposal system", which was duly considered under CERC Tariff Regulations 2019-24.

It may kindly be appreciated that cut-off date under the draft CERC Tariff Regulations 2024-29 is three (3) Yrs post COD of the Project and the raising of ash dyke spans across a significant period post project COD. As such there is no rationale for not allowing Additional Capitalization on account of raising of ash dyke after the cut-off date.

Accordingly, it is submitted that Additional Capitalization on account of "Raising of ash dyke as a part of ash disposal system" be duly continued to be considered for the Additional Capitalization after the cut-off date as was being done under CERC Tariff Regulations 2019-24.

4) Regulation 30 with respect to Return on Equity (RoE)

Our Comments: Whilst the draft CERC Tariff Regulations 2024-29 allow RoE on the existing and new Thermal Generating Stations @ base rate of 15.5% (post tax), however RoE on the Additional Capitalization beyond the original scope, including Additional Capitalization on account of the Emission Control System (ECS), Change in Law, and Force Majeure for such Thermal Generating Stations has been restricted to base rate of 1 Yr MCLR of SBI + 350 bps, subject to a ceiling of 14%;

It may be kindly appreciated that for the existing Projects, Additional Capitalization beyond the original scope including Additional Capitalization towards installation of ECS is essentially on account of various factors which are beyond the control of the Project developer and could not have been foreseen at the time of Project conceptualization and execution. Therefore, such Additional Capitalization is undertaken either to ensure compliance to the directions of the various statutory agencies and government instrumentalities like MoEF, MoP, CEA, CPCB etc. (i.e. Change in Law events) or on account of the other Force Majeure events which are beyond the control of the Project developer. Such a differential treatment for RoE between the existing and new Thermal Generating Stations (15.5% Vs 1 Yr MCLR of SBI + 350 bps ≤ 14%) is unwarranted, arbitrary and discriminatory as evident from the following facts:

a) For the existing Projects, statutory directions of various government instrumentalities like MoEF, MoP, CEA, CPCB etc. necessitating installation of ECS, installation of biomass handling equipment and facilities for co-firing, retrofitting to ensure flexible operation at lower loads etc. have been issued after COD of these Projects and hence these could not have been foreseen at the time of Project conceptualization and execution. Thus these works are being executed in terms of Additional Capitalization beyond the original scope of such existing Projects, where the draft CERC Tariff Regulations 2024-29 restrict ROE on such Additional Capitalization at a base rate of 1 Yr MCLR of SBI + 350 bps, subject to a ceiling of 14%. In contrast, for the new Projects under construction, such works are being implemented as a part of original scope of work, with draft CERC Tariff Regulations 2024-29 allowing RoE on the same works @ 15.5% (post tax). Evidently, draft CERC Tariff

Regulations 2024-29 creates a discrimination between the existing and the new Projects in terms of RoE for the same works. It may be appreciated that risks associated with such works are same for both the existing and new Projects and hence the rewards on same in terms of RoE are also required to be same. Thus such a discrimination between the existing and new Projects in terms of differential RoE on such Additional Capitalization is devoid of any rationale and against the spirit of The EA, 2003.

b) In compliance to the statutory directions of MoEF, Emission Control System (ECS) is being implemented by the various existing Projects for mitigating environmental hazards. As such, ECS is akin to any other equipment like Sewage Treatment Plant (STP), Effluent Treatment Plant (ETP) etc. which are also installed for the same purpose of mitigating environmental hazards. While STP and ETP components which were implemented under original scope of such existing Projects continue to earn RoE @ 15.5% (post tax), however the draft CERC Tariff Regulations 2024-29 restrict the RoE on the retrofitted ECS component of the same existing Projects at a base rate of 1 Yr MCLR of SBI + 350 bps, subject to a ceiling of 14%. As evident, draft CERC Tariff Regulations 2024-29 creates a discrimination in the treatment of different components of the same existing Projects, which is again devoid of any rationale and against the spirit of The EA, 2003.

As evident from our above submissions, there is no rational in restricting the RoE on Additional Capitalization beyond the original scope, including Additional Capitalization on account of the Emission Control System (ECS), Change in Law, and Force Majeure for the existing Thermal Generating Stations to base rate of 1 Yr MCLR of SBI + 350 bps, subject to a ceiling of 14% and this kind of a discriminatory approach would adversely impact financial viability of the existing Thermal Generating Stations which are already under a tremendous financial duress. **As such, it is strongly requested that RoE on Additional Capitalization beyond the original scope, including Additional Capitalization on account of the Emission Control System (ECS), Change in Law, and Force Majeure for the existing Thermal Generating Stations be allowed @ 15.5% (post tax), to maintain a level playing field without creating any discrimination whatsoever between the existing and new Thermal Generating Stations.**

5) **Regulation 32(6) with respect to Interest on loan capital for Emission Control System (ECS) of New Project(s)**

Our Comments: For the existing Projects, rate of interest on the loan for the installation of the Emission Control System (ECS) is allowed on actual basis without any capping (Regulation 32(5) of the draft CERC Tariff Regulations 2024-29), however, the rate of interest on the loan for ECS for the new Projects is capped at 14%, thereby creating a discrimination between the existing and new Projects without any rationale.

It may be appreciated that under Sec-62 Cost Plus regime of The EA 2003, capping of interest rate for loan on ECS of new Projects would lead to a substantial under-recovery of the tariff for the new Projects especially when ECS is being implemented in compliance to MoEF directives to mitigate environmental hazards. **Therefore such a punitive provision is unwarranted and in order to create a level playing field for the both existing and new Projects, it is requested that such an onerous provision be removed and for both existing and new Projects, rate of interest on the loan for the installation of the ECS be allowed on actual basis without any capping.**

6) **Regulation 33(11) with respect to depreciation for Emission Control System (ECS) of the existing Project(s)**

Our Comments: We welcome the move to increase the rate of depreciation of Emission Control System (ECS) of the existing Project(s) from 3.6% per annum for the period of 25 Yrs post Date of Operation (ODe) of the ECS (as per the CERC Tariff Regulations 2019-24) to 5.28 % per annum for the period of first 12 Yrs post Date of Operation (ODe) of the ECS. However, depreciation of ECS is still spread across a period of 25 Yrs post Ode of ECS, irrespective of the balance life of the existing Project/ balance tenure of the long term PPA(s).

It may be appreciated that depreciation is nothing but the recovery of the actual Capital Cost of the ECS of existing Projects. For any existing Project, which has been under operations for a substantial period say 15 Yrs having a remaining life of 10 Yrs, the recovery of Capital Cost of the ECS would be restricted to only 52.8% of the actual Capital Cost, vis-à-vis recovery of

90% of the Capital Cost of ECS by the new Projects. Such a discriminatory dispensation has no rationale and basis whatsoever and such a fallacious methodology leading to a humongous under-recovery of the actual Capital Cost of the ECS incurred by such existing Projects is not only against the basic principles of recovery of depreciation, but also undermines the Principle of Restitution upheld by the Hon'ble Supreme Court and the Hon'ble APTEL from time to time and this shall only cause a severe financial and competitive disadvantage to the existing Projects.

Accordingly, it is requested that this anomaly be suitably addressed by spreading the depreciation towards the entire Capital Cost of the ECS of the existing Projects (SLM method) over the balance useful life of the Coal/Lignite based Thermal Generating Station remaining as on Date of Operation (ODe) of the ECS.

7) Regulation 34(11) with respect to Interest on Working Capital

Our Comments:

A) For a coal based non-pit head Thermal Generating Station, the draft CERC Tariff Regulations 2024-29 allow Working Capital to include cost of coal for 50 days (i.e. Stock of 20 days and advance payments for 30 days).

It may kindly be appreciated that the CEA coal stocking norms mandate a coal Stock of 26 days for non-pithead Thermal Generating Station. As such, it is requested that CERC Tariff Regulations 2024-29 be kindly aligned with the prevailing CEA coal sticking norms and Working Capital be computed considering cost of coal 26 days stock instead of proposed 20 days stock

Further, while the payments for coal to Coal India Limited (CIL)/ its subsidiaries are made 30 days in advance, however due to non-availability of rakes and other logistical challenges beyond the control of the Project developer, the entire coal for which the advance payments are made is received in 2-3 month post making such advance payments, thereby leading to blocking the Working Capital on this account for a period of 60-90 days. As such, while the Project developer continues to pay interest on Working Capital towards advance payments for

Coal for such 60-90 days to its lenders, however the draft CERC Tariff Regulations 2024-29 has restricted recovery of such interest for only 30 days, thereby resulting in a financial loss to the Project developers. **Accordingly, it is requested that the Working Capital be computed considering cost of coal corresponding to 26 days coal stock and at least 60 days advance payments i.e. total of 86 days.**

B) Further, with respect to Emission Control System (ECS), there is a lag time of almost 30 days with respect to receipt of proceeds from sale of gypsum post its off-take from the Project premises. However, the draft CERC Tariff Regulations 2024-29 does not take this aspect into consideration while computing the Working Capital for ECS. **Accordingly, it is requested that a provision for cost of gypsum for a period of 30 days be allowed to be included in the Working Capital of ECS in the final CERC Tariff Regulations 2024-29.**

C) Further, receivables corresponding to 45 days (both main tariff and supplementary tariff) are allowed in the Working Capital. However, the underlying Regional Energy Accounts (REAs) of a month, required for raising monthly bill of supply by the Project developer on its beneficiaries, are generally issued by the respective RPCs by 4th-5th of the succeeding month and a subsequent period of 1-2 days is required for preparation and raising bill of supply by the Project developer. **Accordingly, it is requested that receivables corresponding to 51 days (45+6) days (both main tariff and supplementary tariff) be allowed under Working Capital in the final CERC Tariff Regulations 2024-29.**

D) The "Reference Rate" i.e. the normative Rate of Interest on Working Capital (IWC) has been reduced by 0.25% (i.e. from SBI 1 Yr MCLR+350 bps as per CERC Tariff Regulations 2019-24 to SBI 1 Yr MCLR+325 bps). It may be appreciated that only 75% of the Working Capital requirement is funded by the lenders for which the rate of interest charged by the lenders is almost 11-12% Per Annum. The balance 25% of the Working Capital requirement is met by the generators by the internal accrual which is akin to Equity warranting a RoE of 15.5% (post tax). As evident the actual Rate of IWC works out to be almost 12.2%-12.8% per annum, (i.e. 0.75 * 11-12% + 0.25 * 15.5%) which is substantially higher than the existing normative Rate of IWC (SBI 1 Yr MCLR+350 bps). Any further reduction in normative Rate

of IWC by another 25 bps (i.e. 0.25%) as proposed by the draft CERC Tariff Regulations 2024-29 would further aggravate the financial burden on the Project developers thereby severely impacting the Project viability and impeding their the debt-service obligations to their lenders. **Accordingly it is requested that normative Rate of IWC be retained at its existing value of SBI 1 Yr MCLR+350 bps under the final CERC Tariff Regulations 2024-29.**

8) **Regulation 36(1)(7) with respect to additional Operation and Maintenance (O&M) Expenses on account of Change in Law or Force Majeure Event.**

Our Comments: The draft CERC Tariff Regulations 2024-29 allow additional O&M Expenses (over and above the normative O&M Expenses) on account of Change in Law or Force Majeure Event subject to such expenses being more than at least 5% of the normative O&M Expenses. It is to be appreciated that there is no rationale in linking such additional O&M Expenses with their normative levels in line with the Principles of Restitution and such additional O&M Expenses warrant allowance/ reimbursement on their actual value irrespective of the magnitude/ quantum of their value. **Accordingly, it is requested that in the final CERC Tariff Regulations additional O&M Expenses (over and above the normative O&M Expenses) on account of Change in Law or Force Majeure Event subject be allowed on actuals irrespective of any minimum threshold levels.**

9) **Regulation 36(1)(9) with respect to Operation and Maintenance (O&M) Expenses on account of Emission Control Systems**

Our Comments: Estimation of O&M expenses on account of ECS is presently a difficult exercise due to the lack of available data and experience. However, proposed capping of such O&M expenses @ 2% of ECS CAPEX (excluding IDC & IEDC) is on the lower side on the basis of limited data that is presently available. This is especially because O&M expenses of ECS on a standalone basis would require additional cost involvement on account of the following:

- Thermal Generating Stations predominantly have electromechanical devices (though there are several small chemical facilities) whereas Wet Limestone FGD is primarily a large chemical based plant with higher wear and tear entailing higher O&M expenses.
- Degradation of equipment as the whole system operates in corrosive environment. This may pose major challenges for the generators to ensure availability of ECS.
- Higher maintenance cost as a sizeable number of equipment installed for the ECS likely to be imported and imported spares are sensitive to market and exchange rate fluctuations.
- Implementation of ECS in the existing Thermal Generating Stations may require additional infrastructural support to facilitate smooth operation
- Recurring annual insurance costs of ECS which is almost of the order of 0.5% of ECS CAPEX.

Accordingly, it is requested that for the first year of operation of ECS, O&M Expenses be allowed @ at-least 4% of the ECS CAPEX with an annual escalation at the proposed rate of 5.89%.

10) <u>Regulation 59 with respect to Transit and Handling Losses of coal.</u>

<u>Our Comments:</u> We welcome the move to introduce a new component of i.e. "Non-pit head multi-modal transportation (using two or more than two mode of transport involving multiple trans-shipments)" allowing a normative transit and handling loss of coal of 1%, however for a non-pit head generating station involving multi-modal transportation of coal by railways, trucks etc. involving multiple loading and uploading of coal and with transportation distance spanning across hundreds of kilometers, this normative value of 1% is inadequate to cover the actual transit loss of coal. **It is accordingly submitted that for Non-pit head multi-modal transportation (using two or more than two mode of transport involving multiple trans-shipments) the normative Transit and Handling Losses should be at least 1.6% (i.e. 0.8% per mode of transportation).**

11) Regulation 64(4) with respect to blending with alternative source of fuel supply.

Our Comments: While the existing CERC Tariff Regulations 2019-24 do not impose any restriction on the % blending with the alternative source of fuel supply, the draft CERC Tariff Regulations 2024-29 cap such blending at 6% by weight and any blending beyond this level shall necessitate prior consent of the beneficially.

It may be appreciated that blending with alternative source of fuel supply is not a willful decision of a generator but is rather driven by external factors which are beyond his reasonable control like short supply of coal by Coal India Limited vis-à-vis its contractual obligation, unavailability of railway rakes for transportation of coal, mandatory blending with imported coal in compliance to statutory directions of Ministry of Power (MoP) issued under Section-11 of The EA, 2003 due to shortage of indigenous coal in the country etc. We have witnessed in the past, the reluctance of the State Discoms to allow generators to undertake blending with the imported coal despite MoP's directions for mandatory blending issued under Section-11 of The EA, 2003. Even this Hon'ble Commission in its Order dated 26.07.2022 in the Suo-Moto Petition 10/SM/2022 has duly acknowledged the difficulties experienced by the generators in seeking consent of the beneficiaries towards such blending. Under this backdrop, restricting the blending to a paltry 6% by weight under the draft CERC Tariff Regulations 2024-29 would only increase the operational difficulties of the generators and provide a tools in the hands of the Discoms not to allow mandatory or other such blending to the generator, ultimately leading to a spate of unwarranted litigations.

Accordingly, it is strongly requested that no such limit of 6% blending by weight be imposed in the final CERC Tariff Regulations 2024-29. However, in event this Hon'ble Commission deems it appropriate to restrict such a blending, then the applicable provisions under Regulation 43(3) of the existing CERC Tariff Regulations 2019-24 be retained.

12) Regulation 64(6) with respect to year-wise base energy charge for the tariff periods

Our Comments: It is not clear what is the relevance and purpose for approval of year-wise base energy charge during the tariff period by this Hon'ble Commission when the energy charges are required to be paid on actual basis. **The purpose of approving year-wise base energy charge during the tariff period may be duly clarified in the final CERC Tariff Regulations 2024-29.**

13) Regulation 70 (C) & 70 (E) with respect to normative GSHR and AUX of Thermal Generating Station

Our Comments: The draft CERC Tariff Regulations 2024-29 have further tightened the Norms of Operations of the Thermal Generating Stations especially GSHR and AUX. For a typical 600 MW generating unit, which has achieved COD after 01.04.2009, the normative values of GSHR and AUX under the CERC Tariff Regulations 2019-24 and the draft CERC Tariff Regulations 2019-24 are as under:

600 MW Thermal Generating Unit with COD after 01.04.2009

<table>
<tr><th>Operational Parameter</th><th>Normative value as per CERC Tariff Regulation 2019-24</th><th>Normative value as per draft CERC Tariff Regulation 2024-29</th></tr>
<tr><td rowspan="3">GSHR (kCal/kWh)</td><td>1.05 X Design Heat Rate (kCal/kWh)</td><td>1.04 X Design Heat Rate (kCal/kWh)</td></tr>
<tr><td colspan="2">For a Turbine Driven BFP with Pressure Rating: 170 kg/cm^2, SHT/RHT: 537^{o}C: 537^{o}C,
operating on Sub-Bituminous Indian Coal:
a. Normative Turbine Heat Rate : 1950 kCal/kWh
b. Normative Boiler Efficiency: 86%
Normative Design Heat Rate: a/b = 2267 kCal/Kwh</td></tr>
<tr><td>Normative GSHR: 1.05*2267
i.e. ~ 2380 kCal/kWh</td><td>Normative GSHR: 1.04*2267
i.e. ~ 2358 kCal/kWh</td></tr>
<tr><td>AUX (%)</td><td>6.25% (5.75% + 0.5%) (Steam Driven BFP with IDCT Cooling System)</td><td>5.75% (5.25% + 0.5%) (Steam Driven BFP with IDCT Cooling System)</td></tr>
</table>

It may kindly be appreciated that the operational parameters like GSHR and AUX of any Thermal Generating Station deteriorate with aging thereby making such Generating Stations less efficient in during each tariff period vis-à-vis the preceding tariff period. As such the normative levels of operation of any Thermal Generating Station w.r.t GSHR and AUX warrant relaxation by this Hon'ble Commission vis-à-vis their normative levels under the preceding tariff period. However, on the contrary instead of relaxing the normative levels, the same have been further tightened under the draft CERC Tariff Regulations 2024-29 as evident from the above table. Such an approach will only lead to penalizing the existing generation capacities for no fault on their part and would lead to substantial under-recovery by the generators vis-à-vis the actual cost of generation. **Accordingly, it is strongly requested that the normative GSHR and AUX be at least retained at their respective levels as stipulated under CERC Tariff Regulations 2019-24, if not relaxed any further.**

14) <u>Regulations 79 &80 with respect to Early Payment Rebate and Late Payment Surcharge</u>

<u>Our Comments:</u> The proposed rates for Early Payment Rebate and Late Payment Surcharge (LPS) are as under:

No of days elapsed after Bill Presentation	Rebate / LPS
1-5 days	Flat rebate of 1.5% of the bill amount
6-30 days	Flat rebate of 1% of the bill amount
31-45 days	No rebate; No LPS
45 days onwards	In accordance with MoP LPS Rules, 2022 wherein LPS is linked to Bank Rate which works out to be ~ 13% Per Annum calculated for delayed period beyond 45 days

As evident from above:

- While the LPS rates are linked to bank rate, the same has not been done with respect of Early Payment Rebate rates, which have rather been standardized. This leaves no incentive for payment on the 1st Day of Bill presentation (vis-à-vis payment on the 5th Day of Bill

presentation) for claiming 1.5% rebate or for payment on the 6th Day of Bill presentation (vis-à-vis payment on the 30th Day of Bill presentation) for claiming 1.0% rebate

- LPS is allowed on the basis of actual delay beyond the due date (of 45 days post bill presentation), Early Payment Rebate is allowed at flat 1.5% (for payment within 1-5 days of bill presentation) and 1% (for payment within 6-30) days of bill presentation).
- The proposed LPS rate (~ 13% Per Annum) has been reduced significantly vis-à-vis CERC Tariff Regulations 2019-24 which provided LPS rate of 18% Per Annum, however there has been no reduction in the Early Payment Rebate Rate.

It may be appreciated that provisions for Early Payment Rebate and LPS warrant no discriminatory treatment and the same are to be treated at par. **Accordingly, while the provisions with respect to LPS contained under Regulation 80 of the draft CERC Tariff Regulations 2024-29 may be retained, however Regulation 79 may be appropriately amended to allow**

(i) Computation of Early Payment Rebate at the same rate at that of LPS and;

(ii) Computation of Early Payment Rebate based on actual number of days elapsed between Bill presentation date and bill payment date