

Draft Comments on CERC Draft Tariff Regulations 2024

The CERC has issued a draft of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024 dt. 4.1.2024 inviting comments from Stakeholders.

The comments on the Draft Regulations on behalf of RUVITL are as follows:

S. No.	Regulation No.	Proposed Regulation	Comments
1	3	Definition: (38) 'GCV as Received' means the GCV of coal as measured at the unloading point of the thermal generating station through collection, preparation and testing of samples from the loaded wagons, trucks, ropeways, Merry-Go-Round (MGR), belt conveyors and ships in accordance with the IS 436 (Part-1/ Section 1) - 1964:	Hon'ble Commission may-be requested to also include " Lignite " in the definition of GCV as Received.
2	9	Application for determination of tariff: Clause (1) Proviso (4): Provided that for a new generating station or unit thereof or transmission system or element thereof, the applicant, through a specific prayer in its application filed under Regulation 9(1) of these regulations, may plead for an interim tariff, and the Commission shall consider granting interim tariff from the date of commercial operation during the first hearing of the application.	Interim tariff and final tariff may differ to the larger extent resulting in additional financial burden on the beneficiaries. To avoid adverse financial burden on the beneficiary Discoms, Commission may be requested to allow recovery of differential tariff in same time (calculated in months) that has elapsed between determination of interim tariff and final tariff. Post notification of LPS Rules, 2022; generators are uploading their bills on PRAAPTI Portal and Discom must pay the bill within prescribed period else Discoms' short-term power gets regulated. Hence, to avoid financial adversity, recovery of differential tariff may be allowed over a period.
3		Clause (5): In case the generating company or the transmission licensee files the application as per the timeline specified in sub-clause (1) to (4) of this Regulation, carrying cost shall be allowed from the date of commercial operation of the project:	Tariff regulations must lay emphasis on timely filing of the tariff petition by transmission licensee or generating company and delay in filing tariff petitions shall be penalized. Hence, it may be proposed that, if the generating company or the transmission licensee delays in filing of application as per the timeline

S. No.	Regulation No.	Proposed Regulation	Comments
		<p>Provided that in case the generating company or the transmission licensee delays in filing of application as per the timeline specified in sub-clause (1) to (4) of this Regulation, carrying cost shall be allowed to the generating company or the transmission licensee from the date of filing of the application as per Regulation 10(7) and 10(8) of these regulations.</p>	<p>specified in sub-clause (1) to (4) of this Regulation, the generating company, or the transmission licensee shall be penalized for delay in filling and carrying cost for the delay period shall not be allowed.</p> <p>Also, if the generating company or transmission licensee, has been granted interim tariff in terms of Regulation 9 proviso (4) than the carrying cost shall not be allowed.</p>
4	10	<p>Clause 3: If the information furnished in the petition is in accordance with these regulations, the Commission may consider granting interim tariff of up to ninety per cent (90%) of the tariff claimed in case of new generating station or unit thereof or transmission system or element thereof during the first hearing of the application:</p> <p>Clause (7) Proviso (1): Provided that the bills to recover or refund shall be raised by the generating company or the transmission licensees within 30 days from the issuance of the Order.</p> <p>Provided further that such interest, including that determined as per sub-clause (8) of this regulation shall be payable till the date of issuance of the Order and no interest shall be allowed or levied during the period of six-monthly instalments.</p>	<p>With regards to the refund to the generating company or transmission licensee; Commission may consider-</p> <ul style="list-style-type: none"> • Refund from Generator or Transmission Licensee to be adjusted by Distribution Licensee from the unpaid invoices to such Generator or Transmission Licensee • Commission may be requested to allow recovery of differential tariff in same time (calculated in months) that has elapsed between determination of interim tariff and final tariff. <p>Post notification of LPS Rules, 2022; generators are uploading their bills on PRAAPTI Portal and Discom must pay the bill within prescribed period else Discoms' short-term power gets regulated. Hence, to avoid financial adversity, recovery of differential tariff may be allowed over a period.</p>
5	19	<p>Capital Cost: (2) (i): Capital expenditure on account of ash disposal and utilization including handling and transportation facility.</p> <p>(m) Expenditure on account of the fulfilment of any conditions for obtaining environment clearance for the</p>	<p>The Capex incurred for the purpose developing ash disposal and utilization including handling and transportation facility they shall be limited to works undertaken within the plant premise only and may be allowed after detailed prudence check along with</p>

S. No.	Regulation No.	Proposed Regulation	Comments
		project;	auditor's certificate.
		Clause (5) Proviso (1): 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.	While obtaining all project related clearances, project developer must take all step for timely obtaining all clearances. Blanket allowance of 90% delay will jeopardize the beneficiaries as delay attributable to the project developers is passed on automatically without any prudence check. Commission has been allowing delay on case-to-case basis after prudence check and hence same may be continued to safeguard the interests of the beneficiaries.
6	30	Return on Equity: (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; 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% ;	The Commission this draft Tariff Regulation has removed the definition of base rate and introduced the reference rate. However, at places term Base Rate is used. Same may be replaced with reference Rate Change in law and Force Majeure events are beyond the control of generators and expenses incurred are allowed after prudence check. However, instead of capitalization, mechanism for reimbursement of expenses may be allowed over term of the PPA. If expenses are capitalized, beneficiary will be saddled with liability towards payment of RoE even after full expenses are recovered by generating company or transmission licensee.
7	32	Interest on loan capital: Clause(6) Proviso(2): Provided that the rate of interest on the loan for	In absence of actual loan portfolio, the ceiling limit on interest rate shall be considered as SBI MCLR for the

S. No.	Regulation No.	Proposed Regulation	Comments
		installation of the emission control system shall be the weighted average rate of interest of the actual loan portfolio of the emission control system, and in the absence of the actual loan portfolio, the weighted average rate of interest of the generating company as a whole shall be considered subject to a ceiling of 14%.	corresponding year. Higher ceiling rate may lead to an arbitrage opportunity wherein generating company may claim 14% interest rate instead of actual rate at which finances are raised.
8	34	<u>Interest on Working Capital Clause (4):</u> Interest on working capital shall be payable on a normative basis, notwithstanding that the generating company or the transmission licensee has not taken a loan for working capital from any outside agency.	Power sector companies having good credit ratings like NTPC, NHPC, SJVN, NLC, etc have capability to raise working capital loans at extremely competitive interest rates. Further, returns on the equity investments to the power sector companies is already factored into the capacity charges. Hence, proposed norm for working capital loan shall be considered as ceiling limit and actual working capital rate shall be considered for pass-through of interest on working capital. Hence, interest on working capital shall be on actual basis or normative basis whichever is lower.
9	36	<u>O&M Expenses Clause (9):</u> 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:	The Commission shall review the escalation rate after every 2 years.
10	60	<u>Gross Calorific Value of Primary Fuel:</u> (1) The gross calorific value for computation of energy	Also, Coal based thermal power plants utilizing domestic coal as fuel, based on distance from the coal mine power plant are categorized as pit-head power

S. No.	Regulation No.	Proposed Regulation	Comments
		<p>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:</p> <p>i. Actual loss in calorific value of coal between as billed by the supplier and as received at the generating station, subject to maximum loss in calorific value of 300 kCal/kg for Pit-head based generating stations or generating stations with Integrated mine and 600 kCal/kg for Non-Pit Head based generating stations. 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.</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>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</p>	<p>plants (located within vicinity of the coal mines) and non-pit head power plants (located away from coal mines).</p> <p>Continuous exposure of coal to air may lead to spontaneous burning of coal leading to loss of mineral. Water is sprinkled over coal to keep it cool and avoid spontaneous burning. This increases moisture in the coal. Upon testing GCV for this coal on 'As Received Basis'; GCV discovered will always be less than that was tested at mine end.,</p> <p>For pit-head power projects, spontaneous burning is not an issue as distance travelled by coal is very less and once coal reaches power plant it gets consumed. Hence, requirement of sprinkling water is not there.</p> <p>However, for non-pit head power plants where coal travels for days to reach power plant, due to water sprinkling, GCV on 'As Received Basis' will be lower.</p> <p>Hence, instead of GCV on 'As Received Basis' Commission may be requested to consider GCV on as be billed basis with suitable moisture correction so that beneficiary companies for the GCV procured.</p> <p>As per model FSA available on website of Coal India Limited, coal is delivered to the generating company at mine end and ownership of the coal is transferred to the power plant owner. As provided above, due to higher moisture content as received GCV will always be lower than the billed GCV. Grade slippage of 600 kCal/kg corresponds to ~15% of the G11 grade of coal which will lead to increase of Energy Charge Rate by 15%.</p> <p>To make generating companies and coal suppliers</p>

S. No.	Regulation No.	Proposed Regulation	Comments
		<p>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>more sensitive towards coal quality; loss in calorific value for pit-head plants shall not be allowed and loss in calorific value for non-pit head power plants shall be limited to 300 kCal/Kg.</p>
11	62	<p><u>Clause (6):</u></p> <p>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.</p>	<p>The incentive during peak in previous Tariff Regulations FY 2019-24 was @65 paise/ kWh and in the present draft Tariff Regulations FY 2024-29 is @75 paise / kWh which is an exorbitant hike. It is requested to the Commission to retain the incentive during peak hours @65 paise/kWh.</p>
12	79	<p><u>Rebate:</u></p> <p>(1) For payment of bills of the generating company and the transmission licensee through letter of credit on presentation or through National Electronic Fund Transfer (NEFT) or Real Time Gross Settlement (RTGS) payment mode within a period of 5 days of presentation of bills by the generating company or the transmission licensee, a rebate of 1.50% shall be allowed.</p> <p>Provided that in case a different Rebate mechanism is provided in the PPA, the same shall be governed by</p>	<p>The definition of 'working day' and 'non-working day' and 'working hours' may be included in the proposed draft Tariff Regulations. Bills received during working hour of a working day shall deemed to be received on immediate next working day as generating / transmission companies are taking undue advantages by sending bills just before closing hours of working day.</p> <p>For example, if a bill is received on Friday just before closing hours of working day. As per draft regulations,</p>

S. No.	Regulation No.	Proposed Regulation	Comments
		<p>the provisions of the PPA.</p> <p>Explanation: In case of computation of '5 days', the number of days shall be counted consecutively without considering any holiday. However, in case the last day or day is an official holiday, the 5th day for the purpose of Rebate shall be construed as the immediate succeeding working day (as per the official State Government's calendar, where the Office of the Authorised Signatory or Representative of the Beneficiary, for the purpose of receipt or acknowledgement of Bill is situated).</p> <p>(2) Where payments are made on any day after 5 days and within a period of 30 days of presentation of bills by the generating company or the transmission licensee, a rebate of 1% shall be allowed.</p>	<p>the bill receipt date is considered as Friday however, the recipient even starts processing bill, it has already lost 3 days. This leads to loss of rebate it could have claimed.</p>
	70(C) Gross Station Heat Rate	<p>.....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> <p>.....Provided further that in case the pressure and temperature parameters of a unit are different from the above ratings, the maximum design heat rate of the unit of the nearest class shall be taken:</p>	<p>Ceiling limit for the Gross Station Heat Rate for a thermal power plant are provided. Ceiling limits are calculated considering applicable Pressure Rating (Kg/cm²), Temperature Ratings (SHT/RHT) and type of Boiler Feed Pump. In case, exact match is not available, GSHR for nearest class shall be considered. At times, generating companies take un-due advantage of this mismatch in operational parameters and get away with higher Gross Station Heat Rate. Commission is hence requested to separately specify ceiling norms for GSHR for 660 MW, 800 MW and other super-critical technology based thermal power plants.</p> <p>Ministry of Power had allowed pass-through of cost of imported coal consumed pursuant to the directions issued under Section-11 of the Electricity Act, 2003. While allowing pass-through of the cost, it had also</p>

S. No.	Regulation No.	Proposed Regulation	Comments
			<p>provided methodology wherein normative SHR is considered for arriving at coal quantity to be considered for pass-through. For computation of the coal quantity with the generating companies, difficulties are faced where design parameters are not an exact match with tariff regulations and nearest parameter must be considered. Due to this generating companies are raising claims based on higher SHR claiming that to be the nearest match.</p>