

Reliance Power Comments on Draft CERC (Terms and Conditions of Tariff Regulations), 2024

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
1	Definitions		
a	Cut-off Date	<p>Regulation 3(17):</p> <p>'Cut-off Date" shall be the last day of the financial year closing after thirty six months from the date of commercial operation of the project, except in case of integrated mine(s);</p>	<p>Draft Regulations do not provide any proviso for extension of cut-off date when the delay in capitalisation is beyond the control of generating company.</p> <p>At present, extension of cut-off date is required to be done using plenary powers of the Commission.</p> <p>Hence, it is suggested to include the enabling proviso as below in Regulation 3(17) for extension of cut-off date for the reasons beyond the control of the developer of generating station:</p> <p><i>“Provided that the cut-off date may be extended by the Commission if the Generating Company or transmission licensee is able to provide the documentary evidence that the capitalisation could not have been made within the cut-off date for reasons beyond the control of the project developer.”</i></p>
b	Force Majeure	<p>Regulation 3(32):</p> <p>'Force Majeure' for the purpose of these regulations means the events or circumstances or combination of events or circumstances, including those stated below, which prevent the generating company or transmission licensee from completing or operating the project, and only if such events or circumstances are not within the control of the generating company or transmission licensee and could not have been avoided, had the generating company or transmission licensee taken reasonable care or complied with prudent utility practices:</p>	<p>Draft Regulation should be revised as below:</p> <p><i>Regulation 3(32): 'Force Majeure' for the purpose of these regulations means the events or circumstances or combination of events or circumstances, including those stated below, which <u>partly or fully</u> prevent the generating company or transmission licensee from completing or operating the project, and only if such events or circumstances are not within the control of the generating company or transmission licensee and could not have been avoided, had the generating company or transmission licensee taken reasonable care or complied with prudent utility practices:</i></p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
c	Inclusion of capital spares- in normative O&M expenses below 20 lakhs	<p>Regulation 3(56):</p> <p>'Operation and Maintenance Expenses' or 'O&M expenses' means the expenditure incurred for operation and maintenance of the project, or part thereof, and includes the expenditure on manpower, maintenance, repairs and maintenance spares, other spares of capital nature valuing less than Rs. 20 lakhs, additional capital expenditure of an individual asset costing up to Rs. 20 lakhs, consumables, insurance and overheads and fuel other than used for generation of electricity:</p>	<p>The treatment of including Capital Spares below Rs 20 lakhs as a part of O&M expenses is inappropriate and may result in huge loss of ROE and depreciation for the generator as there may be multiple expenses of Ad-Cap OR Capital Spares each less than 20 Lakhs but with a high cumulative value. To include the capital spares (below Rs. 20 lakh) in O&M, the Commission should provide enough margin in the O&M norms to include such expenditures or should make additional head under O&M on per year/MW basis and should not be part of norms.</p> <p>It is advisable to continue with present regime to allow capital spares as and when it is capitalized on actual basis.</p> <p>It is suggested the insurance should be allowed separately to the utilities considering the risk associated in availing insurance due to emerging renewable markets where the Lenders are not providing loan without insurance. Hence, it is requested that the insurance should be allowed to be recovered over and the normative O&M.</p> <p>In view of the above, the draft Regulation 3(56) may be revised as under:</p> <p><i>“Operation and Maintenance Expenses' or 'O&M expenses' means the expenditure incurred for operation and maintenance of the project, or part thereof, and includes the expenditure on manpower, maintenance, repairs and maintenance spares, other spares of capital nature valuing less than Rs. 20 lakhs, additional capital expenditure of an individual asset costing up to Rs. 20 lakhs, consumables, insurance and overheads and fuel other than used for generation of electricity.”</i></p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
d	Rate of Interest on working capital	<p>Regulation 3(67):</p> <p>'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;</p>	<p>In the Draft Regulations, the Commission has reduced the spread of 350 basis point to 325 basis points, observing the stable and predictable financial environment.</p> <p>Further, for reduction of interest rate, the Commission has not undertaken any benchmarking study or analysis of data of actual short-term loans availed by the generating company or transmission licensee. The reduction is without any basis and arbitrary.</p> <p>Further, the Commission has ignored the continuous financial risk increasing in the market for thermal power companies. As the market is more inclined towards clean energy, it has resulted in increased interest rates as compared to the previous control period.</p> <p>Accordingly, it is suggested to retain the spread of 350 basis points for calculation of Interest on Working Capital.</p>
e	Useful Life	<p>Regulation 3(88):</p> <p>In the case of coal/lignite based thermal generating stations and hydro generating stations, the Operational Life may be 35 years and 50 years, respectively.</p>	<p>Operational Life of 35 years as proposed in the Draft may not be feasible for all coal/lignite based generating stations. There are some units which are designed for specifically 25/30 years.</p> <p>The Units which are running efficiently beyond 25 Years are supplied by BHEL. However, most of the IPPs have installed Units of Chinese origin which are yet to establish their actual age.</p> <p>CEA part load operations regulations shall come in force during next control period which may reduce the useful life of the Thermal units due to part load operations. Thereby the Operational life beyond the useful life may also get lowered.</p> <p>The Increment of Age beyond useful life should be Unit specific and only those units should be allowed to operate beyond 25 years which are given clearance in the technical studies of the independent experts subject to approval of Cost incurred in life extension.</p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
			Therefore, operational life of Thermal Stations may be less than 35 years as against proposed in the draft regulations.
2	Carrying cost	<p>Regulation 10(7):</p> <p>Difference between interim tariff and final tariff recovered from or refunded to, the beneficiaries with simple interest at the rate equal to the 1 year SBI MCLR plus 100 basis points prevailing as on 1st April of the respective year of the tariff period, in six equal monthly instalments.</p>	<p>Draft Regulations has proposed to lower the rate of carrying cost from (SBI MCLR + 350 basis points) to (SBI MCLR + 100 basis points).</p> <p>The carrying cost should reflect the actual cost of funds of the generating company or transmission licensee. Carrying cost is allowed towards deferred recovery. Usually, such deferred recovery is financed by availing short term loans. The rate specified in Draft Regulations do not reflect the rate available for short term loans in market.</p> <p>Further, no benchmarking study has been undertaken by the Commission while arriving at decision of reducing the spread from 350 basis point to 100 basis points. Also, no analysis is undertaken for actual short-term loans availed for financing deferred recovery. The reduction is without any basis and arbitrary.</p> <p>Further, it is noted that the Regulations has specified the actual cost of funds while allowing interest on working capital at higher rate.</p> <p>Hence, the carrying cost should be allowed at same rate at which interest on working capital is allowed in Regulations.</p> <p>The interest during the period of payment of six-monthly instalment should also be allowed in order to ensure the timely payment of the over-recovery and under recovery.</p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
3	Thermal stations completed 25 years of life	Not provided in Draft Regulations	<p>Regulation 17(2) of Tariff Regulations, 2019 provides 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. This provision of first right of refusal has been removed from the draft Tariff Regulations, 2024.</p> <p>After completion of the PPA term, the parties need be allowed to mutually decide on extension of the term of PPA. Therefore, in order to prevent any conflict of the Regulations with provisions of the PPA beyond the tenure of PPA / its extension beyond the useful life of the plant, it is appropriate to remove the Regulation 17(2) in the new Tariff Regulations.</p>
4	Capital Cost for Projects acquired through NCLT proceedings	<p>Regulation 19(5):</p> <p>For Projects acquired through NCLT proceedings, the following shall be considered while approving Capital Cost for determination of tariff:</p> <p>(a) For projects already under operation, historical GFA of the project acquired or the acquisition value paid by the generating company, whichever is lower;</p> <p>...</p> <p>(c) In case any under construction project is acquired which is yet to achieve commercial operation, the acquisition value or the actual audited cost incurred till the date of acquisition, whichever is lower, shall be considered.</p>	<p>It may be noted that the projects which undergo NCLT process are unviable loss-making projects and therefore the recovery of tariff is inadequate to compensate for the expenses and earn the reasonable level of return.</p> <p>While bidding for stressed assets, the acquirer considers several factors including cost to be incurred for completion of the facilities, standardization of the schemes as per the industry practice, etc. Accordingly, the procurer would acquire the asset at a discount to the existing price in order to make the stressed asset financially viable.</p> <p>Moreover, Hon'ble APTEL vide judgment dated 27.09.2019 in Appeal No. 183 of 2019 in case of Renascent Power Ventures Pvt. Ltd. vs UPERC, UPPCL, SBI and others held that <i>"The change in the PPA tariff, which being the fundamental basis for arriving at the bid amount by the bidders, any subsequent reduction in the PPA tariff, post conclusion of the bid process by lenders of the project, would amount to change in the fundamental basis of the bid."</i></p> <p>As evident from the aforementioned judgment by Hon'ble APTEL, the clause proposed to be inserted in respect of projects acquired through NCLT would</p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
			<p>be in violation of the settled law considering the said APTEL judgment has attained finality.</p> <p>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.</p> <p>Therefore, considering the lower of historical GFA of the project acquired or the acquisition value paid by the generating company for purpose of tariff determination will not only prevent the servicing of legitimate costs to the generator but also the same is not in public interest as it shall lead to continuance of stranding of stressed assets as investors will not show interest to acquire stranded assets through NCLT if the proposed regulation is implemented. There shall be no incentive to investors with the proposed regulation. Moreover, recovery of tariff based on historical GFA is not causing any additional burden to end consumers. Accordingly, it is strongly suggested that tariff of projects acquired through NCLT should continue to be computed based on the historical GFA only otherwise the stranded power projects, which are national assets, will become useless which is not in the overall public interest and will lead to a string of litigations and lead to further stress in the sector.</p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
			<p>Additionally, we may need to have provision for recovery of revival cost for NCLT units which need recommissioning, additional infrastructure as per standard requirements.</p> <p>In view of the above, draft Regulation may be revised as under:</p> <p><i>“For Projects acquired through NCLT proceedings, the following shall be considered while approving Capital Cost for determination of tariff:</i></p> <p><i>(a) For projects already under operation, historical GFA of the project acquired or the acquisition value paid by the generating company, whichever is lower;</i></p> <p>.....</p> <p><i>(c) In case any under construction project is acquired which is yet to achieve commercial operation, the acquisition value or the actual audited cost incurred till the date of acquisition, whichever is lower, shall be considered and;”</i></p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
5	Additional Capitalisation beyond the original scope	<p>Regulation 26(1):</p> <p>The capital expenditure, in respect of the existing generating station or the transmission system, including the communication system, incurred or projected to be incurred on the following counts beyond the original scope, may be admitted by the Commission, subject to prudence check:</p> <p>...</p> <p>(g) Works required towards biomass handling system to enable biomass co-firing and towards enabling flexible operation of the generating station</p> <p>(h) Works pertaining to Railway Infrastructure and its augmentation for transportation of coal up to the receiving end of the generating station</p> <p>(i) Any additional capital expenditure which has become necessary for efficient operation of generating station or transmission system, including the works required towards projects acquired through NCLT process. The claim shall be substantiated with the technical justification and cost benefit analysis.</p>	<p>The Commission has added new components of Additional Capitalisation in view of recent developments. Capitalisation on account of Change in Law, Force Majeure and, other large, unexpected expenses that affect the operation of the generating station may be allowed on a case-to-case basis in addition to the normative capitalisation.</p> <p>The incorporation of proviso regarding allowance of additional capitalisation required for efficient and smooth operation of generating station is appreciated and the same may be included in the final regulations.</p> <p>Further, it is submitted that, for additional capitalization towards environment related expenses e.g. ash disposal system, etc., the cost benefit analysis cannot be provided as benefits are intangible in nature. However, such additional capitalization is essential for smooth operation of plant.</p> <p>Hence, such additional capitalization should be allowed without providing any cost benefit analysis in cases where benefit is intangible in nature, and clarity to be provided in the Regulations in this regard.</p>
6	ROE		

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
a	Base rate of ROE	<p>Regulation 30(2):</p> <p>Existing projects: 15.5% - For TPPs, Transmission projects & run-of-river hydro projects 16.5%- For storage type/ pumped storage hydro projects</p> <p>Regulation 30(3):</p> <p>New projects with COD on/after 01.04.2024: 15%- For Transmission projects 15.5%- For TPPs & run-of-river hydro projects 17%- For storage type/ pumped storage hydro projects</p>	<p>The Govt. of India has set ambitious targets to meet the rising power demand through substantial RE generation to achieve its net zero target by the year 2070. Most of such RE generation would occur in RE rich states, however, it would be consumed across the entire country. Consequently, a robust, reliable, and efficient transmission network would be required to evacuate such huge quantum of RE generation to transmit it from the source to the load centres. This would therefore necessitate substantial investment in the sector and any move to reduce the rate of RoE from the existing 15.5% would dampen the investor spirit and prevent the sector from garnering the much needed investment to meet not only the demand for power but also the climate change initiatives of the Gol.</p> <p>It is also essential to consider the aspect that the transmission licensee is not entitled to any RoE for the period up to COD. As per the current experience, the commissioning of most of the assets is being delayed due to reasons not attributable to the project proponents. Ex: COVID delays, serious issues in RoW. In such circumstances, there is actually a need to allow higher RoE to adequately compensate the developers.</p> <p>In view of the above, it is submitted that there is strong case to increase the rate of RoE from the existing 15.5% for the new transmission projects and in any case the same should not be reduced below 15.5% but retained at existing level of 15.5% even for new projects.</p>
b	ROE for additional capitalization beyond the original scope	<p>Regulation 30(3):</p> <p>ROE for additional capitalization on account of the emission control system, Change in Law, and Force Majeure shall be computed at the base rate of 1 year SBI MCLR plus 350 basis points as on 1st April of the year, subject to a ceiling of 14%</p>	<p>Each project is evaluated by lenders differently. So, linking ROE for additional capitalization with MCLR instead of actual ROI may not be correct. Further, there should be normative Debt-Equity ratio and on equity portion of add cap, there should be RoE at the rate same as RoE provided for original project.</p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
c	Return on Equity – Additional ROE	(No provision)	<p>Considering the estimated demand-supply scenario in the country, significant additional thermal generation and transmission capacity is anticipated in future. Hence, such timely completion of projects should be encouraged with allowance of addition ROE of 0.5% for early commissioning.</p> <p>Further, it has been observed that there is no clarity on the additional ROE provided to the projects Commissioned before 01.04.2024. It is hereby suggested that the project which were commissioned before 01.4.2024 should be given incentive based on the applicable Tariff Regulations for the MYT in which project has achieved COD.</p> <p>Therefore, new provisions should be added as under:</p> <p><i>“(4) In case of projects commissioned on or after 1st April, 2024, an additional rate of return of 0.50 % shall be allowed and continued for useful life of the project, if such projects are completed within the timeline specified. Provided for the projects commissioned before 01.04.2024 the applicability of additional rate of ROE, will be in accordance with the respective Tariff Regulations applicable for the control period in which project has commissioned. Such additional incentive would be applicable for useful life of the project.”</i></p>
7	Interest on loan capital for ECS	<p>Regulation 32(6):</p> <p>...</p> <p>Provided that the rate of interest on the loan for 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</p>	<p>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.</p> <p>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</p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
		generating company as a whole shall be considered subject to a ceiling of 14%.	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.
8	Depreciation	<p><u>Regulation 33(5)-</u> Existing Projects: Same provision as earlier.</p> <p><u>Regulation 33(6)-</u> New Projects: Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-II: Provided that the remaining depreciable value as on 31st March of the year closing after a period of 15 years from the effective date of commercial operation of the station shall be spread over the balance useful life of the assets.</p>	<p>Limit of charging Depreciation at SLM up to 12 years has been proposed to be changed to 15 years for New Projects since the Commission is of the view that long term loans are available for a tenure of 15-18 years.</p> <p>However, it is suggested that the existing 12-year provision should be continued, as the domestic banks are not willing to lend for duration longer than 10-12 years due to huge exposure of banks in the infrastructure sector and hence, procurement of loans with 15-year tenure is still a challenge from private banks and lenders.</p> <p>Most of the PPAs are signed for 25 years, which matches with the original useful life of the thermal generating asset. Extension in useful life beyond 25 years, and hence, reducing the depreciation rates, without corresponding assurance of the PPA extension, would result in under-recovery of the capital cost by the developer.</p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
9	Depreciation of Tertiary Treatment Plant and associated facilities	(Not provided)	<p>Clause 6.2 (5) of the Tariff Policy, 2016, provides that such thermal power plants (TPP) which are situated within a 50 km radius of the Sewage Treatment Plants (STPs), operated by municipalities or similar organizations are to mandatorily utilize treated sewage water from such STPs. Furthermore, the associated costs incurred on account of such utilization (such as construction of pipeline from STP to TPP) shall be allowed as a pass-through in the tariff.</p> <p>Subsequently, Ministry of Power (Mop) vide its letter dated 04.03.2020 issued detailed instructions regarding the mandatory usage of the treated sewage water by the Power producers, cost to be incurred by the Utilities as well as Power producers and the mechanism for the recovery of the associated cost therein. Herein it was provided that the cost of the Tertiary Treatment Plant (“TTP”) and associated facilities such as pipeline, pumps etc. to be borne by the thermal power plants.</p> <p>The current draft regulation does not specify how the equipment associated with Tertiary Treatment Plant will be depreciated.</p> <p>Therefore, provision may be included in the Tariff Regulations for depreciable value of the Tertiary Treatment Plant and associated facilities to be spread over the balance useful life of the Station or PPA tenure or extended life beyond the useful life (if life extension is opted & approved by the commission) whichever is lower.</p>
10	De-Commissioning	Regulation 35(1): Unrecovered depreciable value may be allowed to be recovered on a case-to-case basis after duly adjusting the actual salvage value post disposal of such project.	<p>The Commission has proposed to allow utilities to recover unrecovered depreciation if such de-commissioning is on account of environmental concerns or safety issues or a combination of these factors not attributable to the generating company or a Transmission Licensee.</p> <p>It is a welcome step in order to address the financial impact arising due to decommissioning of assets on account of environmental concerns, safety issues or system upgradation or combination of factors before completion of their life.</p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
11	O&M expenses		
a	Normative O&M expenses	<p>Regulation 36(1):</p> <p>For Thermal generating Stations, the Commission has specified Norms (in Rs. Lakh/MW) as per methodology stipulated in Explanatory Memorandum of Draft Regulations.</p>	<p>Additional compensation in O&M cost due to flexible operations –</p> <p>With ref. to notified Regulation on Flexible operation of coal based Thermal Power Generating Units on 30.1.2023, Flexible operation also leads to a higher rate of deterioration of plant components. This is observed in an increased failure rate and more frequent replacement of components.</p> <p>The impact on the life of components increases with increase in number of flexible operation instances and with number of start-stops the unit undergoes in a year. As a result, the operation and maintenance costs are significantly higher in units operated on a daily or weekly start-stop basis.</p> <p>Based on CEA Report “Flexibilization of coal fired power plants” the increase in annual O&M cost has been considered as 9%, 14% and 20% of O&M Cost at 50%, 45%, 40% loading respectively.</p> <p>Also, for unit loading from 55% to 85% during flexible operations with frequent ramp up & downs, additional compensation in O&M cost has to be provided.</p> <p>The increase in O&M cost should be allowed based on plant actual low load operation and could be calculated based on CEAs compensation methodology for operating below 55% load and should be under change in law provisions of PPA to the generators.</p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
b	Inclusion of Capital Spares and Additional Capitalisation below Rs. 20 Lakh in Normative O&M	<p>Regulation 36(6): The Water Charges, Security Expenses and Capital Spares for thermal generating stations shall be allowed separately after prudence check: ...</p> <p>Provided also that the generating station shall submit the details of year-wise actual capital spares consumed individually costing above Rs. 20 Lakh at the time of truing up with appropriate justification for incurring the same</p>	<p>The Commission has proposed to include the capital spares below Rs. 20 lakh under O&M Expenses. However, for computation of O&M Norms, the Commission has not considered any actual O&M expenses on account of this because of non-availability of data.</p> <p>However, by not considering any increase in O&M Norms on account of this would lead to disallowance in O&M expenses for generating company.</p> <p>As commented by us earlier, it is suggested that there should not be any cut-off amount based on value for spares to be considered as Capital Spares.</p> <p>However, if the Commission decides to impose such cut-off limit, it is suggested to increase the norm by Rs. 2.5 lakh/MW towards inclusion of capital spares below Rs. 20 lakh in O&M Expenses.</p>
c	O&M expenses on account of Change in Law / Force Majeure	<p>Regulation 36(1)(7):</p> <p>Any additional O&M expenses incurred by the generating company or transmission licensee due to any change in law or Force Majeure event shall be considered at the time of truing up of tariff.</p> <p>Provided that such impact shall be allowed only in case the overall impact of such change in law event in a year is more than 5% of normative O&M expenses allowed for the year.</p>	<p>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.</p> <p>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 be allowed on actuals irrespective of any minimum threshold levels.</p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
d	O&M expenses for transmission system	<p>Regulation 36 (3):</p> <p>Transmission system: (a) The following normative operation and maintenance expenses shall be admissible for the transmission system:</p> <p>...</p>	<p>Reduction in Normative O&M Expenses for sub-station bays and HVDC stations will result in distress for the licensees due to aging of assets. Accordingly, the Normative O&M Expenses for substation bays and HVDC stations for FY 2024-25 should at least cover escalation of 5.89% over Normative O&M expenses of FY 2023-24. Escalation in O&M expenses for transmission assets would be at the same level of such expenses for generating companies.</p>
e	Normative O&M expenses	<p>Regulation 36. Operation and Maintenance Expenses:</p> <p>(1) Thermal Generating Station: Normative Operation and Maintenance expenses of thermal generating stations shall be as follows:</p> <p>(1)</p> <p>(2)</p> <p>(6) The Water Charges, Security Expenses and Capital Spares for thermal generating stations shall be allowed separately after prudence check:</p> <p>.....</p> <p>Provided also that the generating station shall submit the details of year-wise actual capital spares consumed individually</p>	<p>It is suggested to allow additional head for contingent O&M and insurance cost.</p> <p>It is further suggested that capital spares should be allowed separately on actual basis as per earlier practice, without putting limit of Rs. 20 lakh. Essentially, there should not be any monetary limit and instead, the nature of the utilized spares should be considered in order to be qualified as capital spares and existing provisions under the Tariff Regulations 2019-24 should continue.</p> <p>It is further suggested that insurance cost must be treated and allowed separately, as from lenders' perspective insurance is must for loan disbursement. Unlike group companies, keeping insurance corpus is not possible for a single plant generator company. The insurance cost available in the market are expensive and has huge share in O&M expenses.</p> <p>Insurance is hedge towards risks a generator faces while running the project. The present Tariff Regulations do not shield generators against emerging risks in changing market scenario. Buyers of electricity are changing their behavior looking for more renewable energy supplies and on the other hand electricity consumption is still growing. Climate change also has an impact on electricity</p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
		<p>costing above Rs. 20 Lakh at the time of truing up with appropriate justification for incurring the same and substantiating that the same is not funded through compensatory allowance as per Regulation 17 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 or Special Allowance or claimed as a part of additional capitalisation or consumption of stores and spares and renovation and modernization.</p>	<p>prices as e.g. during dry seasons with lack of rain electricity generation from hydro power has to be replaced by conventional energies like coal or gas.</p> <p>At present, the insurance cost allowed to generator is subsumed in the O&M expenses. The insurance cost is necessary for the projects covering all risks including market risks and risks on account of natural calamities. It is to be appreciated that insurance cost depends upon market risk of the business, which is now continuously increasing for coal generating plant and burdening the generator.</p> <p>It is pertinent to mention that even lenders also do not provide additional loans in absence of insurance which affects the plant operation and capex investment.</p> <p>It is noted that the Commission (in para 15.7.6) of Explanatory Memorandum has proposed to allow the increase, if any, in insurance premiums for hydro generating station on a case-to-case basis after due prudence check for Hydro Generating Stations. However, the same shall be extended to Thermal Generating Stations as well, given to above mentioned factors.</p> <p>Hence, it is suggested to allow the insurance cost to thermal generating stations over and above the normative O&M Expenses.</p>
f	O&M expenses for Tertiary Treatment Plant	(Not provided)	<p>As per directions issued by Ministry of Power, the generating stations which are situated within a 50 km radius of the Sewage Treatment Plants (STPs), will have to mandatorily utilize the sewage treated water and for that the Tertiary Treatment Plant will build at the location of thermal generating station and same will be operated by the generating station. Consequently, the O&M expenses for the generating station will increase. The current draft regulation has not specified any O&M cost for operating the Tertiary Treatment Plant in order to fulfil the directives of Mop.</p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
			The Commission is requested to provide the norms for O&M expenses related to using the sewage treated water.
12	Transit and Handling Losses	<p>Regulation 59:</p> <p>Pit head: 0.20%</p> <p>Non-pit head: 0.80%</p> <p>Non-pit head multi-modal transportation (using two or more than two mode of transport involving multiple trans-shipments): 1.00%</p>	<p>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%</p> <p>However, for a non-pit head generating station involving multi-modal transportation of coal by railways, trucks etc. involving multiple loading and unloading 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.</p> <p>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).</p>
13	GCV of Primary Fuel	<p>Regulation 60(1):</p> <p>TPPS shall have third party sampling done at billing end and receiving end through an agency certified by the Ministry of Coal and ensure recovery of compensation as per FSA and pass on the benefits of the same to the beneficiaries. In absence of any third party sampling, GCV shall be considered on the basis of ‘as billed’ less GCV loss between billed and received at generating station, subject to maximum of 300 kcal/kg for pit head and 600 kcal/kg for non-pit head generating stations.</p> <p>No loss in calorific value between ‘GCV as</p>	<p>As per FSA terms, compensation is to be paid by the coal company to the generator for grade slippage in case grade analysed at loading end is lower than the declared grade. Further, as per FSA terms, in case grade analysed at loading end is higher than declared grade, then bonus is to be paid by the generator to the coal company. Hence, wherever the Third party agency is appointed at loading end, the entire impact of coal analysis by Third party should be passed on to the beneficiary as per FSA provisions. However, the wording given in draft CERC Tariff Regulations 2024 could erroneously be interpreted as only the compensation given by the coal company is to be passed on to the beneficiaries.</p> <p>At present, no Third party agency is appointed by the Ministry of Coal. Third party agencies currently nominated for analysis of coal at loading end are empanelled by PFC based on the directions of the Ministry of Power.</p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
		<p>billed' and 'GCV as received' is admissible for generating stations procuring coal from Integrated mines or through the import of coal.</p>	<p>Based on the above, the draft provision of Regulation 60(1) is proposed to be re-worded as under:</p> <p><i>" TPPs shall have sampling and analysis of coal done at loading end and receiving end through a Third Party agency appointed on the directions of the Ministry of Coal or the Ministry of Power and ensure that the entire impact of quality result announced by the Third party agency is passed to the beneficiaries as per FSA terms".</i></p> <p>The Commission's recommendations regarding disallowance of loss in calorific value between 'GCV as billed' and 'GCV as received' is valid only for coastal imported coal based plants.</p> <p>For non-coastal region plants which are using imported coal, it is not feasible to avoid GCV loss of imported coal as the coal is being transferred from ports to these plants through rail/road mode or combination of both. i.e. Transportation of imported coal is a multimodal transportation involving hundreds/thousands of Kilometers. Therefore, loss of GCV is unavoidable. Even for plants with integrated mines, loss of GCV is natural and cannot be avoided.</p> <p>The Commission has itself prescribed a transit and Handling Losses of 1% for multimodal coal shipments, (regulation 59). Not allowing any relaxation in GCV degradation for imported coal undergoing multimodal transportation would be unjustified and shall lead to losses to generating companies.</p> <p>Therefore, a normative Loss must be prescribed for plants with integrated mines and for multimodal transportation of imported via rail/road/ inland waterways as the case may be.</p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
14	Incentive for excess energy	<p>Regulation 62(6):</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 draft regulation proposes incentive to be payable based on NAPLF on cumulative basis.</p> <p>Considering the quantum of RE integration at present and during future years, it would not be possible for thermal generating stations to achieve NAPLF on annual basis.</p> <p>Hence, incentive to be allowed on monthly basis to optimise the cost of generation.</p> <p>Availability linked incentive:</p> <p>AFC is recovered based on achievement of target availability with pro-rata reduction/ penalty for any shortfall. However, there is no incentive for surpassing the target availability by the generator. Incentive is generation based and linked to plant load factor, which is dependent on the demand and dispatching by the Discoms. The generator thus has no control over incentive despite taking all efforts to maintain availability higher than the target availability. Therefore, availability linked incentive should also to be provided.</p>
15	Norms of operation for thermal generating station		
a	Normative Annual Plant Availability Factor (NAPAF)	<p>Regulation 70(A):</p> <p>(a) 85% for all thermal generating stations, except those covered under clauses (c), (c), (d) & (d)</p> <p>(b) 80% for coal and lignite based generating stations completing 30 years from COD as on 31.03.2024</p>	<p>For Thermal Coal based Plants, the Normative plant availability factor may be retained @ 85% level. However, there should be a provision for deemed availability in case of loss of Availability due to fuel shortage or forced shutdown due to part Load operations.</p> <p>Further relaxation beyond 80% NAPAF is required for coal and lignite based generating stations completing 30 years from COD as on 31.03.2024.</p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
b	Normative Annual Plant Load Factor (NAPLF) for Incentive	<p>Regulation 70(B):</p> <p>(a) 85% for all thermal generating stations, except for those covered under clause (b) below</p> <p>(b) 80% for coal and lignite based generating stations completing 30 years from COD as on 31.03.2024</p>	Further relaxation beyond 80% NAPLF is required for coal and lignite based generating stations completing 30 years from COD as on 31.03.2024.
C	Secondary Fuel Oil Consumption	(No provision for additional specific oil consumption due to low load operations)	With ref. to notified Regulation on Flexible operation of coal based Thermal Power Generating Units on 30.1.2023 and as per CEA recommendations vide file no. CEA-TH-17-13/1/2019-TETD division dated 19th Dec-2023, additional specific oil consumption of 0.2 ml/KWh should be provided for units operating in 40-55% average loading as oil support may be needed for safe plant operations at such low load operations. Further, Startup cost to be added after predefined number of start-ups to compensate for its impact on SOC, SHR and APC.
d	Gross Station Heat Rate (GSHR)	<p>Regulation 70(C):</p> <p>(a) Existing Thermal Generating Stations achieving COD before 1.4.2009 For 200/210/250 MW Sets: 2,400 kCal/kWh For 500 MW Sets (Sub-critical): 2,375 kCal/kWh</p> <p>(b) Thermal Generating Stations achieving COD on or after 1.4.2009: For 200/210/250 MW Sets: 1.05 X Design Heat Rate (kCal/kWh) For 500 MW Sets and above:</p>	<p>GSHR slightly reduced for existing projects by 30 kCal/kWh for 200/210/250 MW Sets and by 15 kCal/kWh for 500 MW Sets based on recommendations made by CEA.</p> <p>However, it is to be noted that generating stations are facing increased backing down to accommodate the rapid integration of renewable energy. with increased RE penetration, the actual PLFs of thermal plants are reducing substantially as compared to the normative levels and coupled with flexible operation leads to further degradation of operational parameters.</p> <p>It may also be appreciated that the operational parameters like GSHR 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 warrant relaxation by the Commission</p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
		1.04 X Design Heat Rate (kCal/kWh)	<p>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.</p> <p>In view of above, it is suggested to continue with the existing operating margin of 5% over and above design heat rate for all thermal generating stations as per the existing 2019 Tariff Regulations.</p> <p>It is also noted that the norm for 300 MW unit is not specified in the draft Regulations. It is suggested that the same may be specified in the final Regulations.</p>
e	Auxiliary Energy Consumption	<p>Regulation 70(E):</p> <p>(i) 200/210/250 MW series: 8.50%</p> <p>(ii) 300/ 330/ 350/ 500 MW and above: Steam driven boiler feed pumps: 5.25% Electrically driven boiler feed pumps: 8%</p> <p>(iii) 600 MW and above: Steam driven boiler feed pumps: 5.25% Electrically driven boiler feed pumps: 8%</p>	<p>Auxiliary Energy Consumption (AUX) for 300 MW & above units with Steam driven boiler feed pumps is proposed to be reduced by 0.5% based on recommendations made by CEA.</p> <p>There are some plants that have been designed for AUX consumption ~ 7% or even more which is far more than the prescribed Norms. It may also be noted that the operational parameters like 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 AUX warrant relaxation by the 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.</p>

S. No.	Particulars	Draft CERC Tariff Regulations, 2024	Comments
			<p>Further, CEA flexibilization and part load operational Norms shall cause further degradation of Aux Consumption.</p> <p>In case, actual norms are lower than normative, then generating company should not be penalised by considering such lower norms. This will reduce the sharing of gains.</p> <p>It is therefore suggested to continue with present norm of Auxiliary Consumption of 5.75% while also providing for auxiliary energy consumption degradation due to part load (flexible operations).</p>
f	Auxiliary Consumption for operation of Tertiary Treatment Plant	(Not provided)	<p>As per directions issued by Ministry of Power, the generating stations which are situated within a 50 km radius of the Sewage Treatment Plants (STPs), will have to mandatorily utilize the sewage treated water and for that the Tertiary Treatment Plant will build at the location of thermal generating station and same will be operated by the generating station. Consequently, the auxiliary consumption of the generating station will increase. The current draft regulation has not specified any auxiliary consumption for operating the Tertiary Treatment Plant in order to fulfil the directives of Mop.</p> <p>It is requested to specify the norms for Auxiliary Consumption for operating the Tertiary Treatment Plant.</p>