TRANSMISSION CORPORATION OF TELANGANA STATE LIMITED

From
Joint Managing Director
(Fin, Comml, HRD),
TSTRANSCO,
Vidyut Soudha,
Hyderabad - 82.

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

Lr.No.JMD/ED(Comml)/SE(IPC)/F.G48/D.No. 224 /23, Dt: 16 .02.2024

Sir,

Sub: TSTRANSCO – IPC Wing – TSDISCOMs objections on Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024 for the tariff period from 01.04.2024 to 31.03.2029 - Reg.

Ref: 1. Lr.No.JMD/ ED (Comml) /SE / (IPC) /F.G38/ D.No. 218, dt.10.02.2024.
2. CERC letter No. L-1/236/2022/CERC Date: 30th January 2024.
3. CERC Letter No. L-1/268/2022/CERC: Dated: 04.01.2024.

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This has reference to the 1st letter cited above, wherein TSDISCOMs objected the draft CERC (Terms and Conditions of Tariff) Regulations, 2024 to the extent of omission of regulation 17(2) i.*e 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*." As the omission of this regulation leads to scheduling of central Generating stations which have completed 25 years of useful life under pooling scheme of MoP,GoI, thereby discoms/beneficiaries will lose right to continue cheaper power and the pooled tariff will be high.

In continuation to the reference 1st cited above, the objections of TSDISCOMs including the above objection on Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024 for the tariff period from 01.04.2024 to 31.03.2029, are submitted below for kind consideration.

Sl. No	Regulation No.	Comments/Suggestions/Objections on the draft Regulation	Proposed Amendment/ New regulation	Remarks
1	Chapter-4, 17	For the thermal projects completed 25 years, CERC has omitted the regulation 17 (2) i.e 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."	it is requested to retain the regulation 17 (2) in line with CERC 2019 , such that the first right to continue or exit the PPA should be with the DISCOMs which have repaid the investments made by the generating stations	Certain projects have cheaper cost of power, the omission of the regulation 17(2) will result in huge financial loss to DISCOMs and ultimately to the consumers which is violation to the Section 61(d) of the EA 2003 on safe guarding of consumers' interest and at the same time, recovery of the cost of electricity in a reasonable manner
2	Chapter-8, 30(3)	Return on equity for new project achieving COD on or after 01.04.2024 shall be computed 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	It is requested to fix the base rate of Return on Equity as 16.5% in line with CERC 2019 for storage type hydro stations pumped storage hydro generating stations and run-of-river generating station with pondage	As RoE will be grossed up with effective tax rate, which will be high in this case, due to which capital cost increases , ultimately burden the end consumers.
3	Chapter-8, 36	Operation and Maintenance expenses of each year increases by 5.89%	It is requested to increase the Operation and Maintenance	The increase in O & M expense is abnormally high when compared

		where as in CERC 2019 the increase in O& M is 3.5%	expenses of each year by 3.5% as per CERC 2019	with CERC 2019 which translates to increase in capital cost , ultimately burden the end consumers.
4	Chapter-11,62 (1)	Computation and Payment of Capacity Charge for Thermal Generating Stations has been delinked from High demand season and low demand season, by stating in the explanatory memorandum that the period of high demand and low demand is not the same for all the Beneficiary States in the region, so declaring a common high and low demand period for all the States in the region has its own challenges	Computation and Payment of Capacity Charge for Thermal Generating Stations has to be linked with High demand season and low demand season in line with earlier CERC regulation 2019,	The generating stations are obliged to maintain specified target availability to meet the discoms requirement during high demand season by postponing shutdown planning. If the same is delinked for computation of capacity charges, discoms have to face difficulty to meet in the high demand season.
5	Chapter-11, 62 (5) & (6)	Two types of incentives proposed **1. Incentive based on monthly frequency response performance (ß):** an incentive of up to 1.00% of Annual fixed charges (AFC) for an year and shall be billed monthly as per the formula Incentive = (1.00% x ß x CCy)/12. **2. Incentive based on NAPLF:**	**Incentive based on NAPLF:** @ 65 paise/ kWh during Peak Hours and @ 50 paise/ kWh during Off-Peak Hours to scheduled generation in excess of ex-bus energy corresponding to NAPLF	As CERC(ancillary services) regulations 2022 deals with incentive for maintaining the grid frequency, it is requested to omit the incentive based on frequency response performance and it is also requested to retain incentive during peak hours @ 65 paise / Kwh in line with CERC Reg 2019.

		@ 75 paise/ kWh during Peak Hours and @ 50 paise/ kWh during Off-Peak Hours to scheduled generation in excess of ex-bus energy corresponding to NAPLF		
6	Chapter 12, 70(A)	**Normative Annual Plant Availability Factor (NAPAF)** (a) 85% for all thermal generating stations, except for those covered under clauses (c), (c) ,(d) & (d) below (b) 80% for coal and lignite based generating stations completing 30 years from COD as on 31.03.2024	**Normative Annual Plant Availability Factor (NAPAF)** (a) 85% for all thermal generating stations except for those covered under clause (c) & (d) below	As capital cost of the thermal projects has been paid fully by the time of 30 years, hence it is requested to retain NAPAF of 85% even for Thermal Generating Stations completing 30 years.
7	Chapter 12, 70(B)	**Normative Annual Plant Load Factor (NAPLF) for Incentive** (a) 85% for all thermal generating stations, except for those covered under (b) below (b) 80% for coal and lignite based generating stations completing 30 years from COD as on 31.03.2024	**Normative Annual Plant Load Factor (NAPLF) for Incentive** (a) 85% for all thermal generating stations	As capital cost of the thermal projects has been paid fully by the time of 30 years, hence it is requested to retain NAPLF for incentive as 85% even for Thermal Generating Stations completing 30 years.
8	Chapter 12,	**Auxiliary energy consumption**	**Auxiliary energy consumption**	It has been observed that AEC

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<tr><td></td><td>70(E)
(d) (iii)</td><td>iii) for TPS-I (Expansion) and TPS-II Stage-I&II of NLC India Ltd.:
<table><tr><td>TPS-II Stage-I and Stage-II</td><td>10%</td></tr><tr><td>TPS-II (Expansion)</td><td>12.5 %</td></tr></table></td><td>(AEC)
iii) for TPS-I & II(Expansion) and TPS-II Stage-I&II of NLC India Ltd.:
<table><tr><td>TPS-II Stage-I and Stage-II</td><td>10%</td></tr><tr><td>TPS-I (Expansion)</td><td>8.5 %</td></tr><tr><td>TPS-II (Expansion)</td><td>10%</td></tr></table></td><td>of the TPS-I expansion is not indicated and TPS-II expansion has been increased by 2.5%. hence, it is requested to retain the AEC in line with CERC 2019</td></tr>
<tr><td>9</td><td>Chapter 14, 82</td><td>Sharing of savings in interest due to re-financing or restructuring of loan :(1) If re-financing or restructuring of loan is done, results in net savings on interest after accounting for cost associated with such refinancing or restructuring, the same shall be shared between the generating company or the transmission licensee and the beneficiaries, as the case may be, in the ratio of 1:1.</td><td>Sharing of savings in interest due to re-financing or restructuring of loan :
(1) If re-financing or restructuring of loan is done, results in net savings on NPV of interest after accounting for cost associated with such refinancing or restructuring, the same shall be shared between the generating company or the transmission licensee and the beneficiaries, as the case may be, in the ratio of 1:2.

(2)Provided further that if refinancing is done but loss on NPV of interest rate due to higher refinance cost, then the refinance cost needs to be limited to the extent of NPV of interest rate only, as there is no</td><td>As the entire loan has been repaid by beneficiaries, it is requested to pass on 2/3 net savings to beneficiaries in line with CERC regulation 2014-19.</td></tr>
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			gain to either generator or beneficiaries in this case.	
10	Chapter 14, 84	**Sharing of non-tariff income** between the generating company or the transmission licensee and the beneficiaries or the long term customers, as the case may be, in the ratio of 1:1.	**Sharing of non-tariff income** between the generating company or the transmission licensee and the beneficiaries or the long term customers, as the case may be, in the ratio of 1:2.	As the project cost approved by the commission is repaid by the beneficiaries, it is requested to pass on 2/3 Sharing of non-tariff income to the beneficiaries

In light of the above, it is requested to consider the above submissions while issuing final regulations for safe guarding of consumer's interest and at the same time, recovery of the cost of electricity in a reasonable manner as per Section 61 (d) of Electricity Act, 2003.

Yours faithfully

Joint Managing Director
(Fin, Comml& HRD)
TSTRANSCO

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