



उत्तर प्रदेश पावर कारपोरेशन लिमिटेड

(उ० प्र० सरकारका उपक्रम)

U.P. POWER CORPORATION LIMITED

(Govt. of Uttar Pradesh Undertaking)

CIN: U32201UP1999SGC024928

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No. 90 /RAU/Regulation

Dated: 07 March , 2024

Secretary,
Central Electricity Regulatory Commission
3 rd & 4th Floor, Chanderlok Building,
36, Janpath, New Delhi- 110001
(E-Mail : secy@cercind.gov.in
tariff-reg@cercind.gov.in)

Sub: Comments 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.


Sir,

Please refer to letter No L-1/268/2022/CERC dated 4th January, 2024 on the above subject. The desired comments of U.P. Power Corporation Ltd. on the subject matter are enclosed herewith.

Thanking you.

Encl: As above

Yours faithfully,


(C.V. Singh Gautam)
Chief Engineer (RAU)

Comments on draft CERC (Terms and Conditions of Tariff) Regulation 2024 for the tariff period from 01.04.2024 to 31.03.2029


The Comments and observations on the various proposed amendments are as under:

Clause and sub-clause	Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019	Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024	Comments/ Remarks
	<p>(1) In case of mismatch of the date of commercial operation of the generating station and the transmission system, the liability for the transmission charges shall be determined as under:(a) Where the generating station has not achieved the commercial operation as on the date of commercial operation of the associated transmission system (which is not before the SCOD of the generating station) and the Commission has approved the date of commercial operation of such transmission system in terms of clause (2) of the Regulation 5 of these regulations, the generating company shall be liable to pay the transmission charges of the associated transmission system in accordance with clause (5) of Regulation 14 of these regulations to the transmission licensee till the generating station or unit thereof achieves commercial operation:(b) Where the associated transmission system has not achieved the commercial operation as on the date of commercial operation of the concerned generating station or unit thereof</p>		<p>The deleted provisions provided a framework for determining the liability for transmission charges in situations where the dates of commercial operation did not align between generating stations and associated transmission systems or between different transmission systems. Without these provisions, there might be ambiguity and uncertainty regarding which party is responsible for transmission charges during such mismatches.</p> <p>The absence of these provisions could lead to disputes between generating companies and transmission licensees or between different transmission licensees. The lack of clear guidelines for determining liability in cases of mismatched commercial operation dates might result in disagreements and a need for alternative dispute resolution mechanisms.</p> <p>The deleted provisions outlined specific scenarios in which one party would be liable to pay transmission charges to another. Without these provisions, parties may face financial implications, and the absence of a clear framework could impact budgeting and financial planning for both</p>


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अधीनस्थ अधिकारी (आर०ए०यू०)

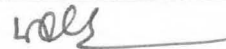
Clause and sub-clause	Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019	Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024	Comments/ Remarks
	<p>(which is not before the SCOD of the transmission system), the transmission licensee shall make alternate arrangement for the evacuation from the generating station at its own cost, failing which, the transmission licensee shall be liable to pay the transmission charges to the generating company as determined by the Commission, in accordance with clause (5) of Regulation 14 of these regulations, till the transmission system achieves the commercial operation.(2) In case of mismatch of the date of commercial operation of the transmission system and the transmission system of other transmission licensee, the liability for the transmission charges shall be determined as under:(a) Where an interconnected transmission system of other transmission licensee has not achieved the commercial operation as on the date of commercial operation of the transmission system (which is not before the SCOD of the interconnected transmission system) and the Commission has approved the date of commercial operation of such transmission system in terms of clause(2) of Regulation 5 of these regulations, the other transmission licensee shall be liable to pay the transmission charges of the transmission system in accordance with clause (5) of Regulation 14 of these</p>		<p>generating companies and transmission licensees.</p> <p>The provisions incentivized timely commercial operations for both generating stations and associated transmission systems. Removing these provisions might reduce the incentive for prompt commercial operations, potentially leading to delays that could impact the overall efficiency of the power transmission system.</p> <p>The deleted provisions referred to the determination of charges by CERC. Without this guidance, there may be a need for the regulatory body to step in and establish new guidelines or regulations to address situations of mismatched commercial operation dates and associated transmission charge liabilities.</p>


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Clause and sub-clause	Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019	Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024	Comments/ Remarks
	<p>regulations to the transmission licensee till the interconnected transmission system achieves commercial operation:(b) Where the transmission system has not achieved the commercial operation as on the date of commercial operation of the interconnected transmission system of other transmission licensee (which is not before the SCOD of the transmission system), the transmission licensee shall be liable to pay the transmission charges of such interconnected transmission system to the other transmission licensee or as may be determined by the Commission, in accordance with clause (5) of Regulation 14 of these regulations, till the transmission system achieves the commercial operation</p>		
10.(3)& 10(7)		<p>10(3)</p> <p>....</p> <p>Provided that in case the final tariff determined by the Commission is lower than the interim tariff by more than 10%, the generating company or transmission licensee shall return the excess amount recovered from the beneficiaries or long term customers, as the case may be with simple interest at 1.20 times of the rate worked out on the basis of 1 year SBI MCLR plus 100 basis points prevailing as on 1st April of the financial year in which such excess recovery was made,</p>	<p>Proviso 10(3) states that if the final tariff determined by the Commission is lower than the interim tariff by more than 10%, the generating company or transmission licensee must return the excess amount recovered from the beneficiaries or long-term customers, along with simple interest at a specified rate.</p> <p>Proviso 10(7) states that the difference between the tariffs determined in accordance with specific clauses should be recovered from or refunded to the beneficiaries or long-term customers with simple interest at a rate equal to the 1-year SBI MCLR plus 100 basis points.</p>


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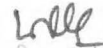
Clause and sub-clause	Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019	Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2024	Comments/ Remarks
		<p>10(7): (7) Subject to Sub-Clause (8) below, the difference between the tariff determined in accordance with clauses (3) and (5) above and clauses (4) and (5) above, shall be recovered from or refunded to, the beneficiaries or the long term customers, as the case may be, 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>The potential contradiction arises from the fact that while Proviso 10(3) specifically addresses the situation where the final tariff is lower than the interim tariff by more than 10%, Proviso 10(7) appears to be more general, covering differences between tariffs determined according to certain clauses.</p> <p>The contradiction lies in the fact that Proviso 10(3) mandates a specific condition (10% difference between interim and final tariff) for returning excess amounts with interest, while Proviso 10(7) seems to imply a broader scope for tariff adjustments, potentially encompassing situations beyond the specific scenario outlined in Proviso 10(3).</p> <p>To resolve the contradiction, further clarification or harmonization of these provisions may be necessary to ensure consistency and clarity in tariff determination and adjustment processes.</p>
	<p>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.</p>		<p>By deleting this clause, the beneficiary would lose the first right of refusal, and the generating company would no longer be bound by any obligation to offer the electricity to the beneficiary before exploring other sale options. This deletion could give the generating company more flexibility and freedom in deciding how to sell the electricity generated from the station without any constraints</p>


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			<p>imposed by the initial right of refusal.</p> <p>It is crucial to highlight that Long-term Power Purchase Agreements (PPAs) between power plants and distribution companies (discoms) often lack explicit exit clauses. Without the right of refusal, NTPC/NHPC may leverage its dominant position in the absence of a clear exit clause concerning the discoms. This could result in continued invoicing for plants that have completed their useful life.</p> <p>Given the dynamic nature of the market and the evolving landscape of the power sector, it is imperative to retain the existing clause to safeguard the interests of discoms. This measure ensures that the clause serves as a protective barrier, securing the discoms' interests in procuring the most economical power for consumers amid changing market conditions.</p> <p>It is proposed that same may be retained under <i>Regulation 17. Special Provisions for Tariff for Thermal Generating Station which have Completed 25 Years of Operation from Date of Commercial Operation</i></p>
30.(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	The proposed increase in the Return on Equity (ROE) from the existing rate of 16.50% to 17.00% for new storage type hydro generating stations, pumped storage hydro generating stations, and run-of-river generating stations with pondage warrants careful consideration. While acknowledging the need for reasonable returns to incentivize


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		generating stations, pumped storage hydro generating stations and run-of-river generating station with pondage;	<p>investments in the sector, it is essential to scrutinize the proposed increase in the context of the existing norms.</p> <p>The current ROE of 16.50% is already designed to provide an attractive incentive for investors, and any further increase might be deemed excessive. The regulatory framework must strike a balance between encouraging investment and ensuring fair returns for investors while also safeguarding the interests of consumers.</p> <p>Additionally, it's crucial to assess the impact of the proposed ROE on the overall cost of electricity and its potential implications for end-users. If the existing norms are already perceived as providing a relaxed environment for investors, a further increase might exacerbate concerns about consumer affordability.</p> <p>Therefore, we propose a thorough review of the rationale behind the proposed ROE hike and its alignment with the broader goals of the energy sector. Striking an equilibrium between investor interests and consumer welfare is pivotal for fostering a sustainable and equitable regulatory environment.</p>


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