Date, 15st Feb, 2024

Key Points of BRPL's Suggestions on Draft Tariff Regulation FY 2024-29

Interest on Working Capital

Draft Regulation 34 (a) (i) envisages that the working capital shall cover cost of coal for 10 days for pit-head generating stations and 20 days for non-pit head generating station.

Actual Coal Stock Position of Plants						(No of Day)
Coal Stock Position	DADRI (NCTPP)	UNCHAHAR TPS	KAHALGAON TPS	FARAKKA STPS	CHANDRAPURA TPS DVC	MEJIA TPS DVC
YTM Jan'24	10	12	9	9	14	6

Draft Regulation 34 (a) (vi) envisages that the working capital shall cover the receivables equivalent to 45 days of Capacity and Energy Charge calculated on the normative plant availability.

Comparison of Actual & Normative PLF of Thermal Plants			
PLF	YTM Dec'23	FY 22-23	FY 21-22
Actual	68	64	58.87
Normative	85	85	85

Recommendation - Hon'ble Commission may also provide for true up interest on working capital based on actual Coal Stock maintained by the Generating Station and Receivables based on actual billing. Any benefit accruing therefrom may be passed on by the Generating Company to beneficiaries, which would invariably be passed on to the consumers. The objective is to rationalize the tariff in the end consumers' interest.

Energy Charge for Coal based Thermal Stations

Draft Regulation 64 (4) Its envisaged that the use of an alternative source of fuel supply shall be permitted up to a maximum of 6% blending by weight for a generating station.

Blending Percentage of Imported Coal by Thermal Plants									
Plants	April'23	May'23	June'23	July'23	August'23	September'23	October'23	November'23	December'23
Dadri-II	22	18	15	7	3		6	17	16
Farakka		7	4	4	11	13	10	8	15
Unchahar-I	21	21	23	22	21	20	16	20	14
Unchahar-III	21	20	20	20	17	16	11	18	14
Kahalgaon-I						5	2	2	6
Kahalgaon-II						5	4	4	6

Under the current practices observed within generating companies, the blending of imported coal frequently surpasses the 6% threshold at individual stations. Therefore, implementing restrictions would facilitate a more equitable distribution of the financial burden associated with the blending of imported coal among all stakeholders.

Gross Calorific Value of Primary Fuel

Draft Regulation 60 - It's envisaged that regarding Gross Calorific Value of Primary Fuel, incase of absence of third party sampling report the actual loss of GCV shall be restricted to 300 Kcal/Kg for pit head stations & 600 Kcal/Kg for non-pit head stations.

Recommendation- In the consumer interest it is suggested that Hon’ble Commission may consider capping the maximum loss in calorific value even in case of GCV on ‘As Received’ basis i.e., 300 kCal/kg or Pit-head based Generating Stations or Generating Stations with Integrated mine and 600 kCal/kg for Non-Pit Head based Generating Stations. It is submitted that: -

- This capping would invariably become an operational performance parameter for Generating Companies.
- Hon’ble Commission may also encourage Generators to procure their own rakes to reduce loss in calorific value of coal.
- This would also reduce the risk of depleted coal stock position arising out of domestic freight issues.

Capacity Charge Computation

- Existing Regulation 42 Tariff Regulations, 2019 include provisions regarding High Demand and Low Demand seasons, requiring Thermal Generating Stations to be available during the High Demand season for three months to recover full capacity charges.
- Draft Regulation 62 -These provisions have been removed from proposed Draft. This may provide an opportunity to Thermal Generating Stations to recover full capacity charges even if they do not achieve the desired availability during the High Demand season/summer months
- Recommendation- Hon’ble Commission may consider retaining the existing provisions of High and Low Demand season to encourage generator to maintain full availability during High Demand season ie summer months

Incentives for Thermal Generating Stations

- Existing Regulation 42 (6)- Incentive energy charge for peak hours shall be charged at Rs 65 Paise/Kwh
- Proposed in Draft Regulation:
  - Draft Regulation 62 (5)- Its envisaged that a generator shall be entitled to an incentive up to 1% of its approved AFC for a given year for Frequency Response Performance
  - Draft Regulation 62 (6)- Its proposed that incentive energy charge for peak hours be increased from the current Rs 65 Paise/Kwh to Rs 75 Paise/kwh
- Recommendation:
  - Monthly Frequency Response Performance is critical for Grid balancing, however the as per the existing practice Generating Stations are compensated for providing support under the ancillary service mechanism through the *("DSM")* pool account. It is proposed that incentives for Generating Station under this category should also be facilitated through the DSM pool.
  - We would urge the Hon'ble Commission to retain the existing incentive energy charge rate for peak hrs at Rs 65 Paise/Kwh

Special Allowance

- Existing Regulation 28 (2)- Special allowance admissible to generating stations shall be Rs 9.5 Lakh/MW
- Proposed in Draft Regulation:
  - Under Draft Regulation 28(2), Special Allowance has been increased from Rs. 9.50 lakh per MW per year under the existing Regulation 28 of Tariff Regulations, 2019 to 10.75 lakh per MW per year.
  - This translates into an increase of 13% which is considerably higher than that of O&M Expenses proposed by the Hon'ble Commission ie 5.89%.

Recommendation:

- Hon'ble Commission may consider retaining the exiting rate of Special Allowance @ Rs. 9.50 lakh per MW per year which would help in optimizing the tariff for end consumers.
- As an alternative approach, given that Special Allowance functions akin to O&M Expenses and serves similar purposes, we suggest that the Hon'ble Commission contemplate limiting the rise in Special Allowance to 5.89%.

Renovation and Modernization *("R&M")*

- Existing Regulation 27 (1) (Second Proviso)- Generating companies were required obtain beneficiary consent.
- Draft Regulation:
  - Draft Regulation 27 (1) (Second Proviso)- Generating companies were required seek beneficiary consent.
  - Draft Regulation 27(2) Generating company shall file for approval along with response from the beneficiaries for R&M, with ultimate approval resting with the Hon'ble Commission.

Recommendation-

- Draft Regulation 27(1) and (2) may be suitably amended to allow Generating Companies to file an application for approval of R&M by the Hon'ble Commission only after receiving the consent from the beneficiaries.
- A time limit may be provided for beneficiaries to provide their consent to ensure that there is no delay by beneficiaries.
- In case the proposal of the Generating Company is not acceptable to the beneficiaries, no application may be filed before the Hon'ble Commission.

No more condonation of delay in financial closure and fresh consent of beneficiaries should be mandatory

- Existing regulation ie Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 *(**"Tariff Regulations, 2019"**) states that* Stations that had executed PPAs on or before 05.01.2011 & have not achieved financial closure by 31.03.2019 required fresh consent of the beneficiaries for determination of tariff
- Proviso to Draft Regulation 2(1) provides for fresh consent of the beneficiaries to be obtained by a Generating Company for determination of tariff of Stations for which Power Purchase Agreement(s) *(**"PPA"**)* for supply of electricity have been executed on or before 05.01.2011 and financial closure have not been achieved by 31.03.2024.
- Any further relaxation in this provision would be against consumer interest. As on date, financial closure for such projects has been delayed for over 13 years (from 05.01.2011). Such delays adversely affects beneficiaries :
  - Time & cost overrun- Because of higher capital cost which was never envisaged or agreed to while signing the PPA in 2011.
  - Alternate arrangements- Beneficiaries would have invariably pursued alternate arrangements
- Recommendation- Fresh consent of the beneficiaries must be mandated where the financial closure has not been achieved by 31.03.2019.

THANK YOU

Participation of Consumers in Tariff Determination Process

Concerns

Limited involvement of end consumers in tariff determination process, leading to the following concern

– Tariff hikes on account of increase in Generation/Transmission costs are not well received by end consumers
– Leading to non-reflective tariffs, invariably affective the entire value chain of power sector

Recommendations

– Existing provision like section 94(3) of Electricity Act 2003, need to be strengthened to ensure participation of consumers
– Empanelment of consumer bodies from each state to represent their interest.