

Sl. No.	Regulation No.	Issue	Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments										
1.	70(C)	Operational Norm – Gross Station Heat Rate	<p>Thermal Generating Stations achieving COD on or after 1.4.2009:</p> <p>(i) For Coal-based and lignite-fired Thermal Generating Stations:</p> <p>For 200/210/250 MW Sets: 1.05 X Design Heat Rate (kCal/kWh)</p> <p>For 500 MW Sets and above: 1.04 X Design Heat Rate (kCal/kWh)</p>	<p>Thermal Generating Stations achieving COD on or after 1.4.2009:</p> <p>(i) For Coal-based and lignite-fired Thermal Generating Stations:</p> <p>1.05 X Design Heat Rate (kCal/kWh)</p>	<ul style="list-style-type: none"> • Draft Regulations proposed separate norms for 200 MW Series and 500 MW and above Series. • The Commission in Explanatory Memorandum has not provided any rationale for consideration of lower operating margin for 500 MW and above sets. • During the past Control periods, the Commission has changed operation margin over Design Heat Rate for Station Heat Rate as under: <table border="1"> <thead> <tr> <th>Tariff Period</th> <th>Norms for Heat Rate</th> </tr> </thead> <tbody> <tr> <td>2009-14</td> <td>1.065 x Design Heat Rate</td> </tr> <tr> <td>2014-19</td> <td>1.045 x Design Heat Rate</td> </tr> <tr> <td>2019-24</td> <td>1.05 x Design Heat Rate</td> </tr> <tr> <td>2024-29 (draft)</td> <td>1.04 x Design Heat Rate</td> </tr> </tbody> </table> <p>For example, for 660 MW plant commissioned during 2009-14, the Heat Rate is changed as under:</p> <p>Design Heat Rate: 2,151 kcal/kWh (Pressure rating 247 kg/cm², SHT/RHT – 565/593)</p> <p>2009-14 Period – 2,291 kcal/kWh 2014-19 Period – 2,248 kcal/kWh 2019-24 Period – 2,258 kcal/kWh 2024-29 period – 2,238 kcal/kWh</p> <p>From the above, it is noted that, Station Heat Rate has been fluctuating during the Control period. There should be regulatory uncertainty in terms of operating norms specified by the Commission for generating stations.</p> <ul style="list-style-type: none"> • In case, actual operating parameters achieved by generating company are better than normative parameters in Control period, then generating company should not be penalised by reducing the operating norms for succeeding Control period. • It is suggested to continue with the existing operating margin of 5% over and above design heat rate for all thermal generating stations. 	Tariff Period	Norms for Heat Rate	2009-14	1.065 x Design Heat Rate	2014-19	1.045 x Design Heat Rate	2019-24	1.05 x Design Heat Rate	2024-29 (draft)	1.04 x Design Heat Rate
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2.	70(E)	Operational Norm – Auxiliary Consumption	<p>Auxiliary Energy Consumption:</p> <p>(a) For Coal-based generating stations except at (b) below:</p> <p>... ..</p>	<p>Auxiliary Energy Consumption: (a) For Coal-based generating stations except at (b) below:</p> <p>... ..</p>	<ul style="list-style-type: none"> • Draft Regulations reduced the Auxiliary consumption for 600 MW and above plants having steam driven boiler feed pump from 5.75% to 5.25%. • The Commission in Explanatory Memorandum has not provided any rationale for such reduction in Auxiliary consumption norm. 										

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			(iii) 600 MW and above Steam driven boiler feed pumps : 5.25%	(iii) 600 MW and above Steam driven boiler feed pumps : 5.75%	<ul style="list-style-type: none"> During the past Control periods, the Commission has changed Auxiliary Consumption for 600/660 MW series plants (Steam Driven feed pump) as under: <table border="1"> <thead> <tr> <th>Tariff Period</th> <th>Norms for Auxiliary Consumption</th> </tr> </thead> <tbody> <tr> <td>2009-14</td> <td>6.00%</td> </tr> <tr> <td>2014-19</td> <td>5.25%</td> </tr> <tr> <td>2019-24</td> <td>5.75%</td> </tr> <tr> <td>2024-29 (draft)</td> <td>5.25%</td> </tr> </tbody> </table> From the above, it is noted that, Auxiliary Consumption has been fluctuating during the Control period. There should be regulatory uncertainty in terms of operating norms specified by the Commission for generating stations. In case, actual operating parameters achieved by generating company are better than normative parameters in Control period, then generating company should not be penalised by reducing the operating norms for succeeding Control period. It is suggested to continue with present norm of Auxiliary Consumption of 5.75%. 	Tariff Period	Norms for Auxiliary Consumption	2009-14	6.00%	2014-19	5.25%	2019-24	5.75%	2024-29 (draft)	5.25%														
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3.	36	Norms for O&M Expenses	For Thermal generating Stations, the Commission has specified Norms (in Rs. Lakh/MW) as per methodology stipulated in Explanatory Memorandum of Draft Regulations.	<p><i>O&M Norms to be revised as per proposed suggestions.</i></p> <ul style="list-style-type: none"> The following year-wise norms are proposed for 600/660 MW category: <table border="1"> <thead> <tr> <th>Particulars</th> <th>600/660 MW Series (Rs. Lakh/MW)</th> </tr> </thead> <tbody> <tr> <td>FY 2024-25</td> <td>28.38</td> </tr> <tr> <td>FY 2025-26</td> <td>29.97</td> </tr> <tr> <td>FY 2026-27</td> <td>31.67</td> </tr> <tr> <td>FY 2027-28</td> <td>33.46</td> </tr> <tr> <td>FY 2028-29</td> <td>35.38</td> </tr> </tbody> </table>	Particulars	600/660 MW Series (Rs. Lakh/MW)	FY 2024-25	28.38	FY 2025-26	29.97	FY 2026-27	31.67	FY 2027-28	33.46	FY 2028-29	35.38	<ul style="list-style-type: none"> Explanatory Memorandum published provides the details of methodology adopted by the Commission for arriving at Norms for O&M Expenses. <p>Methodology for computation of Norms</p> <ul style="list-style-type: none"> The methodology for consideration of normalized O&M norms is not appropriate as it would lead to computation of norms lower than actual expenses, which can be clearly from the following Table: <p style="text-align: center;">In Rs. Lakh/MW</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Barh</th> <th>Mauda Stage 2</th> </tr> </thead> <tbody> <tr> <td>Actual O&M Expenses– FY 2022-23 (A)</td> <td>31.11</td> <td>19.54</td> </tr> <tr> <td>Derived/Normalised O&M Expenses – FY 2022-23 (B)</td> <td>28.59</td> <td>19.10</td> </tr> <tr> <td>Difference (A)-(B)</td> <td>2.52</td> <td>0.44</td> </tr> </tbody> </table> <p>While computing norms, the Commission has not removed these abnormalities.</p>	Particulars	Barh	Mauda Stage 2	Actual O&M Expenses– FY 2022-23 (A)	31.11	19.54	Derived/Normalised O&M Expenses – FY 2022-23 (B)	28.59	19.10	Difference (A)-(B)	2.52	0.44
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					<ul style="list-style-type: none"> • Based on the above, the norms derived for first year of Tariff Period (FY 2024-25) would always be lower than actual expenses for such year. • There would be deficit in O&M expenses for generating stations from first year itself of Tariff Period. • The approach of Performance-based Regulations should encourage efficient operations and should provide adequate leeway for improvement in performance with respect to norms. The lower norms than actual O&M expenses would put the generating stations in financial burden from first year itself. • In order to address this, instead of computation of normalized O&M Expenses, the latest actual O&M norms (FY 2022-23) should be considered as Base O&M expenses and further escalated by escalation factor as stipulated in Explanatory Memorandum. <p>Change in Escalation factor after excluding impact of COVID-19 pandemic –</p> <ul style="list-style-type: none"> • For computation of escalation factor of 5.89%, WPI and CPI index are considered for the period from FY 2018-19 to FY 2022-23, which includes the impact of COVID-19 pandemic in FY 2020-21. • During FY 2020-21, the increase in WPI index is just 1.29%. • Hence, to rationalize the impact of COVID-19 pandemic, the escalation factor should be computed after excluding the increase in WPI and CPI index for FY 2020-21. • After excluding the impact of COVID-19 pandemic as discussed above, WPI and CPI would be worked out as 6.26% and 6.04% respectively. • Accordingly, the escalation factor worked out as 6.17%. <p>Consideration of Employee cost towards Performance-related pay –</p> <ul style="list-style-type: none"> • Productivity linked incentive, expenditure for VRS and performance-related Pay should be included in Normalisation of O&M expenses as it is part of Employee cost only. • In the case of IPPs, incentives and performance related pay are part of CTC of employee and considered as part of Employee Cost. • Further, Explanatory Memorandum stated that performance related pay should be funded from the sharing of gains received by the generating company. It is noted that, first of all, 50% of sharing of gains is shared presently with beneficiaries. If the same approach is to be continued, then at least 50% of performance related pay should be considered in computation of O&M Norms. • Further, it is stated that performance of generating station is dependent on PLF of the plant. PLF is not within control of generating station and it merely depends on scheduled given by beneficiary. Hence, linking the performance

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					<p>pay to performance of generating company for computation of O&M expenses would lead to disallowances in O&M Expenses.</p> <ul style="list-style-type: none"> Hence, it is suggested to include the actual O&M expenses towards Productivity linked incentive, expenditure for VRS and performance-related Pay for computation of O&M Norms. <p>Increase in Norms for inclusion of capital spares below Rs. 20 lakh –</p> <ul style="list-style-type: none"> 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. 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. Hence, 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>In view of the above, the following O&M Norms are proposed for 600/660 MW series based on the above consideration-</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Rs. Lakh/MW</th> </tr> </thead> <tbody> <tr> <td>O&M Norm specified in Draft Regulations for FY 2024-25</td> <td>24.81</td> </tr> <tr> <td>Add: Change in methodology by considering actual of FY 2022-23 as base value</td> <td>1.00</td> </tr> <tr> <td>Add: Change in Escalation factor from 5.89% to 6.17%</td> <td>0.07</td> </tr> <tr> <td>Add: Norm for inclusion of capital spares below Rs. 20 lakh</td> <td>2.5</td> </tr> <tr> <td>Grand Total</td> <td>28.38</td> </tr> </tbody> </table>	Particulars	Rs. Lakh/MW	O&M Norm specified in Draft Regulations for FY 2024-25	24.81	Add: Change in methodology by considering actual of FY 2022-23 as base value	1.00	Add: Change in Escalation factor from 5.89% to 6.17%	0.07	Add: Norm for inclusion of capital spares below Rs. 20 lakh	2.5	Grand Total	28.38
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4.	10(3)	Provisions for allowance of Interim tariff	<p>10. Determination of tariff (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>10. Determination of tariff (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>Provided that in case the final tariff determined by the Commission is</p>	<ul style="list-style-type: none"> In the Draft Regulation, the Commission has included the provision for allowance of Interim tariff up to 90% of tariff claimed by generating company after filing of the Tariff Petition. These provisions shall be continued in Final Regulations as it would enable Generating Company to recover the revenue gap and reduce the carrying cost burden on beneficiary. Further, as regards the return of excess amount at 1.20 times of rate of interest, it is submitted that, the determination of final tariff is prerogative of the Commission only. The generating company cannot be held accountable for charging tariff based on its best estimates available. Hence, return of excess recovery of tariff should be at same rate worked out on the basis of 1-year SBI MCLR plus 100 basis points prevailing as on 1st April of the financial year. 												

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			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.	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	
5.	10(7)	Rate for allowing carrying cost - Treatment of interest on differential tariff after truing up	(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. 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. Provided further that such interest, including that determined as per sub-clause (8)	(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 350 basis points prevailing as on 1st April of the respective year of the tariff period, in six equal equated monthly instalments. 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. 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 ne monthly interest shall	<ul style="list-style-type: none"> • Draft Regulations has proposed to lower the rate of carrying cost from (SBI MCLR + 350 basis points) to (SBI MCLR + 100 basis points). • 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. • Further, no benchmarking study has been undertaken by the CERC 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. • Further, it is noted that the Regulations has specified the actual cost of funds while allowing interest on working capital at higher rate. • Presently, REC and PFC stipulated Short Term Lending rates for Private sector companies as 10.40%, 10.90% and 11.40% (monthly interest rates) for A1, A2 & A3 ratings respectively. This monthly interest rate of 11.40% translates annualised rate of 12.01%, which is 375 basis points above SBI MCLR (1 year). • Hence, the carrying cost should be allowed at same rate at which interest on working capital is allowed in Regulations. i.e., (SBI MCLR + 350 basis points) • 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.

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			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.	be allowed or levied during the period of six-monthly instalments.	
6.	34 (3) and 3(67)	Rate of Interest on working capital	<p>34. Interest on Working Capital: (3) Rate of interest on working capital shall be on a normative basis and shall be considered at the Reference Rate of Interest as on 1.4.2024 or as on 1st April of the year during the tariff period 2024-29 in which the generating station or a unit thereof or the transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later: Provided that in case of truing-up, the rate of interest on working capital shall be considered at Reference Rate of Interest as on 1st April of each of the financial year during the tariff period 2024-29.</p> <p>3 Definitions (67) '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>34. Interest on Working Capital: (3) Rate of interest on working capital shall be on a normative basis and shall be considered at the Reference Rate of Interest as on 1.4.2024 or as on 1st April of the year during the tariff period 2024-29 in which the generating station or a unit thereof or the transmission system including communication system or element thereof, as the case may be, is declared under commercial operation, whichever is later: Provided that in case of truing-up, the rate of interest on working capital shall be considered at Reference Rate of Interest as on 1st April of each of the financial year during the tariff period 2024-29.</p> <p>3 Definitions (67) '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 350 325 basis points;</p>	<ul style="list-style-type: none"> • In the present draft CERC has reduced the spread of 350 basis point to 325 basis points, observing the stable and predictable financial environment. • 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. • Further, the Commission has ignored the continuous financial risk increasing in the market for thermal power companies. As the market is getting more inclined towards clean energy, risk for thermal generating station is increased from lenders perspective. <p>Accordingly, it is suggested to retain the spread of 350 basis point for calculation of Interest on Working Capital.</p>
7.	21 & 22	Delay towards obtaining forest clearance/ NHAI	21. Interest During Construction (IDC) and Incidental Expenditure during Construction (IEDC) (5).....	21. Interest During Construction (IDC) and Incidental Expenditure during Construction (IEDC) (5).....	<ul style="list-style-type: none"> • In Draft Regulations, the Commission has proposed to allow condonation of delay in obtaining forest clearance, NHAI Clearance, approval of Railways, and acquisition of government land up to 90% of delay associated with such approvals or clearance.

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		clearance/Land acquisition	<p>Provided that in case of activities like obtaining forest clearance, NHA 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.</p> <p>22. Controllable and Uncontrollable factors: (2) The "uncontrollable factors" shall include but shall not be limited to the following: a. Force Majeure events. b. Change in Law; and c. Land acquisition except where the delay is attributable to the generating company or the transmission licensee.</p>	<p>Provided that in case of activities like obtaining forest clearance, NHA Clearance, approval of Railways, and acquisition of government land, where delay is on account of delay in approval of concerned authority, in such cases condonation shall be allowed on case to case basis after due prudence check.</p> <p>22. Controllable and Uncontrollable factors: (2) The "uncontrollable factors" shall include but shall not be limited to the following: a. Force Majeure events. b. Change in Law; and c. Land acquisition except where the delay is attributable to the generating company or the transmission licensee. d. Delay in obtaining forest clearance, NHA Clearance, approval of Railways, and acquisition of government land, where delay is on account of delay in approval of concerned authority</p>	<ul style="list-style-type: none"> It is noted that, for approval of condonation of delay, the Commission has to undertake the prudence check based on the details and justification submitted by generating company or transmission licensee. By putting up the limit of 90%, the Commission has been restricting its plenary powers to allow 100% condonation of delay after due prudence check. Also, there would be loss to generating company or transmission licensee even after the Commission has ascertained that delay is not attributable to the generating company or transmission licensee. This would be contrary to the APTEL Judgment dated 27.04.2011 in Appeal No. 72 of 2010 as adopted by the Commission under Regulation 21. Further, land acquisition has been considered as uncontrollable factors. The majority of delay in land acquisition is on account of these events. Hence, these events shall also be required to be considered as uncontrollable factors. Moreover, it is contradictory that a maximum limit of up to 90% for condonation of the delay is proposed for these events. Hence, it is suggested that delay on obtaining forest clearance, NHA Clearance, approval of Railways, and acquisition of government land shall be considered as uncontrollable factors and shall be decided on case-to-case basis after due prudence check by the Commission. Accordingly, the changes are proposed in Draft Regulations.
8.	25	Initial Spares	<p>25. Additional Capitalisation within the original scope and after the cut-off date: (1) The additional capital expenditure incurred or projected to be incurred in respect of an existing project or a new project on the following counts within the original scope of work and after the cut-off date may be admitted by the</p>	<p>25. Additional Capitalisation within the original scope and after the cut-off date: (1) The additional capital expenditure incurred or projected to be incurred in respect of an existing project or a new project on the following counts within the original scope of work and after the cut-off date may be admitted by the Commission, subject to prudence check:</p>	<ul style="list-style-type: none"> Draft Regulations provides the ceiling limit for capitalisation of Initial Spares. However, such capitalisation of Initial Spares is restricted up to cut-off date. It is noted that Initial Spares are crucial part of project. Capitalization of spares like other additional capitalization also dependent on many uncertainties such as spares availability, vendor negotiation, funding, delivery time, etc. The procurement of Initial spares should not be restricted for capitalisation up to cut-off date. The relaxation of cut-off date should be allowed for Initial spares. It is suggested to consider the capitalisation of initial spares beyond cut-off date if initial spares procured are within the ceiling limit specified in Regulations.

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			Commission, subject to prudence check: (a) Payment made against award of arbitration or for compliance with the directions or order of any statutory authority, or order or decree of any court of law; (b) Change in law or compliance with any existing law which is not provided for in the original scope of work; (c) Deferred works relating to ash pond or ash handling system in the original scope of work; (d).....	(a) Payment made against award of arbitration or for compliance with the directions or order of any statutory authority, or order or decree of any court of law; (b) Change in law or compliance with any existing law which is not provided for in the original scope of work; (c) Procurement of initial spares within the original scope of work, in accordance with the provisions of Regulation 23 of these Regulations. Provided that Initial spares shall be allowed only if it within ceiling limit as specified in Regulation 23 of these Regulations. (d) Deferred works relating to ash pond or ash handling system in the original scope of work; (d).....	
9.	33	Depreciation for New Projects	33 Depreciation: (1) (5)..... (6) Depreciation for New Projects shall be calculated annually based on the Straight-Line Method and at rates specified in Appendix-II to these regulations for the assets of the generating station and transmission system: 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.	33 Depreciation: (1) (5) (6) Depreciation for New Projects shall be calculated annually based on the Straight-Line Method and at rates specified in Appendix-II to these regulations for the assets of the generating station and transmission system: Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 (twelve) years from the effective date of commercial operation of the station shall be spread over the balance useful life of the assets.	<ul style="list-style-type: none"> • As per present Regulations, the repayment for long tenor loan for repayment period of 12 years has been considered equivalent to depreciation for new projects. Accordingly, depreciation has been allowed by considering the annual depreciation equivalent to repayment amount considered for loan tenor of 12 years. This enables the Generating company to have an adequate cash flow available to meet its debt service obligation. • Approach paper has proposed to increase the repayment period from 12 years to 15 years, with an assumption that there is availability of long tenor of 15-18 years. • Draft Regulations proposed the repayment period of 15 years for new projects. • With this approach, it is noted that, it is noted that there would be net increase in Annual Fixed Charges by more than 7-8% over the useful life of the project, on account of increase in Interest amount for such longer period of normative loan. Increasing repayment period will increase the burden on beneficiaries (at the last mile- end consumers) over project lifecycle as well as reduce the cash flow for Generating Company. • The proposed approach is also not aligned with the principles and objectives enshrined in the Electricity Act, 2003 and Tariff Policy to protect the interest of consumers as well as developer. In this case, it is evident that it is helping none of the stakeholders.

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					<ul style="list-style-type: none"> • Further, it is noted that, the long-tenor loans are disbursed by Banks after considering their Asset-liability position and risks associated with loans. Majority of Bank’s liabilities (Deposits, etc.) are in the bucket of lower age tenor (8-10 years). The repayment period of 12 years is being allowed by considering the average period of Bank’s liabilities and risks of infrastructure projects. • Accordingly, for long tenor loans, higher interest rates are being charged by Banks. If such long tenor loans are availed by Generating Company(ies), this will put additional burden on Beneficiary over project lifecycle as interest rates are pass through. Hence, it would not be a feasible option for Generating company to avail such long tenor loans because of higher interest rates and its subsequent impact on cash flows. In view of this, it would not be appropriate to consider the repayment period of 15-18 years as the long tenor loans are not feasible option. • Now even in case External Commercial Borrowings (ECB), Reserve Bank of India (RBI) has stipulated the average maturity period of three (3) years with “All-in-cost” ceiling interest cost i.e., Benchmark rate plus maximum spread. For Rupee denominated ECB, it would be Benchmark rate plus 450 basis points and for Foreign Currency denominated ECB, it would be benchmark rate plus 500 bps. Further, in case of long tenor ECBs, say 10 years, it would require the payment of higher spread over the benchmark rate, which is not allowed by RBI. Hence, option for consideration of long tenor ECB would not be feasible option. In addition to this, Issue of assets liability matching will also be applicable in ECB facility. Foreign Banks, Indian Banks having branches outside face difficulty in sanctioning longer tenor foreign currency loans for projects unless they have matching assets and liabilities. • Further, it may be noted that because of current climate change scenario and Environmental, Social and Governance (ESG) constraints, Foreign Banks/Financing Institutions are not readily willing to lend for financing fossil fuel-based projects. With changing scenario and energy mix, the availability of loans to Thermal Generating Stations is expected to be constrained or it would be at higher rate of interest. This is primarily because of higher risk perception of Fossil fuel generation due to transition to RE and higher exposure of domestic loans to power sector considering large fund requirement for Thermal generating stations. Therefore, the situation for taking longer term loans from foreign banks/ financial Institutions will further aggravate on increase in tenor of term loans. • In view of the above, it is noted that there is lot of uncertainty in terms of interest rates for fossil-based plants especially for long tenor loans and for cost plus projects, primary reason for considering Interest rates on actual is to insulate both beneficiaries and generating company from the associated risks.

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					<ul style="list-style-type: none"> The proposed approach of consideration of repayment period of 15 years would lead to major liquidity issues for Generating Company as well as it would burden the beneficiary with additional cost. Hence, it is suggested that the present approach of consideration of repayment period of 12 years may be continued for New Projects.
10.	30	Return on Equity	<p>30. Return on Equity: (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with Regulation 18 of these regulations.</p> <p>(1).....</p> <p>(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.</p> <p>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</p>	<p>30. Return on Equity: (1) Return on equity shall be computed in rupee terms, on the equity base determined in accordance with Regulation 18 of these regulations.</p> <p>(1).....</p> <p>(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.</p> <p>Provided that return on equity in respect of additional capitalization beyond the original scope, including excluding 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%;</p>	<ul style="list-style-type: none"> Rate of ROE on additional capitalisation on account of change in law, force majeure event and emission control system shall be allowed at the same rate i.e., 15.50% for Thermal generating Stations. Any expenditure admitted by the Commission after prudence check has the same applicability of ROE as capital investment. It is submitted that each cost incurred after the cut-off date is approved by the Hon'ble Commission after adequate prudence check. The additional capitalisation under change in law, force majeure event and emission control system are legitimate and allowed under these Regulations. Therefore, the current provision of denying adequate return on equity portion towards such additional capitalization is not appropriate. Hence, the rate of ROE for additional capitalisation on account of change in law, force majeure event and emission control system should be same as considered for project as on COD. i.e., 15.50% for Thermal Generating Stations. It is further suggested the provision regarding allowance of additional ROE of 0.50% for early commissioning of the project shall be incorporated to encourage the investment in the sector. Considering the estimated demand-supply scenario in the country, the capacity of thermal generating stations is anticipated in future. Hence, such timely completion of generation project should be encouraged with allowance of addition ROE of 0.5% for early commissioning. 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 01.4.2014 should be given incentive based on the applicable Tariff Regulations for the MYT in which project has achieved COD.

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			points as on 1st April of the year, subject to a ceiling of 14%;	<p>(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.</p> <p>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.</p>	
11.	8(1) & 9(3)	Tariff for Emission Control System	<p>8. Tariff determination (iii) The generating company shall file an application for determination of supplementary tariff for the emission control system installed in a coal or lignite based thermal generating station in accordance with these regulations not later than 90 days from the date of operation of such emission control system. </p> <p>9. Application for determination of tariff (3) In case an emission control system is required to be installed in the existing generating station or unit thereof to meet the revised emission standards, an application shall be made for the determination of supplementary</p>	<p>The following provisos to be included:</p> <p>Provided that Generating Company may file an application for in-principal approval of capital expenditure to be incurred for Emission Control system prior to incurring the capital expenditure.</p> <p>Provided further that Generating Company may file an application for approval of provisional supplementary tariff prior to 180 days from scheduled commercial date of operation of Emission Control System.</p>	<ul style="list-style-type: none"> • The Draft Regulations proposed the proviso for filing the Petition for determination of supplementary tariff for Emission Control System based on actual capital expenditure incurred and only after commercial operation of such Emission Control System. • It is noted that there is no proviso for approval of provisional tariff or in-principle approval of capital expenditure to be incurred for Emission Control system. • The absence of any commitment towards allowance of such capital expenditure would increase risk for generating company as well as lenders financing such Emission Control System. • Hence, it is suggested to include the proviso regarding the approval of provisional supplementary tariff in case of Emission Control System.

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			tariff (capacity charges or energy charge or both) based on the actual capital expenditure duly certified by the Auditor.		
12.	9(5)	Carrying cost in case of delay in filing the Petition	<p>(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:</p> <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>(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:</p> <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 date of commercial operation of the project only if such delay in filing of the Petition is condoned by the Commission, otherwise carrying cost shall be allowed from the date of filing of the application as per Regulation 10(7) and 10(8) of these regulations.</p>	<ul style="list-style-type: none"> • Draft Regulations proposed for disallowance of carrying cost for the period from date of commercial operation of the project till filing the tariff Petition, in case of delay in filing the Petition. • By putting such proviso, the Commission has itself restricted its plenary powers for condonation of delay in case the delay in filing of petition is beyond control of generating company or transmission licensee. • Further, generating company or transmission licensee should be given an opportunity to present his case and provide detailed justification for such delay in filing of Petition. Hence, not providing any opportunity to the generating company or transmission licensee is against the principal of the natural justice. • In view of this, it is suggested that the Commission shall decide on condonation of delay in filing of the petition on case-to-case basis and allow the carrying cost for such based on prudent check.