

Central Electricity Regulatory Commission

Draft

(Terms and Conditions of Tariff) Regulations, 2024

Comments on the draft

KERALA STATE ELECTRICITY BOARD LIMITED



Chapter-6: Computation of Capital Cost

Regulation 19(2) (p) & 19(3)(g):

- Allowing additional capital expenditure for flexible operation of generating station at low loads may be reviewed
 - Low load compensation already exist for Gencos as per IEGC.
 - Ancillary Service charges allowed.

Regulation 19 (2) (i) & 19(3)(d) : Capital expenditure for ash disposal and utilization

May be partly borne by the Central Government through clean energy cess.

Regulation 19(4): Additional expenditure for local infrastructure

- As per the guidelines of MoP - allocation of 12% free power to the affected States and 1% for local area development in case of Hydro Power Stations . In view of the above, there is **no need for allowing additional expenditure for local infrastructure.**

Chapter-6: Computation of Capital Cost

Regulation 20: Prudence check of capital cost:

- The **cost of plant and machinery of a generation and transmission project** can be **standardized** for each type of project- coal based/ gas based etc. **with suitable indexation for inflation** during the subsequent years etc.

Regulation 21 (5): IDC & IEDC:

- Forest clearance and land clearance may be included as a **controllable factor**.
- Change in Govt. policies have made clearance fast.
- Application for delay to be allowed on merit on a **case-to-case basis**.

Chapter-7 :

Computation of Additional Capital Expenditure

- **Regulation 28: Special allowance for coal-based/lignite fired thermal generating station**
- The actual expenditure incurred under the head Special Allowance may be verified
- **Special allowance may be fixed based on the actuals for the last 5 years.**
- Special allowance allowed **may also be trued up** and if the actual expenditure under this head is lower than norms, actual expenditure may only may be allowed.
- Verification may be made to see that stations have **made efforts to improve the operating parameters**

Chapter-8 :

Computation of Annual Fixed Cost

Regulation 30:

- **Return on Equity:** RoE may be reduced considering the falling **G-Sec rate for the last 5 years.**
- RoE for the increase in capital cost due to **cost overrun and time overrun** allowed by Commission may be **only at the weighted average interest rate of the loan.**
- For projects that have completed its useful life, Return on equity **may not be allowed** as the project developer has **already recovered the investment** cost by the end of the useful life.

Regulation 34(1)(a): Interest on Working capital

- There shall be a provision in the tariff regulation to **reduce the interest on working capital if the generators failed to maintain the stock of fuel** as stipulated in the tariff regulation
 - While truing up, **the cost of fuel and the actual stock of fuel** maintained by the generators may only be considered.
- The **non-cash expenditure** including **depreciation and RoE** may be excluded from the **45 days receivables** while working capital requirement.

Regulation 36: Operation and Maintenance Expenses

- The **normative O&M expenses arrived** for coal and lignite fired stations for the FY 2024-25 to FY 2028-29 in the draft Regulations **do not match with the normative O&M expenses arrived in the explanatory memorandum.**
- The **O&M norms and escalation factors are fixed based on the higher O&M cost of other regions (Y-O-Y increase is 3.42% for NER, Allowed is 5.89%).** Therefore, there is **no need for allowing a multiplication of 1.50** to the normative O&M expenses for NE region, Uttarakhand, Himachal Pradesh, Jammu & Kashmir and Ladakh.

Regulation 60: Gross Calorific Value of Primary Fuel

- **Third Party sampling:**
 - Third party **sampling frequency may be specified** in the Regulation.
 - Third party sampling **report shall be published and non-compliance shall be penalized.**
- **Fixing ceiling limit for GCV Variation**
 - Even if there is third party sampling, there shall be a **ceiling limit for the variation in GCV value** between **'as billed'** and **'as received'**.
 - **As per the actual data** the GCV variation between 'GCV as billed' and 'GCV as received' **for pit head stations is in the range of 200-250 kcal/kg and non pit head station is 400-450 kCal/kg.** It is submitted that the **ceiling limits may be fixed as 200kCal/kg for pit head stations and 400kCal/kg for non pit head stations.**
 - **GCV variation between 'GCV as received' and 'GCV as fired' may also be specified.**
 - **2/3rd of the cost due to GCV variation between 'as billed' and 'as received' shall be borne by the generator**

- It shall be made **mandatory for the generators to publish**
 - **source** of fuel,
 - mode of transport,
 - distance of transportation for each source,
 - GCV of fuel from each source,
 - blending ratio
 - surface transportation distance and charges**separately along with the invoices and publish the same in the website also.**
- **Non-compliance may be penalized.**

Regulation 62(5) : Incentive

- Regulation 62(5) : Incentive based on average monthly frequency response:
 - Incentive allowed for schedule above the normative PLF.
 - Additional rate of return on equity of 0.25% for every incremental ramp rate of 1% per minute achieved over and above the ramp rate specified under IEGC Regulations.

In view of this, it is requested that **this provision may be deleted.**

- It is requested that **peak hour availability may be increased to 90%** considering the peak hour power shortage in the Country.
- Regulation 62(6) : The **incentive during off peak hours may be reduced to 25 paise/kWh.**

Regulation 64(4) & Regulation 65(4)

Regulation 64(4) : Computation and payment of energy charges

- The provision of maximum of 6% blending by weight without beneficiary consultation **may be allowed only if there is a direction to generating companies from MoP for mandatory blending.**

Regulation 65(4) : Computation and payment of capacity charge and energy charge for hydro stations

- Hydro stations are ***already paid higher tariff*** due to higher rate of RoE, therefore **additional incentive may not be allowed.**

Regulation 70 (A)(b): Normative Annual Plant Availability Factor

- For thermal stations that have **undergone Renovation & Modernization** or availing **special allowance for efficient working after useful life**,
 - the **NAPAF norm may be retained as 85% itself**.
- NAPAF for CFBC TECHNOLOGY stations has been reduced to 68.5% for first 3 years from CoD and 75% for subsequent years (NAPAF was 75% for first 3 years and for the subsequent year 80% in 2019-24.)
 - Thus, more **relaxed norms are given to generators instead of better and efficient norms**.
- **Very low NAPAF has been fixed for TPS-II Stage –I and II and TPS-II EXPANSION**
 - (NAPAF of NLC TPS-Stage-I and II stations and TPS-II Expansion for the past few years were low in view of the shortage of lignite due to non availability of land for mining- which is getting resolved this year).
 - It is requested that **the NAPAF norms of these stations may be fixed as 80%**.

Regulations 70 (B)(b), 70 (D) & 70 (E)

Regulation 70 (B)(b): Normative Annual Plant Load Factor for Incentive for 30 plus stations

- For thermal stations that have *undergone Renovation & Modernization or availing special allowance for efficient working after useful life*, the **NAPLF norm may be retained as 85% itself.**

Regulation 70(D): Secondary Fuel Oil Consumption & Regulation 70(E) : Auxiliary Energy Consumption

- The operating norms as per the draft Regulations have been prepared based only on past actuals of the generating stations and have not considered the need for improving efficiency.

Regulation 81 (2)

Regulation 81 (2) : Sharing of gains due to variation in norms

- The details of **methodology of sharing of gains may be stipulated in the Regulations** as there are lot of disputes on how gain alone can be shared.
- **2/3rd of gain may be allowed to pass through** to the beneficiaries instead of 1:1 sharing

Thank You