

Presentation on Draft Tariff Regulation 2024

Regulation Number	In the Draft Regulation	NEEPCO's comments
3(56)	<p>Operation and Maintenance Expenses' or 'O&M expenses' means the expenditure incurred for operation and maintenance of the project, or part thereof, and includes the expenditure on manpower, maintenance, repairs and maintenance spares, other spares of capital nature valuing less than Rs. 20 lakhs, additional capital expenditure of an individual asset costing up to Rs. 20 lakhs, consumables, insurance and overheads and fuel other than used for generation of electricity.</p>	<p>1.As per most of the power generating companies Accounting Guidelines, spares of capital nature above Rs.5.00 Lakh are capitalised.</p> <p>2. NEEPCO is based in the NER and having 16 nos. of units in the range between 25 MW to 55 MW in Hydro Stations and another 15 nos of units below 33 MW in Gas Based stations. This is because of logistical challenges. Also most generator transformers which otherwise would have been three phase, are actually single phase types leading to more number of units and also necessitating requirement of spare transformers. Therefore, spares for such small sized units may please be included in the capital cost as the cost of these cannot be absorbed in the O & M expenses proposed. It is therefore requested that spares above Rs 5 lakhs may be allowed as capital spares considering the logistical/geological challenges of the N. E Region.</p>

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3(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 .	NEEPCO proposes to modify by keeping Reference Rate of Interest same as was mentioned in the approach paper i.e Marginal Cost of Lending Rate (MCLR)+350 bps .
3(88)	"..Provided that in the case of coal/lignite based thermal generating stations and hydro generating stations, the Operational Life may be 35 years and 50 years, respectively".	The Operational Life for Gas Based Power Station is not mentioned in this Regulation. In this regard , Hon'ble Commission may kindly appreciate that NEEPCO's Gas Stations having been running on high PLF and hence for continual efficient running of the same , the operational life for Gas Based Power Stations may please be considered as 40 years and included in the Regulation.

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9(2)	<p>In case of an existing generating station or unit thereof, or transmission system or element thereof, the application shall be made by the generating company or the transmission licensee, as the case may be, by 31.10.2024, based on admitted capital cost including additional capital expenditure already admitted and incurred up to 31.3.2024 (either based on actual or projected additional capital expenditure) and estimated additional capital expenditure for the respective years of the tariff period 2024-29 along with the true up petition for the period 2019-24 in accordance with the CERC (Terms and Conditions of Tariff) Regulations, 2019 .</p>	<p>The finalization of annual accounts takes time and is generally completed by end of May. It is therefore requested to the Hon'ble Commission to extend the date upto 31.12.2024 for filing of Truing-up petition as well as petition for final tariff determination.</p>
19.4(c)	<p>Expenditure incurred towards developing local infrastructure not exceeding Rs. 10 lakh/MW in the vicinity of the power plant approved in original scheme if funding is not provided for under "Budgetary Support for Flood Moderation and for Budgetary support for enabling infrastructure".</p>	<p>Request to modify as " <i>Expenditure incurred towards developing local infrastructure not exceeding Rs. 10 lakh/MW in the vicinity of the power plant approved in original scheme which is not provided under "Budgetary Support for Flood Moderation and for Budgetary support for enabling infrastructure".</i> "</p>

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21(5)	<p>... Provided that in case of activities like obtaining forest clearance, NHAI 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>As the clearances mentioned are uncontrollable in nature, NEEPCO requests for condonation of 100% delay instead of 90% as mentioned in the draft Regulation.</p> <p>Further NEEPCO also requests that the term "Forest Clearance" should be defined as actual physical handover of cleared forest land ready for commencement of Project activities, free of any encumbrance.</p>
26(2)	<p>Any claim of additional capitalisation less than Rs. 20 lakhs shall not be considered under Clause (1) of this regulation</p>	<p>NEEPCO requests that only items below Rs.5.00 Lakh may not be considered as Additional Capitalization. In Hydro Power Plants there are substantial amount of items/works of capital nature ,the cost of which varies between Rs 5.00 Lakhs to Rs. 20 Lakhs. If these works are to be treated under O&M expenses, then it will impact profitability and financial parameters and will have negative impact on economic viability as IRR will be impeded.</p>

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30(3)	<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 points as on 1st April of the year, subject to a ceiling of 14%;</p>	<p>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 are beyond the control of generating station and therefore original RoE should be allowed on it. Further, as NEEPCO is running its Gas Based Power stations at high PLF, (much above the national average) , scheduled maintenance of these plants is imperative and additional capitalization at regular intervals is very much essential as the fund is required for efficient operation of the existing plants. Therefore, capping of RoE will have a negative impact on financials. It is requested that same be maintained at 15.5%(basic).</p>
34.1.C(i)	<p>Interest on Working Capital : Fuel cost for 15 days corresponding to the normative annual plant availability factor, duly taking into account the mode of operation of the generating station on gas fuel and liquid fuel .</p>	<p>Monthly bills are raised as per Regional Energy Account published monthly by NERPC Therefore, it is requested to continue the fuel cost for 30 days as per the existing Tariff Regulation 2019.</p>

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		Power Station	Normative O&M Expenses		Increase percentage
			EXISTING TARIFF REGULATION 2023-24	CERC DRAFT REGULATION 2024-25	
36.1.(3)	Operation and Maintenance Expenses : Open Cycle Gas Turbine/Combined Cycle generating stations :		Rs.Lakh /MW	Rs.Lakh /MW	
		Agartala GPS (Agartala Gas Based Power Station)	49.19	42.76	-13.07
		Small gas turbine power generating stations (Assam Gas Based Power Station)	41.57	38.16	-8.20
		Advance F Class Machines (Tripura Gas Based Power Station)	30.24	32.02	5.89
NEEPCO having 6FA machine at Tripura Gas Based Power Station, there is huge difference in actual O&M and normative O&M as the proposed rate is very low.					

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		<p>The O&M expenses for NEEPCO's Stations (located in NE Region) may please be considered favorably as has been done in draft regulation 36,clause 3 for transmission system , by multiplying 1.50 to the normative O&M expenses prescribed .</p> <p>Further, it may please be noted that NEEPCO's gas stations are having small units of Frame-V , VI & VI FA and hence the number of units are three times more than similar capacity stations of NTPC having Frame-9 machines. This is because of challenging logistics in the NE Region where heavy ODI equipment transportation is limited. Hence cost of inventory and associated manpower for O&M is substantially more.</p> <p>In view of the above it is requested that normal escalation on the actual O&M expenses submitted to the Hon'ble Commission be awarded.</p>
36.(2)	O&M Expenditure of Hydro Plant	<p>NEEPCO requested Hon'ble commission to consider reimbursement of Insurance Expenditure separately after prudence check similar to Capital Spares and Security Expenses due to exorbitant hike in insurance premium.</p> <p>Or else, the annual escalation of O&M expenses needs to be increased to accommodate the enhanced insurance charges.</p>

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66(3)	<p>The energy charge shall be payable by every beneficiary for the total energy scheduled to be supplied to the beneficiary in excess of the design energy plus 75% of the energy utilized in pumping the water from the lower elevation reservoir to the higher elevation reservoir, at a flat rate equal to the average energy charge rate of 20 paise per kWh, if any, during the calendar month, on ex power plant basis</p>	<p>Following modification in the Regulation is suggested by NEEPCO :</p> <p>" The energy charge shall be payable by every beneficiary for the total energy scheduled to be supplied to the beneficiary in excess of the design energy plus 100% of the energy utilized in pumping the water from the lower elevation reservoir to the higher elevation reservoir, at a flat rate equal to the average energy charge rate of 20 Paise per kWh, if any, during the calendar month, on ex. Power plant basis. "</p> <p>Or else 25% of the energy utilized will not be recovered and the generating station will be overburdened for non-recoverable portion.</p>
70.C.a(v)	<p>Gross Station Heat Rate:</p> <p>Open Cycle Gas Turbine/Combined Cycle Generating Stations: For the following gas-based thermal generating stations</p>	<p>For NEEPCO's Tripura Gas Based Power Station the Normative gross Station Heat Rate needs to be included as it has not been mentioned in the Draft Regulation.</p>

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70.E.(C)	<p>Auxiliary Energy Consumption: For Gas Turbine /Combined Cycle generating stations: Provided further that an additional Auxiliary Energy Consumption of 0.35% shall be allowed for Combined Cycle Generating Stations having direct cooling air cooled condensers with mechanical draft fans.</p> <p>(iii) Tripura CCPP : 3.50%</p>	<p>The last 5 years Auxiliary Consumption of Agartala Gas Based Power Station having air cooled condensers are as follows:</p> <table border="1" data-bbox="1437 419 2066 872"> <tbody> <tr> <td>2017-18</td> <td>3.72%</td> </tr> <tr> <td>2018-19</td> <td>3.55%</td> </tr> <tr> <td>2019-20</td> <td>3.24%</td> </tr> <tr> <td>2020-21</td> <td>3.72%</td> </tr> <tr> <td>2021-22</td> <td>3.44%</td> </tr> <tr> <td>2022-23</td> <td>3.72%</td> </tr> <tr> <td>2023-24</td> <td>3.66%(till date)</td> </tr> <tr> <td>Average</td> <td>3.58%</td> </tr> </tbody> </table> <p>Considering the actual figures NEEPCO requests the Hon'ble Commission to increase the Auxiliary consumption to 3.5% instead of 3.10% (2.75+35) presently granted.</p> <p>The Tripura Gas Based Station, Monarchak may please be mentioned as Tripura Gas Based Power Station instead of Tripura CCPP.</p>	2017-18	3.72%	2018-19	3.55%	2019-20	3.24%	2020-21	3.72%	2021-22	3.44%	2022-23	3.72%	2023-24	3.66%(till date)	Average	3.58%
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71.A(b)	In the case of storage and pondage type plants with head variation between full reservoir level and minimum draw down level is more than 8% and when plant availability is not affected by silt, the month-wise peaking capability as provided by the project authorities in the DPR (approved by CEA or the State Government) shall form the basis of fixation of NAPAF	<p>The following modification in the Regulation is proposed to be included in the Regulation.</p> <p>In the case of storage and pondage type hydro plants with head variation between full reservoir level and minimum draw down level being more than 8% and when plant availability is not affected by silt, the month-wise peaking capability as provided by the project authorities either in the DPR (approved by CEA or the State Government) or as confirmed by physical model study of the Turbine as vetted by CEA shall form the basis of fixation of NAPAF."</p>
71.A.4	Based on the above, the Normative annual plant availability factor (NAPAF) of the hydro generating stations already in operation shall be as follows	<p>The NAPAF of NEEPCO's Tuirial Hydro Power Station is not included in the list.</p> <p>The same may please be included and mentioned as 75% as allowed in the Petition 125/MP/2021</p>
71.C	Auxiliary Energy Consumption (AEC): For Hydro	<p>Auxiliary consumption for NEEPCO's 60 MW Tuirial HPS is in the tune of 4%. The same has been given cognizance in the order against Petition 125/MP/2021 by allowing Auxiliary consumption of 4.304% for 2014-19 with a direction to get recommendation for 2019-24 from CEA.</p> <p>Therefore, NEEPCO requests Hon'ble Commission to consider 4.304% Auxiliary Consumption for Tuirial HPS.</p>