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KARNATAKA POWER TRANSMISSION CORPORATION LIMITED

Corporate Identity Number (CIN):U40109KA1999SGC025521

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No. KPTCL/B36/56200/2024-25/207
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Date : 24-05-2024

**The Secretary,
Central Electricity Regulatory Commission (CERC),
3rd and 4th Floor, Chanderlok Building,
36, Janpath,
New Delhi - 110001**

Sir,

Sub: Draft Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2024- Regarding

Ref: CERC Public Notice No: L-1/271/2024/CERC Dated: 04.04.2024

Central Electricity Regulatory Commission (CERC) vide Public Notice Dated :04.04.2024 cited under reference has sought comments /suggestions /objections on the Draft Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2024.

In this regard, I am directed to enclose herewith the comments/suggestions of KPTCL/SLDC on the Draft Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, **2024 (Annexure-A)** with a request to kindly place the same before the Hon'ble Commission for incorporating the suggestions made by KPTCL/SLDC.

" Approved by
the Managing Director, KPTCL."

Yours faithfully,

**Financial Advisor
Regulatory Affairs**

Annexure-A

KPTCL Submissions on Draft Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2024.

As Proposed by CERC

18. Return on Equity

- 1) Return on equity shall be computed in Rupee terms on the equity base determined in accordance with Regulation 15 of these regulations.
- 2) Return on equity shall be computed on a pre-tax base rate of 15.50% to be grossed up as per the clause (3) of this Regulation

Response by KPTCL

The Return on equity considered on a pre-tax base rate of 15.50% is on higher side, when compared to the present industrial & investment returns on equity. The Hon'ble commission has been specifying the RoE for many projects at the rate of 14% in Terms and conditions of tariff regulations. Moreover, the RLDC and SLDC is having an improved credit profile, comfortable balance sheet and lower risk profile. Return on equity to be computed on a pre-tax base rate of 14%, this would enable lower burden on the beneficiaries which in turn reduces the burden on end consumers.

Based on the above explanations, KPTCL suggests the following modification to the Regulation 18(2) of the draft regulations as under:

18. Return on Equity

- 2) Return on equity shall be computed on a pre-tax base rate of **14%** to be grossed up as per the clause (3) of this Regulation.

As Proposed by CERC

28. Performance Linked Incentive to RLDCs and NLDC

- 3)
- 4)
- 5) Each RLDC and NLDC shall be allowed to recover incentive of 12% of its Annual LDC Charges for performance level of 90% against the KPIs. The performance of previous year ending on 31st March shall be considered for calculation and recovery of incentive in the year.

Provided that the incentive shall increase by 1% of Annual LDC Charges for every 5% increase of performance above 90% on a pro-rata basis.

Provided further that incentive shall be reduced by 1% on a pro-rata basis for every 3% decrease in performance level below 90%.

Response by KPTCL

The Hon'ble commission is well known that for maintaining huge transmission assets, the transmission licensees are incentivized when the licensees maintain the Transmission System Availability (TSA) above 98%. Similarly, for coal/lignite based thermal generators is incentivised by paying full fixed charges when the Plant Availability Factor (PFA) is maintained above 85% with great field and technical difficulties.

In comparison, RLDC and NLDC, it is more of management and less risk involved when compared to other entities, but the provision of incentive increase by 1% of Annual LDC Charges for every 5% increase of performance target as per KPI above 90% on a pro-rata basis is on higher side. Further, on other side the employees of load despatch centres are incentivized to improve the performance of RLDCs and NLDC. Prima facie, this provision perceives double incentivizing the RLDCs and NLDC, i.e, one by Incentives to the employees of RLDCs and NLDC for acquiring the Certification and another one through Performance Linked Incentive to RLDCs and NLDC. It will lead to additional burden to end consumers of the entities.

Hence, kind submission to Hon'ble commission that, the performance incentive may be allowed above aggregate performance level of **95%** and it should not be more **than 3 %** of annual LDC charges.

OR

Incentive to the employees of RLDCs and NLDC for acquiring the Certification may be paid from performance linked incentive and not to be part of tariff recovered from beneficiary.

Based on the above explanations, KPTCL suggests the following modification to the clause 28 (5) of the draft regulations as under;

28. Performance Linked Incentive to RLDCs and NLDC

- 3)
- 4)
- 5) *Each RLDC and NLDC shall be allowed to recover incentive of **3%** of its Annual LDC Charges for performance level of **95%** against the KPIs. The performance of previous year ending on 31st March shall be considered for calculation and recovery of incentive in the year.*

Provided that the incentive shall increase by 1% of Annual LDC Charges for every 2.5% increase of performance above 95% on a pro-rata basis.

Provided further that incentive shall be reduced by 1% on a pro-rata basis for every 3% decrease in performance level below 95%.

As Proposed by CERC

29. Incentive to the employees of RLDCs and NLDC for acquiring the Certification

- 1) *The employees of RLDCs and NLDC, who acquire the certificate of basic level, specialist level and management level in their respective areas of specialization shall be allowed incentive for acquiring the certification as well as on renewing the same after every three year at the following rates:*

SI. No.	Certification Level	Amount (in Rupees)
1	Basic	20000
2	Specialist	30000
3	Management	40000

Provided that a person acquiring more than one certification, he shall be eligible for incentive for the higher certification at the time of renewal.

- 2) *Funding for (i) payment of registration and / or application fees for appearing in basic, specialist and management level examinations, (ii) payment towards training expenses for these examinations, and (iii) payment of incentive for acquiring the certification, shall be made from the LDCD Fund.*

Response by KPTCL

The modern Indian power sector with huge integration of Renewable Energy under must run, Green energy open access up to 100kW, DSM regulation, Ancillary service regulations, power market regulations and narrow band of frequency management mandated by the grid code, major role is played by State load despatch centre (SLDC) and sub load despatch centre to maintain the secure, reliable, resilient and quality power supply.

The SLDC functions are becoming more of a techno-commercial operation with new regulations and technology innovation, for this kind of functions, skilled

human resources are very much essential and to retains the experienced skilled human resources in SLDC without any attrition.

In order to motivate the employees for enhancement of their skills in SLDC system operation, adapting to latest technologies, rules & regulations under the Act in the interest of Indian power sector. Humble request to commission to include incentives to the employees of SLDCs and ALDCs for acquiring the Certification in the absence of SERC regulations on the incentive to the SLDC and ALDC employees.

Further, to kind notice the Hon'ble Commission that In Grid-India Detailed Procedure On Methodology of Payment of Certificate Retainer-ship-Central Electricity Regulatory Commission (Fees and Charges of Regional Load Despatch Centre and other related matters) Regulations, 2019 for the control period from 1.4.2019 to 31.3.2024 has given scope to approach the SERC by stating that "*Payment of the certificate retainer-ship amount for system operators of State Load Despatch Centre(s) (including Area Load Despatch Centres/ sub Load Despatch Centres) may be incorporated by State Electricity regulatory Commissions in their respective Regulations/ Orders*".

Based on the above explanations, KPTCL suggests the following modification to the clause 29 of the draft regulations as under;

29. Incentive to the employees of RLDCs, NLDC and SLDCs for acquiring the Certification

- 1) The employees of RLDCs, NLDC and SLDCs,
- 2) Funding for (i) payment of registration

Provided that, Grid- India shall submit detailed procedure on methodology of payment of Certificate Retainer-ship to SLDCs and Sub-LDCs for approval of Commission within 2 months of issue of these Regulations.
