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NLC INDIA LIMITED

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Lr. No: NLCIL/ GM/ Comml./F-1146/057/2024

Date: 14.03.2024

To

The Secretary,
Central Electricity Regulatory Commission,
3rd & 4th floor, Chanderlok Building,
36, Janpath Marg,
New Delhi - 110 001.

Sir,

Sub: NLCIL– Draft Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2024 – Comments from NLCIL- Reg.

Ref: RA-14026(11)/1/2023-CERC Dated: 17.02.2024

Pursuant to the notice cited in the reference, Hon'ble Commission has invited comments/suggestions from the stakeholders on the Draft Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2024, NLCIL is hereby submitting its comments for kind perusal and consideration, as enclosed.

The above may please be taken on record.

Yours Sincerely,

For NLC India Limited,

Deputy General Manager/ Commercial

Encl: as above

**NLCIL Comments on CERC (Terms and Conditions for Tariff
determination from Renewable Energy Sources) Regulations, 2024.**

- 1.0 **Regulation 16. Return on Equity:** *The normative Return on Equity shall be grossed up by the latest available notified Minimum Alternate Tax (MAT) rate for the first 20 years of the Tariff Period and by the latest available notified Corporate Tax rate for the remaining Tariff Period.*

NLCIL Comment 1:

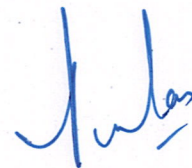
The rate of return on equity shall be grossed up with the effective tax rate of the company for the respective financial year in line with the Thermal Tariff Regulation.

Justification:

Presently, as per the provisions of Income Tax Act 1961, the company shall pay corporate tax rate @34.944% or MAT rate @17.472% whichever is higher. In case the company is paying Minimum Alternate Tax (MAT) under Section 115JB of the Income Tax Act, 1961, the effective tax rate shall be the MAT rate, including surcharge and cess.

Also, Income Tax Department has introduced new provisions Section 115BAA/115BAB where MAT rate is not applicable i.e. company need not to pay any tax under MAT rate, only actual corporate tax (i.e. existing company opted for sec-115BAA @25.17% or New company Sec-115BAB @17.16%). If generating company has opted for Section 115BAA/115BAB, the effective tax rate shall be tax rate including surcharge and cess as specified under Section 115BAA /115BAB of the Income Tax Act, 1961.

Hence, the rate of return on equity shall be grossed up with the effective tax rate of the company for the respective financial year in line with the Thermal Tariff Regulation.



General Comments:

2.0 NLCIL Comment 2:

Expenditure on infrastructure related Forecasting & Scheduling of RE power incurred by Generators shall be allowed to be added in the capital cost of the project.

Justification:

As major states in India have mandated the implementation of Forecasting & Scheduling of RE power, the RE Power Producers face a pressing need to implement necessary infrastructure for the services. Also, requirement of upgradation of such existing infrastructure also arises in line with latest technological advancement, for ensuring better reliability, security and accuracy of the system. This introduces an unavoidable financial burden, with no possibility of recouping the costs due to fixed capital cost methodology adopted in Tariff Determination.

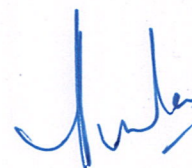
Hence, it is requested to allow the expenditure with respect to Forecasting & Scheduling of RE power in the capital cost and the same shall also be applicable for the projects which were commissioned based on previous CERC regulations whose tariff is determined through section 62.

3.0 NLCIL Comment 3:

Expenditure on QCA charges and SLDC charges & Fees incurred by Generators shall be allowed to pass through to beneficiaries

Justification:

The forecasting and scheduling services are done with QCA in many states. However, the services are essential for proper grid operation which aids the Load Dispatch Centre for grid security. Hence, the expenses related to QCA and LDC charges like system operating charges, scheduling charges etc., shall be allowed to be recovered from beneficiaries.



4.0 NLCIL Comment 4:

Compensation for Curtailment of RE Power shall be allowed whenever the generator fails to achieve normative CUF in the respective financial year.

Justification:

The RE tariff for Solar, Wind and other projects which adopt single part tariff structure are determined based on Normative CUF. Though accorded Must-Run status, there are instances that RE power has been curtailed which leads to under recovery due to non-achievement of normative generation, resulting in loss of revenue to the Generators.

As per clause 5.2.5 of the Gazette notification on "*Guidelines for Tariff Based Competitive Bidding Process for Procurement of Power from Grid Connected RE Power Projects for utilisation under scheme for flexibility in Generation and Scheduling of Thermal/ Hydro Power Stations through bundling with Renewable Energy and Storage power*" dated 27.08.2022 by MoP, the compensation for deemed generation may be worked out as follows:

Minimum Generation Compensation = 100% of [(Average Generation per hour during the month) × (number of back down hours during the month) × PPA Tariff]

Where, Average Generation per hour during the month (kWh) = Total generation in the month (kWh) ÷ Total hours of generation in the month.

Hence, it is requested to include the clause/clauses w.r.t compensation for curtailment of RE power for which the reasons are not attributable to the Generators or Power Producers.

