TELANGANA STATE POWER COORDINATION COMMITTEE

From
The Member/TSPCC &
Joint Managing Director
Finance, Comml & HRD
TSTRANSCO,
Vidyut Soudha,
Hyderabad

To
The Secretary,
CERC,
3rd & 4th Floor,
Chanderlok Building,
36, Janpath,
New Delhi 110001

Lr.No.JMD/ED/Comml/SE/IPC/RE/F.No.99 Genl/D.No. 132 /23, Dt: 14.03.2024

Sir,

Sub: TSPCC – IPC – RE Projects – Draft CERC RE Tariff Regulations, 2024 – Objections/Suggestions of TSDISCOMs – Reg.

Ref: Public notice No. RA-14026(11)/1/2023-CERC, dated 17.02.2024

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This has reference to the draft CERC (Terms and conditions for tariff determination from Renewable Energy Sources) Regulations, 2024 issued by the Central Commission inviting remarks/objections/suggestions.

In this connection, please find enclosed the objections/suggestions from TSDISCOMs for kind consideration while issuing the final RE Tariff Regulations.

Yours sincerely,

Encl: As stated

B.V. Shanthi Lekha 14/3/24
Member/TSPCC &
for Joint Managing Director/TSTRANSCO

Copy communicated to
The CMD/TSSPDCL, Corporate Office, Mint Compound, Hyderabad.
The CMD/TSNPDCL, Corporate Office, Nakkalagunta, Warangal.

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Objections/Suggestions of TSDISCOMs on the Draft Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2024

Reference para no.	Proposed draft	Objection/Suggestion
11. Treatment for Over-Generation	In case a renewable energy project, in a given year, generates energy excess of the CUF or PLF, as the case may be specified under the Regulations, the RE project may sell such excess energy to any entity, provided that the first right of refusal for such excess energy shall vest with the concerned beneficiary. In case the concerned beneficiary purchases the excess energy, the tariff for such excess energy shall be equal to the tariff applicable for that year.	In generic tariff, wherein cost plus approach is adopted, all the expenses of the generator are factored in the tariff alongwith Return on Equity. As such, any income derived from excess generation will be additional profit to the generator. However, the beneficiaries are not being compensated for any 'under-generation'. Thus, the risk of under generation is to be borne by the beneficiary and the benefit of excess generation is granted to the generator. As such, to maintain the equilibrium, beneficiaries shall have the right for purchase of excess generation at Nil tariff and the same shall not be allowed for sale to any third party. Also in case of under generation, since the DISCOMs are forced to purchase power from open markets at higher prices, the beneficiaries shall be compensated @ PPA tariff for any under generation by the developers
30, 35, 45 Operation & Maintenance expenses	The normative O&M expenses for FY 2024-25 are arrived by escalating O&M expenses for FY 2023-24 @ 5.89%	In the proposed RE Tariff Regulations, 2024, the Central Commission duly considering the actual project costs, capital costs adopted by various SERCs, proposed to revisit the capital cost norms for Small Hydro, Biomass, Non-fossil Bagasse based power Projects for the upcoming control period based on the capital cost indexation mechanism. In order to comprehensively assess the trajectory of these capital costs, the

		commission has undertaken a thorough analysis of the Wholesale Price Index, Manufacturing Index and Infrastructure Industry Index for FY 2020-23 and arrived at the escalation factor. Accordingly, based on the escalation factor, the Capital cost for FY 2024-25 has been calculated. Besides, it is clearly stated that the proposed tariff principles are applicable to these RE projects to be commissioned during the control period from 01.04.2024 to 31.03.2027 and that these RE projects shall use new plant & machinery. Thus the increased capital costs have been accommodated. Also, O&M expenses escalation rate proposed @ 5.89% per annum has been computed based on the five-year average of WPI & CPI for FY 2018-19 to FY 2022-23 in 60:40 ratio. Thus the escalation rate was also derived to match the inflation rates. On the other hand, it is proposed to arrive at the normative O&M expenses for FY 2024-25 by escalating O&M expenses for FY 2023-24 @ 5.89%. Thus the O&M expenses as a percentage of Capital cost is enhanced. Since, the Capital cost (incurred for purchase of new plant & machinery) & O&M escalation rate have been proportionately arrived duly considering various inflation indices, enhancing the O&M expenses is not justified which in a way amounts to double compensation. <u>Alternatively, a fixed percentage of capital cost can be adopted as O&M expenses for the first FY of control period and thereafter the same can be escalated with proposed escalation rate @ 5.89%</u>

75. Miscellaneous Deviation from norms	Tariff for electricity generated from a generating station based on renewable energy sources may also be agreed upon between the generating company and beneficiary, in deviation from the norms specified in these Regulations. Provided that the levelized tariff of the project calculated on the basis of the norms specified in these regulations shall be the ceiling levelized tariff.	The National Tariff Policy 2016 mandates for procurement of power from RE based projects through competitive bidding alone except from the Waste to Energy projects. Thus, for better clarity, it may be notified that the tariff determined in accordance with the proposed parameters in the Regulation shall act a ceiling tariff for proceeding with the competitive bidding process.

B.V. Shanthi Sekhar 14/3/24

Member/TSPCC &

for Joint Managing Director/TSTRANSCO