Views / Comments of BESCOM on draft CERC (Terms and Conditions for tariff determination to Renewable Energy Sources) Regulations 2024.

SL No	Regulation Number	Particulars	Views / Comments	Remarks
1	*11*	***Treatment for over generation :*** *In case a renewable energy project, in a given year, generates energy in excess of the capacity utilization factor OR plant load factor, as the case may be specified under these Regulation, the renewable energy project may sell such excess energy to any entity, provided that the first right OR 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 case a renewable energy project, in a given year, generates energy in excess of the capacity utilization factor OR plant load factor, as the case may be specified under these Regulation, the renewable energy project may sell such excess energy to any entity, provided that the first right OR 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 the tariff for such excess energy shall be equal to the* ***85% of tariff applicable*** *for that year.*	*The beneficiaries are obligated to procure the energy up to the agreed capacity utilization factor. The tariff determined for the energy up to CUF includes all the costs incurred by the Generator. Any revenue earned by the generator from energy beyond CUF is an incentive and 85% of agreed tariff shall be paid for excess energy.*

2	14	**2. <u>Interest on Loan</u>** : b. For the purpose of computation of tariff, the normative interest rate of two hundred (200) basis points above the average State Bank of India Marginal Cost of Funds based Landing Rate (MCLR) (one year tenor) prevalent during the last available six months shall be considered.	For the purpose of computation of tariff the normative interest rate of one hundred basis points (100) above the average State Bank of India Marginal cost of funds based lending rate (MCLR) (one year tenor) prevalent during the last available six months shall be considered.	In the explanatory memorandum, the current interest rate offered by PFC, REC and IREDA fall within range of 9.45% - 10.45% for Biomass and WTE projects and within 8.90% - 10.40% for other projects for which average rate of interest works out 9.95% and 9.65% respectively which is without any basis points. The latest MCLR for one year tenor is 8.55% and if 200 basis points added, the rate of interest shall be 10.55% which is higher than REC, PFC rate of interest. Hence, MCLR for 1 year tenor with 100 basis points is recommended (8.55 + 1.0 = 9.55).
3	15	**<u>Depreciation</u>:** 1. The value base for the purpose of depreciation shall be the capital cost of the project admitted by the commission. The salvage value of the project shall be considered as 10% and depreciation shall be	The value base for the purpose of depreciation shall be the capital cost of the project excluding cost of land other than held under lease admitted by the Commission. The salvage value of the project shall be	Land is not depreciable asset and hence cost of land shall be excluded from capital cost while calculating the depreciation.

		allowed up to a maximum of 90% of the capital cost of the project.	*considered as 10% and depreciation shall be allowed up to maximum of 90% of capital cost of the project.*	
4	*16*	***Return on Equity :*** **2.** *The normative Return on equity for renewable energy projects other than small hydro projects shall be 14%, and that for the small hydro projects shall be 14.5%. The normative Return of 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.*	*The normative Return on equity for Renewable projects shall be 14%.* *The income tax including any surcharge and cess on it shall be pass-through without factoring the same in tariff computation. The amount of income tax, including any surcharge and cess that can be claimed shall be worked out on the amount of ROE approved by the Commission the Income tax at the rates (including any surcharge and cess) prevailing in the relevant years shall be claimed separately from beneficiaries duly furnishing the necessary proof of tax payment duly certified by a Charted Accountant.*	*The income tax payment is a statutory payment which covers under Regulation 23 statutory charges, which shall be reimbursed by beneficiaries to project developer. KERC in various order had ordered Income tax as pass through and not factored in tariff computation. The extract copies of KERC orders dated 14.05.2018, 08.06.2021, 15.11.2021 and 01.06.2023 are enclosed as **"Annexure – 1 to 4"**.*
5	*17*	***Interest on working capital*** *:* *1. The Working Capital requirement in respect of wind power projects,*	*b. Receivables equivalent to **60 days** of tariff for sale of electricity*	*KERC in its various orders on determination of tariff for RE*

		small hydro projects, solar PV Power projects, floating solar projects, Solar thermal power projects, municipal solid waste based power projects and refuse derived fuel based power projects and renewable energy with storage projects shall be computed in accordance with the following. *a. Operation and maintenance expenses for one month.* *b. Receivable equivalent to 45 days of tariff for the sale of Electricity calculated on the normative capacity utilization factor OR Plant Load Factor as the case may be and* *c. Maintenance spares equivalent to 15% of Operation and Maintenance Expenses.* *2. The working capital requirement in respect of biomass power*	*calculated on the normative capacity utilization factor OR plant load factor as the case may be and*	*projects had adopted 2 months receivables and biomass plant additionally 2 months variable cost is considered. Hence, receivables equivalent to 60 days may be considered and due date period for payment may also be considered as 60 days.*

		projects with Rankine cycle technology biogas power projects, biomass gasifier based power projects and non- fossil fuel based co-generation projects shall be computed in accordance with the following. *a. Fuel costs for four months equivalent to normative plant load factor.* *b. Operation and maintenance expenses for one month.* *c. Receivable equivalent to 45 days of tariff for the sale of electricity calculated on the plant load factor and* *d. Maintenance spares equivalent to 15% of Operation and Maintenance Expenses.*		
6	4	*Interest on Working Capital shall be at an interest rate equivalent to the normative interest rate of three hundred and twenty five (325) basis*	*Interest on working capital shall be at an interest rate equivalent to the normative interest rate of* ***two hundred (200)*** *basis points above*	*The latest MCLR of State Bank of India for 1 year tenor prevailing in last 6 months is 8.55% if 325 basis points are added the interest rate*

		points above the average State Bank of India Marginal Cost of Funds based Lending Rate (MCLR) (One year tenor) prevalent during the last available six months.	*the average State Bank of India Marginal cost of funds based lending rate (MCLR) (One year tenor) prevalent during the last available six months.*	*works out to 11.80% which is higher. Most of the Banks are offering interest rate between 8% to 9% on short term borrowings depending on credit rating of the companies. Hence, State Bank of India MCLR for 1 year tenor prevailing in last 6 months plus 200 basis points equal to 10.55% may be considered as interest on working capital.*
7	19	***<u>Operation and Maintenance Expenses :</u>*** *2. Normative O & M expenses allowed during the first year of the Control period, ie., financial year 2024-25, under these regulation, shall be escalated at the rate of 5.89% per annum for the Tariff period.*	*Normative O & M Expenses allowed during the first year of the control period ie., financial year 2024-25, under these Regulation shall be escalated at the rate of 5.72% per annum for the tariff period.*	*CERC vide Notification dated 30.03.2022 had notified the escalation rates 2022 for (1) annual escalation rate for escalable transmission charges for the purpose of evaluation: (2) discount rate for computation of levelized transmission charges for evaluation: (3) Annual inflation rate for excalable transmission charges for the purpose of payment by arriving composite series of CPI at 55% and*

				*WPI at 45%. The detailed calculation is enclosed as **"Annexure-5"**. As seen from Annexure 5, the escalation rate works out to 4.78%.* *Recomposing the above table by considering CPI at 80% and WPI at 20% being the weightage of employee expense as percentage of total O & M Cost for CPI (WI) and the weightage of R & M and A & G as a percentage of total O & M cost for WPI respectively. Actual weighted inflation is enclosed as **"Annexure-6"**. As per **"Annexure-6"**, the escalation rate works out to 5.70%. KERC in its various orders had considered 5.72% as annual escalation for O & M expenses and the same may be considered.*
8	20	***Rebate*** *:* *1. For payment of bills of the generating company through revolving and valid letter of*	*For payment of bills of generating company through letter of credit OR through National Electronic Fund*	*In the "Interest on working capital", 2 months receivables is proposed and due date for payment may be*

		credit on presentation OR through National Electronic Fund Transfer (NEFT) OR Real Time Gross Settlement (RTGS) payment mode within a period of 5 days of presentation of bills a rebate of 1.5% on bill amount shall be allowed.	*Transfer (NEFT) OR Real time Gross settlement (RTGS) payment mode within a period of 5 days of presentation of bills, a rebate of **2%** on bill amount shall be allowed.*	*approved as 60 days as approved earlier. Hence, rebate may also revised to 2% and the same may be considered.*
9	21	***Late Payment Surcharge*** : *In case the payment of any bill for charges payable under these regulations is delayed beyond a period of 45 days from the date of presentation of bills a late payment surcharge as specified in the Ministry of Power Electricity (Late Payment Surcharge and Related Matters) Rules 2022 as amended from time to time shall be levied by the generating company.*	*In case the payment of any bills for charges payable under these Regulations is delayed beyond a period of **60 days** from the date of presentation of bills, a late payment surcharge as specified in Ministry of Power – Electricity (Late Payment Surcharge and related matters) Rules 2022 as amended from time to time **subject to maximum LPS rate at 12%** pa on outstanding bill amounts shall be levied by the generating company.*	*Huge power purchase dues including LPS is accumulated in most of the Discoms in the Country due to non-realization Government dues and non- release of full subsidies by concerned State Governments. To Streamline the payments, Electricity LPS Rules 2022 is introduced w.e.f. 03.06.2022. Under the Rules, the invoice trigger date for regulation of power is 75 days from the date of presentation of bill. As Discoms are facing finance crisis and struggle to pay the amounts within trigger date, the due date may be considered as 60*

				days instead of 45 days and firm interest rate of 12% Pa without increase of 0.5% for each month delay up to 3% over and above 12%.
10	22	***Subsidy OR Incentive by the Central OR the State Government :*** *3. In case the Central OR State Government OR their agencies provide any generation based incentive, which is specifically over and above the tariff, such incentive shall neither be taken into account while determining the tariff nor be deducted by the beneficiaries in subsequent bills raised by the particular Renewable Energy Project.*	*In case the Central OR State Government OR their agencies provide any generation based incentive which is specifically over and above the tariff, such incentive shall be shared between generator and beneficiaries in the ratio 50:50 and deducted in subsequent bills raised by the particular Renewable energy project.*	*The beneficiaries are bearing the entire cost of expenditure of renewable energy project including the statutory charges. As such any generation based incentive shall be shared equally between beneficiaries and power developer as followed in case of sharing of carbon credits in RE projects and sharing of gains inrespect of conventional projects.*
11	23	***Statutory Charges :*** *The Renewable energy project developer shall recover from the beneficiaries the statutory charges imposed by the State and Central Government, such as water cess, and electricity duty on Auxiliary*	*The renewable energy project developer shall recover from the beneficiaries the statutory charges such as water cess, electricity duty, Tax on Auxiliary Consumption etc.,* ***Any subsequent revisions***	*The savings / Credits etc., shall be passed on to the beneficiaries.*

		Consumption, subject to the maximum of normative Auxiliary Consumption.	***resulting in credits /discounts / reduction on the amounts already paid by beneficiaries shall be passed on to the*** *beneficiaries.*	