



ଗ୍ରିଡକୋ ଲିମିଟେଡ୍ GRIDCO Limited



(A Govt. of Odisha Undertaking)

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GRIDCO/56/2024-CGM (COMMERCIAL-PP) (Part)- 142

Date: 29.03.24

To

The Secretary,
Central Electricity Regulatory Commission,
3rd & 4th Floor, Chanderlok Building, 36,
Janpath Road, New Delhi-110001
Email: secy@cercind.gov.in & advisorre@cercind.gov.in

Sub: Comments on the Draft Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2024

Ref: Public Notice No. RA-14026(11)/1/2023-CERC, dt: 17.02.2024 of CERC on the subject cited above.

Sir,

With respect to the subject cited above and Public Notice cited above, please find enclosed herewith the Comments of GRIDCO on the Draft Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations-2024 for favour of your kind consideration.

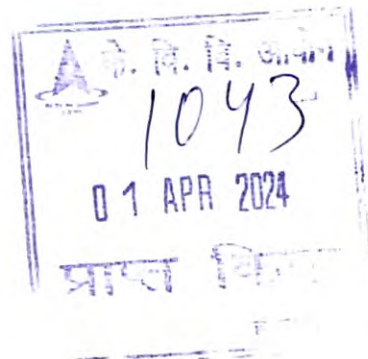
Yours faithfully,

Encl: as above

Chief General Manager (PP)

C.C:

1. Director (Commercial)/ Director (F&CA), GRIDCO for kind information.
2. Sr. PS to MD, GRIDCO for kind information of Managing Director.



L-49/Sr Adv(CRE)
18/4/24

Comments on the Draft Central Electricity Regulatory Commission (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2024

1. State Nodal Agency: (Draft Regulation 2.1 (ee))

In the draft, It is proposed that “State Nodal Agency” means the agency in a State as may be designated by Ministry of New and Renewable Energy to promote efficient use of renewable energy in that State.

However, Section 86 (e) (Functions of State Commission) of the Electricity Act,2003 empowers the State Commission to promote co-generation and generation of electricity from renewable sources of energy, which are also in a better position to nominate the State Nodal Agency to promote efficient use of renewable energy in their State. Therefore, SERCs should designate the State Nodal Agency to promote efficient use of RE in a State instead of MNRE.

2. Treatment for Over-Generation: (Draft Regulation 11)

In the Draft Regulation it is proposed to allow the same tariff for any higher generation than the Normative CUF, irrespective of the type of Renewable Energy Project. For allowing the same, Hon’ble Commission has referred the Guidelines for Tariff Based Competitive Bidding Process for Procurement of Power from Grid Connected Wind Power Projects issued by Ministry of Power, Govt. of India vide resolution dated July 26, 2023.

This may be appropriate for the competitive Bidding Process where the Developers quote a competitive tariff to recover its investments taking into account its optimum generation potential of their proposed Project.

However, in case of Generic Tariff, the Developer is already guaranteed to recover its investment with generation at the normative CUF. Allowing

same tariff for any generation beyond the CUF only burdens the Consumer beyond recoverable Cost.

Hence, for the Renewable Energy Projects which has been allowed Generic Tariff, any excess generation over the Normative CUF may be supplied free of cost to the Beneficiary(ies) only.

3. Capacity Utilization Factor of Small Hydro Projects: (Draft Regulation 28)

In case of Small Hydro Electric Projects, Odisha is kept in 'Other State' Category for which the Normative Capacity Utilization Factor is 30% for Small Hydro Projects, which is 45% for rest of the States. However, the actual CUF of the Small Hydro Electric Projects in Odisha, which have completed 02 years of operation, are much higher. Details of achieved CUF are provided below:

SHEP	Average CUF	Period of Operation
25 MW Middle Kolab SHEP and 12 MW Lower Kolab SHEP by M/s Meenakshi Power Ltd.	59.22 %	13 years
20 MW Samal Barrage SHEP	45.54 %	13 years
24 MW Lower Baitarani SHEP	46.17 %	2 years

In view of the above, Hon'ble Commission may consider to allow a Normative CUF of 45 % for the Small Hydro Projects of Odisha.

Further, any excess generation beyond the normative CUF in a Financial Year may be supplied free of Cost. Similarly any less generation from the

normative CUF due to deficit in rain or Grid unavailability may be compensated from the excess generation (beyond the normative CUF) in the adjacent Financial Years.

4. **Loan Tenure and Interest on Loan : (Draft Regulation 14.2)**

Interest on Loan

In the draft Regulations, there is no scope regarding propriety check of source and terms & conditions of loan availed authenticating the external funding. Whenever a loan is availed, there should be a comprehensive mechanism for exercising prudence check to examine whether the applicable Rate of Interest is as per the prevailing market conditions or not and moreover the external finance has been availed and utilized at the appropriate time, at the competitive rate and there is effective utilization of such borrowed funds.

5. **Return on Equity: (Draft Regulation-16)**

- i. Electricity Late Payment Surcharge Rule,2022 provides Regulation for access to power in case of non-payment of dues for one month after due date of payment or two and half months after presentation of the bill by the generating company. Payment to the generators are ensured through status of the PRAAPTI portal which is a platform aimed at enhancing transparency and encouraging best practices in Power Purchase transactions. As, the Central Renewable Generators are ensured of their receivables/payments in all manner, the reduction in RoE in the changed power scenario is justified.
- ii. The Repo rate and the Soft loans from International Funding Agencies, providing funding to power sector have been reduced considerably

over the years, which warrants a reduced rate of return on Equity in the range of 13% to 14%, so as to have optimized tariff for the consumers at large.

- iii. Hence, the rate of return on the equity contribution may be revisited by the Commission and re-determined under changed economic and market conditions on yearly or bi-yearly basis for affording appropriate return to the investors.

6. Interest on Working Capital: (Draft Regulation -17.4)

In the Draft Regulations, the 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 seems to be at higher side. It may be reduced to SBI one year MCLR without any spread to implement cost reflective tariff.

7. Rebate: (Draft Regulation -20)

In the draft regulation, only 1% rebate is allowed against payment of the bill after surpassing the permissible rebate of 1.5% i.e. only a .5% benefit allowable for 25 days towards payment of the bill to the beneficiaries. Further for scrutiny of the bill 10 days may be considered to process and payment of the bill and rebate may be proportionate accordingly.

8. Late payment surcharge: (Draft Regulation -21)

In the draft regulation, period of 45 days may put an undue financial pressure on the beneficiaries as the credit period they were getting against regulation 2009-14 i.e. 60 days with Late payment surcharge (LPS) of 1.25%.

Further, taking into account the down word trend of lending rate, the proposed LPS of 1.5 % per month seems to be at higher side. Therefore, rate of DPS may be decided linking to SBI one year MCLR.