

The comments/suggestions on the CERC (Terms and conditions tariff) Regulations 2008

particulars	Proposal by CERC	Views/suggestion by PCKL
<p>Chapter-2 5. Application for determination of tariff</p>	<p>(1) The generating company or the transmission licensee, as the case may be, may make an application for determination of tariff in accordance with Central Electricity Regulatory Commission (Procedure for making of application for determination of tariff, publication of the application and other related matters) regulation, 2004 as amended from time to time or any statutory reenactment thereof, in respect of the units of the generating station or the lines or substation of the transmission system, completed or projected to be completed within six months from the date of application</p>	<p>The actual expenditure incurred upto date of commercial operation shall be audited and balance shall be estimated for fixation of tariff. The intention is that, major portion of the expenditure should be audited for fixation of tariff, Hence it is proposed to modify the regulation in the following manner</p> <p>The generating company or the transmission licensee, as the case may be, may make an application for determination of tariff in accordance with Central Electricity Regulatory Commission (Procedure for making of application for determination of tariff, publication of the application and other related matters) regulation, 2004 as amended from time to time or any statutory reenactment thereof, in respect of the units of the generating station or the lines or substation of the transmission system, completed up to date of commercial operation date, certified by the auditor.</p>
<p>6 Truing up of Capital Expenditure and Tariff</p>	<p>(6) where the tariff recovered is less than the tariff approved by the commission under theses regulation after the trueing up exercise, the generating company or the transmission licensee,</p>	<p>The generating or transmission license may be availed loan at lesser rate comparatively a SBI prime lending rate. The commission shall carry out truing up exercise during the terminal year of the tariff period that is during</p>

	<p>as the case may be , shall refund to the beneficiaries or the long term transmission customer, as the case may be, the under recovered amount along with simple interest at the rate equal to the short term prime lending rate of State bank of India as on 1st April of the respective year</p>	<p>2013-14, with respect to the capital expenditure actually incurred up to 31.3.2013 and estimated additional capital expenditure. The generating company or transmission licensees shall make lesser estimated additional expenditure to gain difference between SBI prime lending rate and actual rate of interest, SBI prime lending rate is always higher side compared with the actual percentage of loan availed</p>
<p>11.Renovation and Modernization</p>	<p>Provided that in case of thermal generating station, the generating company, may, in its discretion, avail of special allowance as per the norms provided in clause(4)</p>	<p>The commission has proposed the Rs 5 lakh/MW/year during the tariff period 2009-14, for renovation and moderation. This type of special allowance availed by the generating company only when actual tariff recovered from beneficiaries as per norms provided in the clause (4) is less than Rs 5 Lakh/MW/year. Hence there is a chances for over payment by beneficiaries for cost incurred towards renovation and modernization of plant</p>
		<p>Clause to be added</p> <p>The efficiency of the Generating company or transmission licenses , after renovation and modernization of the plant or lines, fails to achieve prescribed norms, the capacity charges shall be</p>

		proportionately deducted
13 Debt –Equity Ratio	<p>(1) For a project, if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan.</p> <p>Provided that where equity actually deployed is less than 30% of the capital cost, the actual equity shall be considered for determination of tariff</p>	The Generating or Transmission licensees shall be maintained same percentage of debt and equity ratio from the date of the commercial operation and for subsequent additional capitalization.
17 Depreciation	Rate of depreciation 4.67% for 15 years and 2% and 1% for remaining life of the project	<p>Commission has proposed 4.67 % depreciation considering the normative debt equity ratio of 70:30 and estimated repayment of loan would be 15 years. However commission has allowed equity employed is less than the 30% of the capital cost, the actual cost shall be considered for determination of tariff. The rate of depreciation for actual equity employed is less than 30% has to notify separately.</p> <p>Commission has to specify the different rate of depreciation for cases where equity employed is less than 30% of the project cost</p>
18 Interest on working capital	<p>(a) Coal based/Lignite based thermal Generating stations</p> <p>(1) cost of coal or lignite for 11/2 months for pit</p>	The definition of Target availability has been removed, in place which the word used is Normative annual plant availability factor or NAPAF. Hence it is proposed to use

	<p>head generating station,</p> <p>(ii) Cost of secondary fuel oil for two months for generation corresponding to the target availability</p>	<p>the word Normative annual plant availability factor or NAPAF in place of target availability</p> <p>Entities are keeping the fuel less than 1 month ie between 5 days to 30 days. Hence is proposed to consider one month cost of coal and one month cost of secondary fuel oil for the normative annual plant availability factor or NAPAF</p>
19 Operation and Maintenance Expenses	e)In case of coal-based/Lignite fired thermal generating station a separate compensation allowance unitwise shall be admissible to meet expenses on new assets of capital nature including in the nature of Minor assets	This clause does not provide the clarity on the use of the allowance on yearly or in a tariff period and whether asset can be capitalized or not
21. Recovery of fixed charges	<p>(2) The fixed charge(inclusive of incentive) payable to a thermal generating station for calendar month shall be calculated in accordance with the following formulae</p> $(AFC/NDM/NDY)X(.05+.05XPAFM/NAPAF)$ <p>(in Rs)</p> <p>Where,</p> <p>AFC-Annual Fixed Charge computed for the year, In Rupees</p> <p>NDM- Number of days in the month</p>	<p>The formula contradicts with calculation of capacity charges under clause 21(2) (i),where the Normative plant availability is more in initial months, there is reduction in subsequent months, total normative annual plant availability is less than 70% in a tariff period. There is no provision for recovery of capacity charges where monthly payment is in excess of payment would have been made for the plant availability is less than 70%. The illustrative example is placed in file at annexure A</p>

	<p>NDY-Number of days in the year</p> <p>PAFY-Plant Availability factor achieved during in a year , in percent</p> <p>NAPAF-Normative Annual Plant Availability factor in percentage</p> <p>PAFM-plant availability factor achieved during the month , in percent</p>	<p>Hence it is requested to suitably modify the formula</p>
	<p>(2)(i)provided that in case the plant availability factor achieved during a year(PAFY) is less than 70%, the total fixed charge for the year shall be restricted to</p> <p>$AFC \times (0.5 + 35/NAPAF) \times (PAFY/70)$ (in Rs)</p>	<p>The norms for annual plant availability for thermal generating station has been specified in the regulation 26 of the draft CER terms and condition of tariff</p> <p>The commission has proposes the different NAPAF for the following projects</p> <ol style="list-style-type: none"> 1. Talcher TPS-82% 2. Tanda TPS- 82% 3. Badapur TPS-82% 4. TPS-1 72% 5. TPS-II stage I &II 75% 6. TPS-1 expansion 80% 7. Bokaro TPS 75% 8. Chandrapua TPS 60% 9. Durgapur TPS 74% 10. Assam GPS 70% 11. CFBC-80%

		<p>All Thermal generating station-85%</p> <p>The commission has proposes formula for recovery of fixed charges in case availability is less than 70% in a year. The formula has given scope for other units where NAPAF is less than 85% such as Lignite based units' /CBFC/ combined cycle and other thermal units, these types of units may get more capacity chargers in case NAPAF is less than 70%. Hence it is proposes fix factor like 0.91176% i.e. applicable for plant availability is 85%.</p> <p>An illustrative example is placed in the file annexure at B</p>
<p>Chapter-5 Norms of operation</p>	<p>(ii) Gross station Heat Rate 600/660 MW set(super critical)-2350Kcal/Kwh</p>	<p>600 /660/800 MW sets - 2250 Kcal/Kwh</p> <p>In case of 600 to 800 MW units the CEA in the report dated December 2007 has stated that future supercritical boiler technology stations having unit size of 600, 660 MW or more has got better efficiency due to higher pressure and temperature parameters. Hence, it is recommended to maintain 2250 Kcal / Kwh for units' size of 600 MW and above.</p>