

APP Comments on Draft CERC (Terms and Conditions of Tariff) Regulations, 2024

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
1.	1(2)	Scope and extent of application	<p>2. Scope and extent of application.</p> <p>(1) These regulations shall apply to all cases where tariff for a generating station or a unit thereof and a transmission system or an element thereof is required to be determined by the Commission under section 62 of the Act read with section 79 thereof:</p> <p>Provided that any generating station for which agreement(s) have been executed for the supply of electricity to the beneficiaries on or before 5.1.2011 and the financial closure for the said generating station has not been achieved by 31.3.2024, such projects shall not be eligible for determination of tariff under these regulations unless fresh consent of the beneficiaries is obtained and furnished.</p>	<p>Following clause may be added:</p> <p>“Provided that the provision of fresh consent requirement shall be subject to the provisions of the executed PPA with beneficiaries.”</p>	<ul style="list-style-type: none"> • If parties have already agreed for supply of power and executed the PPA then Regulations should not undermine the explicit provisions of the PPA and impose requirement for fresh consent by diluting the PPA terms.
2.	3(12)	Capital spares	<p>(12) Capital Spares' means spares individually costing above Rs. 20 lakh, which is maintained by the generating company or the</p>	<ul style="list-style-type: none"> • There should be no retrospective application of the proposed regulations on already commissioned plants. 	<ul style="list-style-type: none"> • The proposal to consider Capital spares up to Rs 20 Lakh value under O&M expenses is unwarranted and this may result in huge loss of ROE and depreciation for the generator as there may be multiple expenses of Ad-Cap

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			transmission licensee over and above the initial spares.	<ul style="list-style-type: none"> • There should not be any monetary limit instead the nature of the utilized spares should be considered in order to be qualified as Capital spares. & existing provisions of 2019-24 regulation must continue. • The commission has proposed not to allow the Capital spares of less than 20 lakhs separately and that is to be funded with the allowed Normative O&M expenses. This Provision cannot be applied retrospectively for already commissioned projects. • The definition of the Capital Spares should be as follows: <i>“Spares over and above initial spares and are in nature of capital expenditure.”</i> 	<ul style="list-style-type: none"> • OR Capital Spares each less than 20 Lakhs but with a high cumulative value. • For projects already commissioned and tied-up PPAs financing has been completed based on prevalent regulations. Further, it is difficult to forecast and budget the capital spares requirement. Therefore, there should not be any tweaking with the applicable norms for the existing projects. • Disallowing Capital spares of value less than 20 Lakhs is inappropriate and shall cause loss of ROE & Depreciation for the Generating Companies. • Accordingly, all spares over and above the initial spares and in the nature of capital expenditure should be considered under Capital Spares since every expense is allowed only after the prudence check & thorough regulatory scrutiny.
3.	3(17)	Cut-off date	(17) 'Cut-off Date" shall be the last day of the financial year closing after thirty six months from the date of commercial operation of the project, except in case of integrated mine(s);	(17) 'Cut-off Date" shall be the last day of the financial year closing after thirty six months from the date of commercial operation of the project, except in case of integrated mine(s); Provided that the cut-off date may be extended by the Commission if the	<ul style="list-style-type: none"> • Draft Regulations do not provide any proviso for extension of cut-off date when the delay in capitalisation is beyond the control of generating company. • At present, extension of cut-off date is required to be done using plenary powers of the Commission.

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				<p>Generating Company or transmission licensee is able to provide the documentary evidence that the capitalisation could not have been made within the cut-off date for reasons beyond the control of the project developer</p>	<p>Hence, it is suggested to include the enabling proviso for extension of cut-off date for the reasons beyond the control of the developer of generating station.</p>
4.	3(56)	<p>Inclusion of capital spares- in normative O&M expenses below 20 lakhs</p>	<p>Definitions. - In these regulations, unless the context otherwise requires: -</p> <p>(56) 'Operation and Maintenance Expenses' or 'O&M expenses' means the expenditure incurred for operation and maintenance of the project, or part thereof, and includes the expenditure on manpower, maintenance, repairs and maintenance spares, other spares of capital nature valuing less than Rs. 20 lakhs, additional capital expenditure of an individual asset costing up to Rs. 20 lakhs, consumables, insurance and overheads and fuel other than used for generation of electricity:</p>	<p>Definitions. - In these regulations, unless the context otherwise requires: -</p> <p>(56) 'Operation and Maintenance Expenses' or 'O&M expenses' means the expenditure incurred for operation and maintenance of the project, or part thereof, and includes the expenditure on manpower, maintenance, repairs and maintenance spares, other spares of capital nature valuing less than Rs. 20 lakhs, additional capital expenditure of an individual asset costing up to Rs. 20 lakhs, consumables, insurance and overheads and fuel other than used for generation of electricity</p>	<ul style="list-style-type: none"> • The treatment of including Capital Spares below Rs 20 lakhs as a part of O&M expenses is inappropriate and may result in huge loss of ROE and depreciation for the generator as there may be multiple expenses of Ad-Cap OR Capital Spares each less than 20 Lakhs but with a high cumulative value. To include the capital spares (below Rs. 20 lakh) in O&M, the Commission should provide enough margin in the O&M norms to include such expenditures or should make additional head under O&M on per year/MW basis and should not be part of norms. • It is advisable to continue with present regime to allow capital spares as and when it is capitalized on actual basis. • It is suggested the insurance should be allowed separately to the utilities considering the risk associated in availing insurance due to emerging renewable markets where the Lenders are not providing loan without insurance. Hence,

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					it is requested that the insurance should be allowed to be recovered over and the normative O&M.
5.	3(67)	Rate of Interest on working capital	(67) 'Reference Rate of 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;	(67) 'Reference Rate of 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 325 350 basis points;	<ul style="list-style-type: none"> • In the Draft Regulations, CERC has reduced the spread of 350 basis point to 325 basis points, observing the stable and predictable financial environment. • Further, for reduction of interest rate, the Commission has not undertaken any benchmarking study or analysis of data of actual short-term loans availed by the generating company or transmission licensee. The reduction is without any basis and arbitrary. • Further, the Commission has ignored the continuous financial risk increasing in the market for thermal power companies. As the market is more inclined towards clean energy, it has resulted in increased interest rates as compared to the previous control period. • Accordingly, it is suggested to retain the spread of 350 basis points for calculation of Interest on Working Capital.
6.	3(82)	Transmission Service Agreement	(82) 'Transmission Service Agreement' means the agreement entered into between the transmission licensee and the Designated ISTS Customers in accordance with the Sharing Regulations and shall include the	• The definition may be updated in respect of GNA/Grid Code and grant of GNA connectivity to Generators	

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			Bulk Power Transmission Agreement and Long Term Access Agreement;		
7.	3(88)	Useful Life	(88) 'Useful Life' in relation to a unit of a generating station, integrated mines, transmission system and communication system from the date of commercial operation shall mean the following: (g) Communication system excluding OPGW, IT and SCADA - 7 years	(88) 'Useful Life' in relation to a unit of a generating station, integrated mines, transmission system and communication system from the date of commercial operation shall mean the following: (g) Communication system including <u>IT and SCADA</u> but excluding OPGW - 7 years	<ul style="list-style-type: none"> • With rapid change in technology and software upgradations, Useful life for IT & SCADA systems along with DCS & PLC systems should be considered as 7 years.
8.	3(88)	Useful Life	(88) 'Useful Life' in relation to a unit of a generating station, integrated mines, transmission system and communication system from the date of commercial operation shall mean the following: (a) Coal/Lignite based thermal generating station - 25 years 	The following change may be carried out: (e) Hydro generating station including pumped storage hydro generating stations - 40 30 years Provided that in the case of coal/lignite based thermal generating stations and hydro generating stations, the	<ul style="list-style-type: none"> • Operational Life of 35 years as proposed in the Draft may not be feasible for all coal/lignite based generating stations: • There are some units which are designed for specifically 25/30 years. • The Units which are running efficiently beyond 25 Years are supplied by BHEL. However, most of the IPPs have installed Units of Chinese origin which are yet to establish their actual age.

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			<p>(e) Hydro generating station including pumped storage hydro generating stations - 40 years</p> <p>.....</p> <p>Provided that in the case of coal/lignite based thermal generating stations and hydro generating stations, the Operational Life may be 35 years and 50 years, respectively</p>	<p>Operational Life may be 35 years and 50 <u>years or less</u>, respectively <u>subject to the renovation modernization & life extension opted by the Generating company/ transmission Licensee under clause 27 & 33 (8) of the regulations</u>”</p>	<ul style="list-style-type: none"> • CEA part load operations regulations shall come in force during next control period which may reduce the useful life of the Thermal units due to part load operations. Thereby the Operational life beyond the useful life may also get lowered. • The Increment of Age beyond useful life should be Unit specific and only those units should be allowed to operate beyond 25 years which are given clearance in the technical studies of the independent experts subject to approval of Cost incurred in life extension. • Therefore, operational life of Thermal Stations may be less than 35 years as against proposed in the draft regulations.
9.	8	Tariff for RE Capacity under Renewable Generation Obligation	No enabling proviso	<p>The Commission shall determine the bundled tariff for generating station having RE capacity implemented towards compliance of Renewable Generation Obligation separately.</p> <p>Provided that, for such determination of bundled tariff, the Commission may adopt the terms and conditions specified under these Regulations.</p>	<ul style="list-style-type: none"> • Ministry of Power (MOP) vide Notification dated 27.02.2023 has stipulated Renewable Generation Obligation (RGO) on new generating stations to be commissioned after 01.04.2023. • Further, MOP vide Notification dated 06.10.2023 has floated a new Draft Notification on RGO wherein RGO has been made applicable to existing generation stations as well. • Hence, in view of the above, it is suggested to include enabling proviso for determination of bundled tariff

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					for thermal generating stations including RE implemented towards compliance of RGO.
10.	8(1) & 9(3)	Tariff for Emission Control System	<p>8. Tariff determination</p> <p>... ..</p> <p>(iii) The generating company shall file an application for determination of supplementary tariff for the emission control system installed in a coal or lignite based thermal generating station in accordance with these regulations not later than 90 days from the date of operation of such emission control system.</p> <p>....</p> <p>9. Application for determination of tariff</p> <p>... ..</p> <p>(3) In case an emission control system is required to be installed in the existing generating station or unit thereof to meet the revised emission standards, an application shall be made for the determination</p>	<p>The following provisos may be included:</p> <p>Provided that Generating Company may file an application for in-principal approval of capital expenditure to be incurred for Emission Control system prior to incurring the capital expenditure.</p> <p>Provided further that Generating Company may file an application for approval of provisional supplementary tariff prior to at least 90 days from scheduled commercial date of operation of Emission Control System.</p>	<ul style="list-style-type: none"> • The Draft Regulations provide for filing the Petition for determination of supplementary tariff for Emission Control System based on actual capital expenditure incurred and only after commercial operation of such Emission Control System. There is no provision for approval of provisional tariff or in-principle approval of capital expenditure to be incurred for Emission Control system. • The tariff determination process is an exhaustive process, which generally spans across 6-12 months after filing of the Tariff Petition by a generating company. Hence, in absence of any provisional and/or interim Supplementary Tariff, the generating company would not be able to secure any return on investment made on such ECS for such intervening period of 6-12 months. However, the debt servicing obligations of the generation company to its lenders would start immediately after ODe of the ECS. In absence of any provisional and/or interim Supplementary Tariff, it would be extremely difficult for a generating company to discharge its debt-servicing obligations during this intervening period, which would severely affect its cash flows. • Further, in the current challenging scenario, with a view to secure debt-servicing by the generating company, the

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			of supplementary tariff (capacity charges or energy charge or both) based on the actual capital expenditure duly certified by the Auditor.		<p>lenders are increasingly insisting for a mechanism in terms of provisional and/or interim Supplementary Tariff as a pre-requisite for lending. In the absence of such interim tariff, it would be extremely difficult for a generating company to achieve timely financial closure. Such a delay in achieving financial closure, could eventually lead to breach of permissible timelines prescribed by MoEF for installation of ECS, for absolutely no fault of generating companies.</p> <ul style="list-style-type: none"> • Hence, it is suggested to include the proviso regarding the approval of provisional supplementary tariff in case of Emission Control System which shall be subsequently trued-up at the time of determination of final Supplementary Tariff.
11.	8(1)	Tariff for emission control system	(iii) The generating company shall file an application for determination of supplementary tariff for the emission control system installed in a coal or lignite based thermal generating station in accordance with these regulations not later than 90 days from the date of operation of such emission control system	<p>Request for clarification:</p> <p>The draft CERC Tariff Regulations 2024-29 do not clarify whether the Supplementary Tariff for the ECS shall be determined separately for both the existing Projects as well as new Projects? While these Regulations unequivocally provide for determination of a separate Supplementary Tariff of ECS for the existing Projects, where ECS is implemented subsequent to their COD, however, a bare perusal of these Regulations renders an impression that for the new Projects, where the ECS is being implemented along with the original scope of work, there shall be no Supplementary Tariff and a consolidated tariff covering the generating station and ECS shall be determined. This aspect may be suitably clarified in the final CERC Tariff Regulations 2024-29</p>	
12.	9(5)	Carrying cost in case of	(5) In case the generating company or the transmission licensee files	The following modification is suggested:	<ul style="list-style-type: none"> • The non-filing of application for tariff determination will adversely affect the revenues of the generating company.

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		delay in filing the Petition	<p>the application as per the timeline specified in sub-clause (1) to (4) of this Regulation, carrying cost shall be allowed from the date of commercial operation of the project:</p> <p>Provided that in case the generating company or the transmission licensee delays in filing of application as per the timeline specified in sub-clause (1) to (4) of this Regulation, carrying cost shall be allowed to the generating company or the transmission licensee from the date of filing of the application as per Regulation 10(7) and 10(8) of these regulations.</p>	<p>(5) In case the generating company or the transmission licensee files the application as per the timeline specified in sub-clause (1) to (4) of this Regulation, Carrying cost shall be allowed to the generating company or the transmission licensee from the date of commercial operation of the project:</p> <p>Provided that in case the generating company or the transmission licensee delays in filing of application as per the timeline specified in sub-clause (1) to (4) of this Regulation, carrying cost shall be allowed to the generating company or the transmission licensee from the date of filing of the application as per Regulation 10(7) and 10(8) of these regulations.</p> <p>(5) <u>In case the generating company or the transmission licensee files the application as per the timeline specified in sub-clause (1) to (4) of this Regulation, Carrying cost shall be allowed to the generating company or the transmission licensee from the date of commercial operation of the project:</u></p>	<p>Hence, the generating company will not intentionally delay the application for tariff determination.</p> <ul style="list-style-type: none"> • However, application for tariff determination may be delayed due to factors not under control of the generating company. Accordingly, in case of delay in filing application for tariff determination, the carrying cost should be allowed from the COD.
13.	10(3)	Provisions for allowance of Interim tariff	<p>10. Determination of tariff</p> <p>.....</p> <p>(3) If the information furnished in the petition is in accordance with these regulations, the Commission may consider granting interim tariff of up to ninety per cent (90%) of the</p>	<p>10. Determination of tariff</p> <p>.....</p> <p>(3) If the information furnished in the petition is in accordance with these regulations, the Commission may shall consider granting interim tariff of up to ninety per cent (90%) of the tariff claimed</p>	<ul style="list-style-type: none"> • In case the Commission considers that the tariff claimed by the generating company is appropriate and in accordance with the regulations, the Commission should allow 90% of the tariff claimed by generating company as interim tariff. • The generating company should not be penalized for difference between final tariff and interim tariff as determined by commission. Additional 20% carrying

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			<p>tariff claimed in case of new generating station or unit thereof or transmission system or element thereof during the first hearing of the application:</p> <p>Provided that in case the final tariff determined by the Commission is lower than the interim tariff by more than 10%, the generating company or transmission licensee shall return the excess amount recovered from the beneficiaries or long term customers, as the case may be with simple interest at 1.20 times of the rate worked out on the basis of 1 year SBI MCLR plus 100 basis points prevailing as on 1st April of the financial year in which such excess recovery was made.</p>	<p>in case of new generating station or unit thereof or transmission system or element thereof during the first hearing of the application:</p> <p>Provided that in case the final tariff determined by the Commission is lower than the interim tariff by more than 10%, the generating company or transmission licensee shall return the excess amount recovered from the beneficiaries or long term customers, as the case may be with simple interest at 1.20 times of the rate worked out on the basis of 1 year SBI MCLR plus 100 basis points prevailing as on 1st April of the financial year in which such excess recovery was made</p>	<p>cost will have adverse impact on the operations and debt obligations of the of generating company.</p> <ul style="list-style-type: none"> • Hence, return of excess recovery of tariff should be at same rate worked out on the basis of 1-year SBI MCLR plus 100 basis points prevailing as on 1st April of the financial year.
14.	10(7)	<p>Rate for allowing carrying cost - Treatment of interest on differential</p>	(7) Subject to Sub-Clause (8) below, the difference between the tariff determined in accordance with clauses (3) and (5) above and clauses (4) and (5) above, shall be recovered from or refunded to, the	(7) Subject to Sub-Clause (8) below, the difference between the tariff determined in accordance with clauses (3) and (5) above and clauses (4) and (5) above, shall be recovered from or refunded to, the beneficiaries or the long term customers,	<ul style="list-style-type: none"> • Draft Regulations has proposed to lower the rate of carrying cost from (SBI MCLR + 350 basis points) to (SBI MCLR + 100 basis points). • The carrying cost should reflect the actual cost of funds of the generating company or transmission licensee. Carrying cost is allowed towards deferred recovery.

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		tariff after truing up	<p>beneficiaries or the long term customers, as the case may be, with simple interest at the rate equal to the 1 year SBI MCLR plus 100 basis points prevailing as on 1st April of the respective year of the tariff period, in six equal monthly instalments.</p> <p>Provided that the bills to recover or refund shall be raised by the generating company or the transmission licensees within 30 days from the issuance of the Order.</p> <p>Provided further that such interest, including that determined as per sub-clause (8) of this regulation shall be payable till the date of issuance of the Order and no interest shall be allowed or levied during the period of six-monthly instalments.</p>	<p>as the case may be, with simple interest at the rate equal to the 1 year SBI MCLR plus 100 350 basis points prevailing as on 1st April of the respective year of the tariff period, in six equal equated monthly instalments.</p> <p>Provided that the bills to recover or refund shall be raised by the generating company or the transmission licensees within 30 days from the issuance of the Order.</p> <p>Provided further that such interest, including that determined as per sub-clause (8) of this regulation shall be payable till the date of issuance of the Order and no monthly interest shall be allowed or levied during the period of six-monthly instalments.</p>	<p>Usually, such deferred recovery is financed by availing short term loans. The rate specified in Draft Regulations do not reflect the rate available for short term loans in market.</p> <ul style="list-style-type: none"> Further, no benchmarking study has been undertaken by the CERC while arriving at decision of reducing the spread from 350 basis point to 100 basis points. Also, no analysis is undertaken for actual short-term loans availed for financing deferred recovery. The reduction is without any basis and arbitrary. Further, it is noted that the Regulations has specified the actual cost of funds while allowing interest on working capital at higher rate. Hence, the carrying cost should be allowed at same rate at which interest on working capital is allowed in Regulations. <p>The interest during the period of payment of six-monthly instalment should also be allowed in order to ensure the timely payment of the over-recovery and under recovery.</p>
15.	10(8)	Provisions for allowance of Interim tariff	(8) Where the capital cost approved by the Commission on the basis of projected additional capital expenditure exceeds the actual trued up additional capital	<p>Proposed change:</p> <p>(8) Where the capital cost approved by the Commission on the basis of projected additional capital expenditure exceeds</p>	<ul style="list-style-type: none"> The generating company should not be penalized for difference between projected additional capital expenditure and actual trued up additional capital expenditure. Additional 20% carrying cost will have

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			<p>expenditure incurred on a year to year basis by more than 10%, the generating company or the transmission licensee shall refund to the beneficiaries or the long term customers as the case may be, the tariff recovered corresponding to the additional capital expenditure not incurred, as approved by the Commission, along with simple interest at 1.20 times of the rate worked out on the basis of 1 year SBI MCLR plus 100 basis points as prevalent on 1st April of the respective year.</p>	<p>the actual trued up additional capital expenditure incurred on a year to year basis by more than 10%, the generating company or the transmission licensee shall refund to the beneficiaries or the long term customers as the case may be, the tariff recovered corresponding to the additional capital expenditure not incurred, as approved by the Commission, along with simple interest at 1.20 times of the rate worked out on the basis of 1 year SBI MCLR plus 100 basis points as prevalent on 1st April of the respective year.</p>	<p>adverse impact on the operations and debt obligations of the of generating company.</p> <ul style="list-style-type: none"> Hence, return of excess recovery of tariff should be at same rate worked out on the basis of 1-year SBI MCLR plus 100 basis points prevailing as on 1st April of the financial year.
16.	17	Incentive for old plants	<p>Special Provisions for Tariff for Thermal Generating Station which have Completed 25 Years of Operation from Date of Commercial Operation:</p> <p>In respect of a thermal generating station that has completed 25 years of operation from the date of commercial operation, the generating company and the</p>	<ul style="list-style-type: none"> The plants which complete their useful life do not recover depreciation and Interest on Loan in Annual Fixed Cost. Such efficient plants are required to be incentivized for their performance. Incentive for such plant should be based on PAF and not PLF. PLF based incentive may or may not be realized by such plants and will depend on despatch of plant by Beneficiaries. It is suggested that any incentive which is provided may be given in Annual Fixed Cost as an additional component. 	

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			beneficiary may agree on an arrangement, including provisions for target availability and incentive, where in addition to the energy charge, capacity charges determined under these regulations shall also be recovered based on scheduled generation.		
17.	19(2)	Capital cost of new projects	19 (2) The Capital Cost of a new project shall include the following: ... (p) Expenditure required to enable flexible operation of the generating station at lower loads.	No change proposed	<ul style="list-style-type: none"> This is a welcome provision and may be implemented in the Final Regulations.
18.	19(3)	Capital cost of existing projects	19 (3) The Capital cost of an existing project shall include the following: ... (g) Expenditure required to enable flexible operation of the generating station at lower loads; and (h) Capital expenditure on account of biomass handling equipment and facilities, for cofiring.	No change proposed	<ul style="list-style-type: none"> This is a welcome provision and may be implemented in the Final Regulations.

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19.	19(5)	Capital cost for projects acquired post NCLT proceedings	<p>For Projects acquired through NCLT proceedings, the following shall be considered while approving Capital Cost for determination of tariff:</p> <p>(a) For projects already under operation, historical GFA of the project acquired or the acquisition value paid by the generating company, whichever is lower;</p> <p>... ..</p> <p>(c) In case any under construction project is acquired which is yet to achieve commercial operation, the acquisition value or the actual audited cost incurred till the date of acquisition, whichever is lower, shall be considered and;</p>	<p>For Projects acquired through NCLT proceedings, the following shall be considered while approving Capital Cost for determination of tariff:</p> <p>(a) For projects already under operation, historical GFA of the project acquired or the acquisition value paid by the generating company, whichever is lower;</p> <p>... ..</p> <p>(c) In case any under construction project is acquired which is yet to achieve commercial operation, the acquisition value or the actual audited cost incurred till the date of acquisition, whichever is lower; shall be considered and;</p>	<ul style="list-style-type: none"> • It may be noted that the projects which undergo NCLT process are unviable loss-making projects and therefore the recovery of tariff is inadequate to compensate for the expenses and earn the reasonable level of return. • While bidding for stressed assets, the acquirer considers several factors including cost to be incurred for completion of the facilities, standardization of the schemes as per the industry practice, etc. Accordingly, the procurer would acquire the asset at a discount to the existing price in order to make the stressed asset financially viable. • Moreover, Hon'ble APTEL vide judgment dated 27.09.2019 in Appeal No. 183 of 2019 in case of Renascent Power Ventures Pvt. Ltd. vs UPERC, UPPCL, SBI and others held that <i>“The change in the PPA tariff, which being the fundamental basis for arriving at the bid amount by the bidders, any subsequent reduction in the PPA tariff, post conclusion of the bid process by lenders of the project, would amount to change in the fundamental basis of the bid.”</i> • As evident from the aforementioned judgment by Hon'ble APTEL, the clause proposed to be inserted in respect of projects acquired through NCLT would be in violation of the settled law considering the said APTEL judgment has attained finality.

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					<ul style="list-style-type: none"> Any downside revision of the existing tariff structure (on account of reduction of the Project cost or otherwise) would severely affect their financial viability and sustained operability. This would have a cascading adverse impact on the debt repayment capabilities and/or meeting the service obligations of the operational creditors by such Projects and ultimately resulting in such Projects becoming NPAs yet again. Such an issue would be further amplified for the Projects having limited paying capacity on account of marginal power tie-ups under Long term PPAs. Therefore, considering the lower of historical GFA of the project acquired or the acquisition value paid by the generating company for purpose of tariff determination will not only prevent the servicing of legitimate costs to the generator but also the same is not in public interest as it shall lead to continuance of stranding of stressed assets as investors will not show interest to acquire stranded assets through NCLT if the proposed regulation is implemented. There shall be no incentive to investors with the proposed regulation. Moreover, recovery of tariff based on historical GFA is not causing any additional burden to end consumers. Accordingly, it is strongly suggested that tariff of projects acquired through NCLT should continue to be computed based on the historical GFA only otherwise the stranded power projects, which are national assets, will become useless

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					<p>which is not in the overall public interest and will lead to a string of litigations and lead to further stress in the sector.</p> <ul style="list-style-type: none"> • Additionally, we may need to have provision for recovery of revival cost for NCLT units which need recommissioning, additional infrastructure as per standard requirements.
20.	19(5)	Capital cost for projects acquired post NCLT proceedings	<p>For Projects acquired through NCLT proceedings, the following shall be considered while approving Capital Cost for determination of tariff:</p> <p>.....</p>	<p>Request for clarification:</p> <p>From the bare perusal of the draft CERC Tariff Regulations 2024-29, it is not clear whether such a dispensation would be applicable to only such Projects which are acquired after the date of draft CERC Tariff Regulations 2024-29 coming into effect i.e. 01.04.2024 or would it also be applicable for the Projects acquired though NCLT even before 01.04.2024? Accordingly, the same may be duly clarified in the final CERC Tariff Regulations 2024-29</p>	
21.	21 & 22	Delay towards obtaining forest clearance/ NHAI clearance/Land acquisition	<p>21. Interest During Construction (IDC) and Incidental Expenditure during Construction (IEDC)</p> <p>(5).....</p> <p>Provided that in case of activities like obtaining forest clearance, NHAI Clearance, approval of Railways, and acquisition of government land, where delay is on account of delay in approval of concerned authority, in such cases</p>	<p>21. Interest During Construction (IDC) and Incidental Expenditure during Construction (IEDC)</p> <p>(5).....</p> <p>Provided that in case of activities like obtaining forest clearance, NHAI Clearance, approval of Railways, and acquisition of government land, where delay is on account of delay in approval of concerned authority, in such cases</p>	<ul style="list-style-type: none"> • The Draft Regulations has proposed to allow condonation of delay in obtaining forest clearance, NHAI Clearance, approval of Railways, and acquisition of government land up to 90% of delay associated with such approvals or clearance. • It is noted that, for approval of condonation of delay, the Commission has to undertake the prudence check based on the details and justification submitted by generating company or transmission licensee. By putting up the limit of 90%, the Commission has been restricting its plenary powers to allow 100% condonation of delay after due prudence check. Also, there would be loss to

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			<p>maximum condonation shall be allowed up to 90% of the delay associated with obtaining such approvals or clearances.</p>	<p>condonation shall be allowed on case to case basis after due prudence check.</p>	<p>generating company or transmission licensee even after the Commission has ascertained that delay is not attributable to the generating company or transmission licensee. This would be contrary to the APTEL Judgment dated 27.04.2011 in Appeal No. 72 of 2010 as adopted by the Commission under Regulation 21.</p> <ul style="list-style-type: none"> • Further, land acquisition has been considered as uncontrollable factor as per Regulation 22 (2)(c). In most cases, delay in land acquisition is on account of these events. Hence, these events should also be required to be considered as uncontrollable factors. Moreover, it is contradictory that a maximum limit of up to 90% for condonation of the delay is proposed for these events. • Hence, it is suggested that delay on obtaining forest clearance, NHAI Clearance, approval of Railways, and acquisition of government land shall be considered as uncontrollable factors and shall be decided on case-to-case basis after due prudence check by the Commission. <p>Accordingly, the changes are proposed in Draft Regulations.</p>
22.	21(1)	Interest During Construction (IDC) and Incidental	(1) Interest during construction (IDC) shall be computed considering the actual loan and normative loan after taking into	<p>Proposed change:</p> <p>.....</p> <p>Provided further that in case IDC on normative loan is to be allowed prior to</p>	<ul style="list-style-type: none"> • To encourage investments in the power sector the rate of interest may be allowed @ SBMCLR plus 350 basis point, which is the average lending rate on loans.

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		Expenditure during Construction (IEDC)	<p>account the prudent phasing of funds up to actual COD:</p> <p>Provided that IDC on normative loan corresponding to excess equity over 30% of funds deployed shall be allowed only in case the actual infusion of equity on a quarterly basis is more than 30% of total funds deployed on a pari-passu basis.</p> <p>Provided further that in case IDC on normative loan is to be allowed prior to infusion of actual loan, rate of interest for computing such IDC shall be equal to 1-year SBI MCLR as prevailing on 1st April of the respective year.</p>	infusion of actual loan, rate of interest for computing such IDC shall be equal to 1-year SBI MCLR plus 350 basis points as prevailing on 1st April of the respective year.	
23.	21(2)	IEDC prior to Zero date	<p>Incidental expenditure during construction (IEDC) shall be computed from the zero date, taking into account pre-operative expenses up to actual COD:</p> <p>Provided that any revenue earned during the construction period up to</p>	<p>Incidental expenditure during construction (IEDC) shall be computed from the zero date, taking into account pre-operative expenses up to actual COD:</p> <p>Provided that any revenue earned during the construction period up to actual COD on account of interest on deposits or advances or any other receipts shall be taken into account for reduction in</p>	<ul style="list-style-type: none"> • The inception of the project starts way before the Zero date. Most of surveys and analysis are done before the Zero date. • The expenditure incurred during that period is not recovered by the generating station through Tariff. • Such expenditures are also part of capital investment for the project.

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			actual COD on account of interest on deposits or advances or any other receipts shall be taken into account for reduction in incidental expenditure during construction.	<p>incidental expenditure during construction.</p> <p>Provided also that expenditure incurred by Generating Company towards the project development activities, prior to Zero date shall also form part of IEDC and be allowed by the Commission on actually incurred basis.</p>	<ul style="list-style-type: none"> • Hence, it is suggested to include the enabling proviso for allowance of such expenditure incurred prior to Zero date as part of IEDC.
24.	21(4)	Price variation and Treatment of Liquidated Damages on delay	<p>(3) In case of additional costs on account of IDC and IEDC due to delay in achieving the COD, the generating company for a specific generating station or for an integrated mine or the transmission licensee, as the case may be, shall be required to furnish detailed justifications with supporting documents for such delay including prudent phasing of funds in case of IDC and details of IEDC during the period of delay and liquidated damages recovered or recoverable corresponding to the delay.</p> <p>(4) If the delay in achieving the COD is not attributable to the</p>	<p>(3) In case of additional costs on account of IDC and IEDC due to delay in achieving the COD, the generating company for a specific generating station or for an integrated mine or the transmission licensee, as the case may be, shall be required to furnish detailed justifications with supporting documents for such delay including prudent phasing of funds in case of IDC, details of IEDC, Price variation during the period of delay, and liquidated damages recovered or recoverable corresponding to the delay.</p> <p>(4) If the delay in achieving the COD is not attributable to the generating company or the transmission licensee,</p>	<ul style="list-style-type: none"> • Draft Regulations are silent upon the issue of price variation on account of delay in the project. In the event of delay in the Commissioning of the project, the cost of the machines and equipment changes as compared to estimated cost as per price variation clauses stipulated on contract awarded. Such price variations are on account of inflation, foreign risk, change in cost of raw material, manpower cost, etc. over the time of project delay. • In such cases, where the delay in project commissioning is condoned, then corresponding price variation for such delay period should also be allowed. This will provide an equitable approach. Accordingly, the same has to be included in clause to provide ample clarity. • Hence, it is suggested that in case of condonation of delay by the Commission, the price variation should

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			<p>generating company or the transmission licensee, such additional IDC and IEDC may be allowed after prudence check and the liquidated damages, if any, recovered from the contractor or supplier or agency shall be adjusted in the capital cost of the generating station or the transmission system.</p>	<p>such additional IDC, IEDC and corresponding price variation in cost of the project may be allowed after prudence check and the liquidated damages, if any, recovered from the contractor or supplier or agency shall be adjusted in the capital cost of the generating station or the transmission system.</p> <p>(5) The treatment of delay between generating station or transmission system and associated systems shall be considered as per CERC (Sharing of Inter-State Transmission Losses and Charges) Regulations, amended from time to time.</p>	<p>also be allowed in addition to IDC and IEDC as specified in Draft Regulations.</p> <ul style="list-style-type: none"> As regards the treatment of LD, Delhi High Court Order [Indian Oil Corporation Vs. Messrs Lloyds Steel Industries Limited; 2007 (144) DLT 659] has established that Liquidated Damages cannot be claimed if it is proved that no actual damages were caused. Hence, in cases where delay is on account of non-commissioning of upstream /downstream or where the obligation of COD is on another party, the case of charging of LD from the contractor does not arise. CERC (Sharing of Inter-State Transmission Losses and Charges) Regulations, 2020 already provided the treatment regarding the delay of upstream or downstream element and recovery of charges in such case. The similar principles may be adopted in these Regulations and should be clearly mentioned in the Regulations for providing absolute clarity.
25.	21(5)	Computation IDC- Post Scheduled COD	21(5) If the delay in achieving the COD is attributable either in entirety or in part to the generating company or the transmission licensee or its contractor or supplier or agency, in such cases, IDC and IEDC due to such delay may be disallowed after prudence check	21(5) If the delay in achieving the COD is attributable either in entirety or in part to the generating company or the transmission licensee or its contractor or supplier or agency, in such cases, IDC and IEDC due to such delay may be disallowed after prudence check either in entirety or on pro-rata basis	<ul style="list-style-type: none"> The generating company or transmission licensee is already being penalized by way of disallowance of IDC and IEDC in case of delay in COD attributable to contractors. Therefore, not allowing such generators / licensees to retain liquidated damages from contractors would result into a double jeopardy adversely affecting the cashflows for day-to-day operations of the generators/licensees.

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			<p>either in entirety or on pro-rata basis corresponding to the period of delay not condoned vis-à-vis total implementation period and the liquidated damages, if any, recovered from the contractor or supplier or agency shall be retained by the generating company or the transmission licensee, in the same proportion of delay not condoned vis-à-vis total implementation period.</p> <p>Provided that in case of activities like obtaining forest clearance, NHAI Clearance, approval of Railways, and acquisition of government land, where delay is on account of delay in approval of concerned authority, in such cases maximum condonation shall be allowed up to 90% of the delay associated with obtaining such approvals or clearances.</p>	<p>corresponding to the period of delay not condoned vis-à-vis total implementation period and the liquidated damages, if any, recovered from the contractor or supplier or agency shall be retained by the generating company or the transmission licensee, in the same proportion of delay not condoned vis-à-vis total implementation period.</p> <p>Provided that in case of activities like obtaining forest clearance, NHAI Clearance, approval of Railways, and acquisition of government land, where delay is on account of delay in approval of concerned authority, in such cases condonation shall be allowed on case to case basis after due prudence check.</p>	<ul style="list-style-type: none"> • Therefore, the generating company / licensee should be allowed to retain all the liquidated damages recovered from the contractors or suppliers. • It is noted that, for approval of condonation of delay, the Commission has to undertake the prudence check based on the details and justification submitted by generating company or transmission licensee. By putting up the limit of 90%, the Commission is restricting its own plenary powers to allow 100% condonation of delay after due prudence check. This effectively means that there would be loss to generating company or transmission licensee even after the Commission has ascertained that delay is not attributable to the generating company or transmission licensee. This would be in contrary to the APTEL Judgment dated 27.04.2011 in Appeal No. 72 of 2010 as adopted by the Commission under Regulation 21. • Delay in grant of approval/ clearances by Statutory Authorities are beyond the control of the generator/licensees and accordingly needs to be fully condoned. • In fact, in respect of clearances by statutory bodies, it is necessary that the Commission issues directions to Statutory Authorities for mandatory approvals/ clearances within a specified timeline. In any case, 100% delay in approvals Statutory Authorities has to be

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					appropriately compensated to generating company or transmission licensee and accounted for condonation.
26.	22	Controllable and uncontrollable factors	<p>The following shall be considered as controllable and uncontrollable factors for deciding time overrun, cost escalation, IDC and IEDC of the new projects:</p> <p>(1) The "controllable factors" shall include but shall not be limited to the following:</p> <p>a. Efficiency in the implementation of the new projects not involving an approved change in scope of such new projects, change in statutory levies or change in law or force majeure events; and</p> <p>b. Delay in execution of the new projects on account of contractor or supplier or agency of the generating company or transmission licensee.</p> <p>(2) The "uncontrollable factors" shall include but shall not be limited to the following:</p>	<p>Uncontrollable factors may also include the following events:</p> <ul style="list-style-type: none"> • Delay in obtaining Forest Clearance • Delay in NHAI clearance • Delay in providing land to the implementing authority • Delay in approval by Railways • Delay in acquisition of government land, where delay is on account of delay in approval of concerned authority • Delay in Providing the Evacuation facility or Delay in approval for synchronization of the Unit. • Court stay orders • Restriction/Hindrances from buyers/procurers. • Any other event not covered under controllable factors 	<ul style="list-style-type: none"> • These are all factors are beyond the reasonable control of the generator hence must be included in the list of non-controllable factors.

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			a. Force Majeure events; b. Change in Law; and c. Land acquisition except where the delay is attributable to the generating company or the transmission licensee.		
27.	24(1)	Replacement of Asset	24. Additional Capitalisation within the original scope and up to the cut-off date Provided that in case of any replacement of the assets, the additional capitalization shall be worked out after adjusting the gross fixed assets and cumulative depreciation of the assets replaced on account of de-capitalization.	24. Additional Capitalisation within the original scope and up to the cut-off date Provided that in case of any replacement of the assets, the additional capitalization shall be worked out after adjusting the gross fixed assets and cumulative depreciation salvage value of the assets replaced on account of de-capitalization.	<ul style="list-style-type: none"> • The replacement of asset takes place only when such asset is not useful. • The capital cost of new asset is based on prevailing market prices and cannot be simply subtracted with the old assets. • As per the proposed approach, the Gross Fixed Asset of new asset is considered after adjustment with cumulative depreciation of replaced assets. Thereafter, replaced asset will be de-capitalised and balance cumulative depreciable asset will not be claimed by generating company. Hence, there would be double disallowance to generating company and this will lead to loss for the generating company. <p>Hence, it is suggested that, in case of replacement of asset, only salvage value to be adjusted with GFA of new asset. Further, any sale proceeds on account of</p>

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					scrap of replaced assets will be considered through sharing of Non-tariff income.
28.	25	Initial Spares	<p>25. Additional Capitalisation within the original scope and after the cut-off date:</p> <p>(1) The additional capital expenditure incurred or projected to be incurred in respect of an existing project or a new project on the following counts within the original scope of work and after the cut-off date may be admitted by the Commission, subject to prudence check:</p> <p>(a) Payment made against award of arbitration or for compliance with the directions or order of any statutory authority, or order or decree of any court of law;</p> <p>(b) Change in law or compliance with any existing law which is not provided for in the original scope of work;</p>	<p>25. Additional Capitalisation within the original scope and after the cut-off date:</p> <p>(1) The additional capital expenditure incurred or projected to be incurred in respect of an existing project or a new project on the following counts within the original scope of work and after the cut-off date may be admitted by the Commission, subject to prudence check:</p> <p>(a) Payment made against award of arbitration or for compliance with the directions or order of any statutory authority, or order or decree of any court of law;</p> <p>(b) Change in law or compliance with any existing law which is not provided for in the original scope of work;</p> <p>(c) Procurement of initial spares within the original scope of work, in accordance with the provisions of Regulation 23 of these Regulations.</p> <p>Provided that Initial spares shall be allowed only if it within ceiling limit as</p>	<ul style="list-style-type: none"> • Draft Regulations provides a ceiling limit for capitalisation of Initial Spares. However, such capitalisation of Initial Spares is restricted up to cut-off date. • It is noted that Initial Spares are crucial part of project. Capitalization of spares like other additional capitalization also dependent on many uncertainties such as spares availability, vendor negotiation, funding, delivery time, etc. • The procurement of Initial spares should not be restricted for capitalisation up to cut-off date. The relaxation of cut-off date should be allowed for Initial spares. • It is suggested to consider the capitalisation of initial spares beyond cut-off date if initial spares procured are within the ceiling limit specified in Regulations.

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			(c) Deferred works relating to ash pond or ash handling system in the original scope of work; (d)..... ...	specified in Regulation 23 of these Regulations. (d) Deferred works relating to ash pond or ash handling system in the original scope of work; (d).....	
29.	25 &26	Additional capitalization less than 20 Lakh	25. Additional Capitalisation within the original scope and after the cut-off date: (2)..... Provided that any claim of additional capitalisation with respect to the replacement of assets under the original scope and on account of obsolescence of technology, less than Rs. 20 lakhs shall not be considered as part of Capital cost and shall be met by Generating company and Transmission licensee through normative O&M charges only. 26. Additional Capitalisation beyond the original scope	25. Additional Capitalisation within the original scope and after the cut-off date: (2)..... Provided that any claim of additional capitalisation with respect to the replacement of assets under the original scope and on account of obsolescence of technology, less than Rs. 20 lakhs shall not be considered as part of Capital cost and shall be met by Generating company and Transmission licensee through normative O&M charges only. 26. Additional Capitalisation beyond the original scope (2) Any claim of additional capitalisation less than Rs. 20 lakhs	<ul style="list-style-type: none"> • The treatment of including additional capitalisation less than Rs 20 lakhs under normative O&M charges is inappropriate and may result in huge loss of ROE and depreciation for the generator as there may be multiple expenses of additional capitalisation each less than 20 Lakhs but with a high cumulative value. • It may be noted that the actual O&M expenses incurred by a Project developer are significantly higher than the respective allowable normative levels thereby resulting in under recovery of actual O&M expenses. Under this backdrop, restricting the pass through of capital cost of assets less than Rs. 20 Lakhs would further increase the under-recovery of the actual expenditure being faced by the generators. Such an approach goes against Sec-61(d) & (g) of The EA 2003 which provide for recovery of cost of generation in a reasonable manner and determination of tariff in a such a manner that tariff reflects the actual cost of supply of electricity.

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			(2) Any claim of additional capitalisation less than Rs. 20 lakhs shall not be considered under Clause (1) of this regulation.	shall not be considered under Clause (1) of this regulation.	<ul style="list-style-type: none"> • Further, for projects already commissioned and tied-up PPAs, financing has been completed based on prevalent regulations. Therefore, there should not be any tweaking with the applicable norms for the existing projects. • Also, generating company deserves to recover the AFC component on such cost as well. Not providing ROE, Depreciation and interest on loan on additional capitalization for less than 20 lakhs will impact the cash inflow of the generator. • It is rather suggested to move ahead with present regime for allowing additional capitalisation on actual basis without any lower limit, subject to prudence check by the Commission.
30.	25(1)	Additional Capitalisation	<p>(1) The additional capital expenditure incurred or projected to be incurred in respect of an existing project or a new project on the following counts within the original scope of work and after the cut-off date may be admitted by the Commission, subject to prudence check:</p> <p>.....</p> <p>.....</p>	It is requested that Additional Capitalization on account of “Raising of ash dyke as a part of ash disposal system” be duly continued to be considered for the Additional Capitalization after the cut-off date as was being done under CERC Tariff Regulations 2019-24.	<ul style="list-style-type: none"> • Under the Regulation 25 dealing with “Additional Capitalization within the original scope and after the cut-off date”, there is an omission of Additional Capitalization on account of “Raising of ash dyke as a part of ash disposal system”, which was duly considered under CERC Tariff Regulations 2019-24. • It may be appreciated that cut-off date under the draft CERC Tariff Regulations 2024-29 is three (3) Yrs post COD of the Project and the raising of ash dyke spans across a significant period post project COD. As such there is no rationale for not allowing Additional

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				Capitalization on account of raising of ash dyke after the cut-off date.
31.	26	Additional capitalization	<p>26. Additional Capitalisation beyond the original scope</p> <p>(1) The capital expenditure, in respect of the existing generating station or the transmission system, including the communication system, incurred or projected to be incurred on the following counts beyond the original scope, may be admitted by the Commission, subject to prudence check:</p> <p>(a).....</p> <p>(b).....</p> <p>(i) Any additional capital expenditure which has become necessary for efficient operation of generating station or transmission system as the case may be, including the works required towards projects acquired through NCLT process. The claim shall be substantiated with the technical</p>	<p>26. Additional Capitalisation beyond the original scope</p> <p>(1) The capital expenditure, in respect of the existing generating station or the transmission system, including the communication system, incurred or projected to be incurred on the following counts beyond the original scope, may be admitted by the Commission, subject to prudence check:</p> <p>(a).....</p> <p>(b).....</p> <p>(i) Any additional capital expenditure which has become necessary for efficient operation of generating station or transmission system as the case may be, including the works required towards projects acquired through NCLT process. The claim shall be substantiated with the technical justification and cost benefit analysis (tangible and / or intangible benefits)</p>	<ul style="list-style-type: none"> • The incorporation of proviso regarding allowance of additional capitalisation required for efficient and smooth operation of generating station is appreciated and the same may be included in the final regulations. • Further, it is submitted that, for additional capitalization towards environment related expenses e.g. ash disposal system, etc., the cost benefit analysis cannot be provided as benefits are intangible in nature. However, such additional capitalization is essential for smooth operation of plant. • Hence, such additional capitalization should be allowed without providing any cost benefit analysis in cases where benefit is intangible in nature, and clarity to be provided in the Regulations in this regard.

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			justification and cost benefit analysis.		
32.	27	Renovation and modernization	<p>27. Additional Capitalisation on account of Renovation and Modernisation</p> <p>(1) The generating company intending to undertake renovation and modernization (R&M) of the generating station or unit thereof for the purpose of extension of life beyond the originally recognised useful life for the purpose of tariff, shall file a petition before the Commission for approval of the proposal with a Detailed Project Report giving complete scope, justification, cost-benefit analysis, estimated life extension from a reference date, financial package, phasing of expenditure, schedule of completion, reference price level, estimated completion cost including foreign exchange component, if any, and any other information considered to be</p>	No Change	<ul style="list-style-type: none"> • These provisions are welcome and the same may be continued in the Final Regulations.

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			<p>relevant by the generating company or the transmission licensee:</p> <p>Provided that the generating company making the applications for renovation and modernization (R&M) shall not be eligible for Special Allowance under Regulation 28 of these regulations;</p>		
33.	29	Additional Capitalization on account of Revised Emission Standards	(1) A generating company requiring to incur additional capital expenditure in the existing generating station for compliance with the revised emissions standards shall share its proposal with the beneficiaries and file a petition for undertaking such additional capitalization.	<p>The following may be added:</p> <p>(1) A generating company requiring to incur additional capital expenditure in the existing generating station for compliance with the revised emissions standards shall share its proposal with the beneficiaries and file a petition for undertaking such additional capitalization. <u>The Commission will accord In-principal approval to such additional capital expenditure subject to prudence check.</u></p>	<ul style="list-style-type: none"> • In Principal approval is necessary to secure the funding from lending agencies in order to implement FGD.
34.	-	Other expenses under	(no provision)	<p>It is suggested that:</p> <p>a. Separate norms for additional capitalisation for coastal plants considering corrosion factor and sea water utilization may be provided based on historical additional capitalisation details.</p>	

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
		Additional Capitalisation		b. Generators should be allowed to approach the Commission for approval of new expenses not covered under Additional Capitalisation norms on case to case basis.	
35.	30(3)	Return on Equity for new projects - Transmission	(3) Return on equity for new project achieving COD on or after 01.04.2024 shall be computed at the base rate of 15.00% for the transmission system , including the communication system, at the base rate of 15.50% for Thermal Generating Station and run-of-river hydro generating station and at the base rate of 17.00% for storage type hydro generating stations, pumped storage hydro generating stations and run-of-river generating station with pondage.	(3) Return on equity for new project achieving COD on or after 01.04.2024 shall be computed at the base rate of 15.50% 15.00% for the transmission system, including the communication system, at the base rate of 15.50% for Thermal Generating Station and run-of-river hydro generating station and at the base rate of 17.00% for storage type hydro generating stations, pumped storage hydro generating stations and run-of-river generating station with pondage.	<ul style="list-style-type: none"> • The Govt. of India has set ambitious targets to meet the rising power demand through substantial RE generation to achieve its net zero target by the year 2070. Most of such RE generation would occur in RE rich states, however, it would be consumed across the entire country. Consequently, a robust, reliable, and efficient transmission network would be required to evacuate such huge quantum of RE generation to transmit it from the source to the load centres. This would therefore necessitate substantial investment in the sector and any move to reduce the rate of RoE from the existing 15.5% would dampen the investor spirit and prevent the sector from garnering the much needed investment to meet not only the demand for power but also the climate change initiatives of the GoI. • It is also essential to consider the aspect that the transmission licensee is not entitled to any RoE for the period up to COD. As per the current experience, the commissioning of most of the assets is being delayed due to reasons not attributable to the project proponents. Ex: COVID delays, serious issues in RoW. In such circumstances, there is actually a need to allow higher RoE to adequately compensate the developers.

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					<ul style="list-style-type: none"> In view of the above, it is submitted that there is strong case to increase the rate of RoE from the existing 15.5% for the new transmission projects and in any case the same should not be reduced below 15.5% but retained at existing level of 15.5%. even for new projects.
36.	30(3)	Return on Equity for new project – Emission control system, change in law and Force Majeure	<p>Provided that return on equity in respect of additional capitalization beyond the original scope, including additional capitalization on account of the emission control system, Change in Law, and Force Majeure shall be computed at the base rate of one-year marginal cost of lending rate (MCLR) of the State Bank of India plus 350 basis points as on 1st April of the year, subject to a ceiling of 14%;</p>	<p>(3) Return on equity for new project achieving COD on or after 01.04.2024 shall be computed at the base rate of 15.00% for the transmission system, including the communication system, at the base rate of 15.50% for Thermal Generating Station <u>including additional capitalization on account of emission control system, change in law and Force Majeure</u> and run-of-river hydro generating station and at the base rate of 17.00% for storage type hydro generating stations, pumped storage hydro generating stations and run-of-river generating station with pondage.</p> <p>Provided that return on equity in respect of additional capitalization beyond the original scope, <u>including excluding</u> additional capitalization on account of the emission control system, Change in</p>	<ul style="list-style-type: none"> The capex towards Emission Control System required to be undertaken by the generators to meet the revised emission control norms notified by the MOEF&CC on 07.12.2015 is a change in law event. However, nature of this change in law is different from the other change in law events affecting the generators during the operation period such as domestic coal shortfall, changes in taxes & duties etc. as such changes in law can be funded through short term loans / working capital considering that such cost needs to be funded only for the period from date of occurrence till date of regulatory approval. However, capex towards ECS needs to be funded through long term loans as well as long term equity infusion neither of which were envisaged at the time of original investment / bid. It is also pertinent to be recognized that the risks of equity investment in the additional capitalization after COD are far higher for the existing generating plants as the original OEM of BTG package will not take any responsibility for deterioration of plant performance and

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				<p>Law, and Force Majeure shall be computed at the base rate of one-year marginal cost of lending rate (MCLR) of the State Bank of India plus 350 basis points as on 1st April of the year, subject to a ceiling of 14%;</p>	<p>the entire risk of system integration is completely on the original developer.</p> <ul style="list-style-type: none"> • It is also a settled position that since equity is risk-capital, the cost of equity is higher than cost of debt. Accordingly, allowing RoE at the rate equivalent to MCLR+ 350 bps is unjustified and unfair to the generators. Furthermore, lenders would not extend debt funding to ECS projects in case a rate of RoE lower than the existing 15.5% is allowed. Accordingly, there is a strong case in favour of allowing RoE at 15.5% to the generators towards meeting cost of installation of ECS. • It is also necessary to note that the equity investment by the investor is based on the assurance to allow RoE at 15.5%. If the same %RoE is not allowed for change in law investments, then it defeats the Principle of Restitution upheld by the Hon'ble Supreme Court and the Hon'ble APTEL from time to time. • Further, for the new Projects under construction, such works are being implemented as a part of original scope of work, with draft CERC Tariff Regulations 2024- 29 allowing RoE on the same works @ 15.5% (post tax). Evidently, draft CERC Tariff Regulations 2024-29 creates a discrimination between the existing and the new Projects in terms of RoE for the same works. It may be appreciated that risks associated with such works are same for both the existing and new Projects and hence

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					<p>the rewards on same in terms of RoE are also required to be same. Thus such a discrimination between the existing and new Projects in terms of differential RoE on such Additional Capitalization is devoid of any rationale and goes against the principle of equity.</p> <ul style="list-style-type: none"> • As mentioned above, ECS is being implemented by the various existing projects in compliance with statutory directions of MoEF&CC for mitigating environmental hazards. As such, ECS is akin to any other equipment like Sewage Treatment Plant (STP), Effluent Treatment Plant (ETP) etc. which are also installed for the same purpose of mitigating environmental hazards. While STP and ETP components which were implemented under original scope of such existing Projects continue to earn RoE @ 15.5% (post tax), however the draft CERC Tariff Regulations 2024-29 restrict the RoE on the retrofitted ECS component of the same existing Projects at a base rate of 1 Yr MCLR of SBI + 350 bps, subject to a ceiling of 14%. As evident, draft CERC Tariff Regulations 2024-29 creates a discrimination in the treatment of different components of the same existing Projects, which is again devoid of any rationale and goes against the principles of equity. • Hence, the rate of ROE for additional capitalisation on account of change in law, force majeure event and emission control system should be same as considered

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					for project as on COD. i.e., 15.50% for Thermal Generating Stations.
37.	30	Return on Equity – Additional ROE	(No provision)	<p>(4) In case of projects commissioned on or after 1st April, 2024, an additional rate of return of 0.50 % shall be allowed and continued for useful life of the project, if such projects are completed within the timeline specified.</p> <p>Provided for the projects commissioned before 01.04.2024 the applicability of additional rate of ROE, will be in accordance with the respective Tariff Regulations applicable for the control period in which project has commissioned. Such additional incentive would be applicable for useful life of the project.</p>	<ul style="list-style-type: none"> Considering the estimated demand-supply scenario in the country, significant additional thermal generation and transmission capacity is anticipated in future. Hence, such timely completion of projects should be encouraged with allowance of addition ROE of 0.5% for early commissioning. Further, it has been observed that there is no clarity on the additional ROE provided to the projects Commissioned before 01.04.2024. It is hereby suggested that the project which were commissioned before 01.4.2024 should be given incentive based on the applicable Tariff Regulations for the MYT in which project has achieved COD.
38.	31	Tax on Return on Equity	(1) The rate of return on equity as allowed by the Commission under Regulation 30 of these regulations shall be grossed up with the effective tax rate of the respective financial year. The effective tax rate shall be calculated at the	(1) The rate of return on equity as allowed by the Commission under Regulation 30 of these regulations shall be grossed up with the tax rate applicable to generating company or transmission licensee in line with the provisions of relevant Finance Acts for the	<ul style="list-style-type: none"> Instead of the approach of effective tax rate, the applicable tax rates, including surcharge and Cess, specified as under relevant finance Act for the Generating Stations or Transmission Licensee should be considered. The applicable tax rate provides true picture and envisages the allowance of ROE as PAT.

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			<p>beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that financial year to the concerned generating company or the transmission licensee by excluding the income of non-generation or non-transmission business, as the case may be, and the corresponding tax thereon.</p> <p>.....</p> <p>.....</p> <p>(3) The generating company or the transmission licensee, as the case may be, shall true up the effective tax rate for every financial year based on actual tax paid together with any additional tax demand, including interest thereon, duly adjusted for any refund of tax including interest received from the income tax authorities pertaining to the tariff period 2024-29 on actual</p>	<p>respective financial year. The applicable tax rate shall be calculated at the beginning of each financial year based on the estimated profit and tax rate applicable on such estimated profit in line with the provisions of the relevant Finance Act applicable for that financial year, by excluding the income of non-generation or non-transmission business, as the case may be, and the corresponding tax thereon.</p> <p>Provided that in case of no actual tax is paid by the generating company during the financial year then Minimum Alternate Tax (MAT) rate including surcharge and cess applicable for such financial year as per relevant Finance Acts shall be considered for grossing up rate of Return on equity.</p>	<ul style="list-style-type: none"> • It is submitted that, for amalgamated entities / in case of no tax payment, RoE should be allowed to be grossed up with at least MAT rate despite there being no actual tax liability for company as a whole if the project on standalone basis is profitable.

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
			gross income of any financial year.		
39.	32(6)	Interest on loan capital	32 (6) In the case of New Project(s), the rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio of the generating company or the transmission licensee, as the case may be; Provided further that if the generating station or the transmission system, as the case may be, does not have any actual loan, then the rate of interest for a loan shall be considered as 1-year MCLR of the State Bank of India as applicable as on April 01, of the relevant financial year.	32(6) In the case of New Project(s), the rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio of the generating company or the transmission licensee, as the case may be. Provided further that if the generating station or the transmission system, as the case may be, does not have any actual loan, then the rate of interest for a loan shall be considered as 1-year MCLR of the State Bank of India as applicable as on April 01, of the relevant financial year. weighted average rate of interest of the loan portfolio of the generating company or the transmission licensee as a whole shall be considered.	In case the generating station or transmission system does not have any actual loan, then the rate of interest for a loan should be considered as the weighted average rate of interest of the loan portfolio of the generating company or the transmission licensee as a whole.
40.	32(6)	Interest on loan capital for ECS	Provided that the rate of interest on the loan for installation of the emission control system shall be the weighted average rate of interest of the actual loan portfolio of the emission control system, and	Provided that the rate of interest on the loan for installation of the emission control system shall be the weighted average rate of interest of the actual loan portfolio of the emission control system, and in the absence of the actual loan	<ul style="list-style-type: none"> For the existing Projects, rate of interest on the loan for the installation of the Emission Control System (ECS) is allowed on actual basis without any capping (Regulation 32(5) of the draft CERC Tariff Regulations 2024-29), however, the rate of interest on the loan for ECS for the new Projects is capped at 14%, thereby creating a

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			in the absence of the actual loan portfolio, the weighted average rate of interest of the generating company as a whole shall be considered subject to a ceiling of 14%.	portfolio, the weighted average rate of interest of the generating company as a whole shall be considered subject to a ceiling of 14%.	<p>discrimination between the existing and new Projects without any rationale.</p> <ul style="list-style-type: none"> It may be appreciated that under Sec-62 Cost Plus regime of The EA 2003, capping of interest rate for loan on ECS of new Projects would lead to a substantial under-recovery of the tariff for the new Projects especially when ECS is being implemented in compliance to MoEF directives to mitigate environmental hazards. Therefore such a punitive provision is unwarranted and in order to create a level playing field for the both existing and new Projects, it is requested that such an onerous provision be removed and for both existing and new Projects, rate of interest on the loan for the installation of the ECS be allowed on actual basis without any capping.
41.	33(6)	Depreciation for New Projects	<p>33 Depreciation: (1)</p> <p>(5).....</p> <p>(6) Depreciation for New Projects shall be calculated annually based on the Straight-Line Method and at rates specified in Appendix-II to these regulations for the assets of the generating station and transmission system:</p> <p>Provided that the remaining depreciable value as on 31st March</p>	<p>33 Depreciation: (1)</p> <p>(5)</p> <p>(6) Depreciation for New Projects shall be calculated annually based on the Straight-Line Method and at rates specified in Appendix-II to these regulations for the assets of the generating station and transmission system:</p> <p>Provided that the remaining depreciable value as on 31st March of the year closing</p>	<ul style="list-style-type: none"> As per the extant Tariff Regulations, the repayment for long tenor loan for repayment period of 12 years has been considered equivalent to depreciation for new projects. Accordingly, depreciation has been allowed by considering the annual depreciation equivalent to repayment amount considered for loan tenor of 12 years. This enables the Generating company to have an adequate cash flow available to meet its debt service obligation. The Draft Regulations have proposed to keep the repayment period the same as 12 years for existing projects but increased the repayment period from 12

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			of the year closing after a period of 15 years from the effective date of commercial operation of the station shall be spread over the balance useful life of the assets.	after a period of 15 12 (twelve) years from the effective date of commercial operation of the station shall be spread over the balance useful life of the assets.	<p>years to 15 years for new projects, with an assumption that there is availability of long tenor of 15-18 years.</p> <ul style="list-style-type: none"> • With this approach, it is noted that, it is noted that there would be net increase in Annual Fixed Charges by more than 7-8% over the useful life of the project, on account of increase in Interest amount for such longer period of normative loan. Increasing repayment period will increase the burden on beneficiaries (at the last mile- end consumers) over project lifecycle as well as reduce the cash flow for Generating Company. • The proposed approach is also not aligned with the principles and objectives enshrined in the Electricity Act, 2003 and Tariff Policy to protect the interest of consumers as well as developer. In this case, it is evident that it is helping none of the stakeholders. • Further, it is noted that, the long-tenor loans are disbursed by Banks after considering their Asset-liability position and risks associated with loans. Majority of Bank's liabilities (Deposits, etc.) are in the bucket of lower age tenor (8-10 years). The repayment period of 12 years is being allowed by considering the average period of Bank's liabilities and risks of infrastructure projects. • Accordingly, for long tenor loans, higher interest rates are being charged by Banks. If such long tenor loans are availed by Generating Company(ies), this will put additional burden on Beneficiary over project lifecycle

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					<p>as interest rates are pass through. Hence, it would not be a feasible option for Generating company to avail such long tenor loans because of higher interest rates and its subsequent impact on cash flows. In view of this, it would not be appropriate to consider the repayment period of 15-18 years as the long tenor loans are not feasible option.</p> <ul style="list-style-type: none"> • Now even in case External Commercial Borrowings (ECB), Reserve Bank of India (RBI) has stipulated the average maturity period of three (3) years with “All-in-cost” ceiling interest cost i.e., Benchmark rate plus maximum spread. For Rupee denominated ECB, it would be Benchmark rate plus 450 basis points and for Foreign Currency denominated ECB, it would be benchmark rate plus 500 bps. Further, in case of long tenor ECBs, say 10 years, it would require the payment of higher spread over the benchmark rate, which is not allowed by RBI. Hence, option for consideration of long tenor ECB would not be feasible option. In addition to this, Issue of assets liability matching will also be applicable in ECB facility. Foreign Banks, Indian Banks having branches outside face difficulty in sanctioning longer tenor foreign currency loans for projects unless they have matching assets and liabilities. • Further, it may be noted that because of current climate change scenario and Environmental, Social and Governance (ESG) constraints, Foreign

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					<p>Banks/Financing Institutions are not readily willing to lend for financing fossil fuel-based projects. With changing scenario and energy mix, the availability of loans to Thermal Generating Stations is expected to be constrained or it would be at higher rate of interest. This is primarily because of higher risk perception of Fossil fuel generation due to transition to RE and higher exposure of domestic loans to power sector considering large fund requirement for Thermal generating stations. Therefore, the situation for taking longer term loans from foreign banks/ financial Institutions will further aggravate on increase in tenor of term loans.</p> <ul style="list-style-type: none"> • In view of the above, it is noted that there is lot of uncertainty in terms of interest rates for fossil-based plants especially for long tenor loans and for cost plus projects, primary reason for considering Interest rates on actual is to insulate both beneficiaries and generating company from the associated risks. • The proposed approach of consideration of repayment period of 15 years would lead to major liquidity issues for Generating Company as well as it would burden the beneficiary with additional cost. • Hence, it is suggested that the present approach of consideration of repayment period of 12 years may be continued for New Projects.

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42.	33(11)	Depreciation of emission control system	(11) Depreciation of the emission control system of an existing generating station that is yet to complete its useful life or a new generating station or unit thereof where the date of operation of the emission control system is subsequent to the date of commercial operation of the generating station or unit thereof, shall be computed annually from the date of operation of such emission control system based on the straight line method at rates specified in Appendix- I to these regulations; Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from the date of operation of such emission control system shall be spread over the balance period of thirteen years or balance operational life of generating station, whichever is lower.	<p>Existing plants which have completed half or more than half of the useful life cannot be put in same position as compared to new plants w.r.t to recovery of depreciation.</p> <p>Entire depreciation of the Emission control system (ECS) must be recovered within the useful life of the Station or PPA tenure or extended life beyond the useful life (if life extension is opted & approved by the commission) whichever is lower.</p>	<ul style="list-style-type: none"> • Installation of FGD/ Emission Control System is a statutory requirement and falls under Change in law. Accordingly, the Generating Companies must be restored to same economic position as if change in Law has not occurred. To ensure economic restitution it is necessary that all the costs associated with the FGD are recovered within the useful life or PPA tenure. • There are considerable number of plants who have completed almost half of their useful life i.e. 12-15 years or shall be completing by the time FGD is installed. Therefore, when FGD system shall complete the 12 years of operation there would be no or very little useful / operational life left of the Generating Station for recovery of depreciation as per the current draft of the regulations. • For example, for any existing Project, which has been under operations for a substantial period say 15 Yrs having a remaining life of 10 Yrs, the recovery of Capital Cost of the ECS would be restricted to only 52.8% of the actual Capital Cost, vis-à-vis recovery of 90% of the Capital Cost of ECS by the new Projects. Such a discriminatory dispensation has no rationale and basis whatsoever and such a fallacious methodology leading to a humongous under-recovery of the actual Capital Cost of the ECS incurred by such existing Projects is not only against the basic principles of recovery of depreciation, but also undermines the Principle of Restitution upheld

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					<p>by the Hon'ble Supreme Court and the Hon'ble APTEL from time to time and this shall only cause a severe financial and competitive disadvantage to the existing Projects.</p> <ul style="list-style-type: none"> Proposed regulations may also lead to tariff shock if the balance useful life or Operational Life of Thermal asset is very low.
43.	33(12)	Depreciation of emission control system	33 (12) In case the date of operation of the emission control system is subsequent to the date of completion of the useful life of generating station commercial operation of the generating station or unit thereof, depreciation of ECS shall be computed annually from the date of operation of such emission control system based on the straight line method, with a salvage value of 10% and recovered over ten years or a period mutually agreed by the generating company and the beneficiaries, whichever is higher.	33(12) In case the date of operation of the emission control system is subsequent to the date of completion of the useful life of generating station commercial operation of the generating station or unit thereof, depreciation of ECS shall be computed annually from the date of operation of such emission control system based on the straight line method, with a salvage value of 10% and recovered over ten years or a period mutually agreed remaining term of PPA by the generating company and the beneficiaries, whichever is higher.	<ul style="list-style-type: none"> Non-recovery of depreciation value of emission control system during the term of the PPA would lead to the generators defaulting on loans due to lack of power offtake guarantee and ultimately more plants would be pushed towards insolvency. - Accordingly, depreciation of emission control system should be allowed to be recovered during the balance term of the PPA to ensure adequate funds towards meeting debt obligations for emission control system.
44.	33	Depreciation of Tertiary Treatment	(not provided)	Provision may be included in the Tariff Regulations for depreciable value of the Tertiary Treatment Plant and associated	<ul style="list-style-type: none"> Clause 6.2 (5) of the Tariff Policy, 2016, provides that such thermal power plants (TPP) which are situated within a 50 km radius of the Sewage Treatment Plants

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		Plant and associated facilities		facilities to be spread over the balance useful life of the Station or PPA tenure or extended life beyond the useful life (if life extension is opted & approved by the commission) whichever is lower.	<p>(STPs), operated by municipalities or similar organizations are to mandatorily utilize treated sewage water from such STPs. Furthermore, the associated costs incurred on account of such utilization (such as construction of pipeline from STP to TPP) shall be allowed as a pass-through in the tariff.</p> <ul style="list-style-type: none"> • Subsequently, Ministry of Power (MoP) vide its letter dated 04.03.2020 issued detailed instructions regarding the mandatory usage of the treated sewage water by the Power producers, cost to be incurred by the Utilities as well as Power producers and the mechanism for the recovery of the associated cost therein. Herein it was provided that the cost of the Tertiary Treatment Plant (“TTP”) and associated facilities such as pipeline, pumps etc. to be borne by the thermal power plants. • The current draft regulation does not specify how the equipment associated with Tertiary Treatment Plant will be depreciated.
45.	34(1)(a)(i) & (iii)	Interest on working capital	<p>34 (1) The working capital shall cover:</p> <p>(a) For Coal-based/lignite-fired thermal generating stations:</p> <p>(i) Cost of coal or lignite, if applicable, for 10 days for pit-head generating stations and 20 days for</p>	<p>May be changed as follows:</p> <p>(i) Cost of coal or lignite, if applicable, for 10 <u>17</u> days for pit-head generating stations and 20 <u>26</u> days for non-pit-head generating stations for generation corresponding to the normative annual</p>	<ul style="list-style-type: none"> • The CEA coal stocking norms mandate a coal Stock of 26 days for non-pithead Thermal Generating Station. As such, it is requested that CERC Tariff Regulations 2024-29 may be aligned with the prevailing CEA coal sticking norms and Working Capital be computed considering cost of coal 26 days stock instead of proposed 20 days stock.

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			non-pit-head generating stations for generation corresponding to the normative annual plant availability factor or the maximum coal/lignite stock storage capacity, whichever is lower; (iii) Advance payment for 30 days towards the cost of coal or lignite and limestone for generation corresponding to the normative annual plant availability factor;	plant availability factor or the maximum coal/lignite stock storage capacity, whichever is lower; (iii) Advance payment for 30 60 days towards the cost of coal or lignite and limestone for generation corresponding to the normative annual plant availability factor;	<ul style="list-style-type: none"> • Further, while the payments for coal to Coal India Limited (CIL)/ its subsidiaries are made 30 days in advance, however due to non-availability of rakes and other logistical challenges beyond the control of the Project developer, the entire coal for which the advance payments are made is received around 2-3 months after making such advance payments. This leads to blockage of Working Capital on this account for a period of 60-90 days. As such, while the Project developer continues to pay interest on Working Capital towards advance payments for coal for 60-90 days to its lenders, it will recover interest for only 30 days as per the Draft Tariff Regulations 2024-29. This will result in financial loss for the developers. • Accordingly, it is requested that the Working Capital be computed considering cost of coal corresponding to 26 days coal stock and at least 60 days advance payments i.e. total of 86 days.
46.	34(1)(a)(ii)	Interest on working capital	34 (1) The working capital shall cover: (a) For Coal-based/lignite-fired thermal generating stations: ...	34 (1) The working capital shall cover: (a) For Coal-based/lignite-fired thermal generating stations: ... (ii) Limestone towards stock for 15 20 days corresponding to the normative annual plant availability.	<ul style="list-style-type: none"> • The limestone stock corresponding to the normative annual plant availability should be considered as equivalent to coal stock for non-pit head stations corresponding to the normative annual plant availability for 20 days.

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
			(ii) Limestone towards stock for 15 days corresponding to the normative annual plant availability.		
47.	34(1)(a)(vi)	Interest on working capital	<p>(a) For Coal-based / lignite-fired thermal generating stations:</p> <p>(i)...</p> <p>.....</p> <p>(vi) Receivables equivalent to 45 days of capacity charge and energy charge for the sale of electricity calculated on the normative annual plant availability factor;</p>	<p>The following change is suggested in Regulation 34(1)(a)(vi):</p> <p>“(vi) Receivables equivalent to 45 51 days <u>or days specified in the PPA beyond which late payment surcharge shall be levied</u> of capacity charge and energy charge for the sale of electricity calculated on the normative annual plant availability factor”</p>	<ul style="list-style-type: none"> • The underlying Regional Energy Accounts (REAs) of a month, required for raising monthly bill of supply by the Project developer on its beneficiaries, are generally issued by the respective RPCs by 4th-5th of the succeeding month and a subsequent period of 1-2 days is required for preparation and raising bill of supply by the Project developer. Accordingly, it is requested that receivables corresponding to 51 days (45+6) days (both main tariff and supplementary tariff) be allowed under Working Capital in the final CERC Tariff Regulations 2024-29. • Further, as per the current draft Regulation, the generating station can levy the late payment surcharge as specified in the MoP- Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 in case the non-payment of charges beyond a period of 45 days from the date of presentation of bills. • Further it is also specified that in case a different LPS mechanism is provided in the PPA, the same shall be governed by the provisions of the PPA. • Therefore, if the PPA specifies a period longer than 45 days from the presentation of bills beyond which late payment surcharge can be levied then the working capital

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					requirement of the generator needs to be aligned with the terms of the PPA.
48.	34(1)(a)	Interest on working capital – cost of gypsum	(not provided)	It is requested that a provision for cost of gypsum for a period of 30 days be allowed to be included in the Working Capital of ECS	<ul style="list-style-type: none"> There is a lag time of almost 30 days with respect to receipt of proceeds from sale of gypsum post its off-take from the Project premises. However, the draft CERC Tariff Regulations 2024-29 does not take this aspect into consideration while computing the Working Capital for ECS. Accordingly, it is requested that a provision for cost of gypsum for a period of 30 days be allowed to be included in the Working Capital of ECS in the final CERC Tariff Regulations 2024-29.
49.	35	De-commissioning	<p>35. De-Commissioning</p> <p>(1) In case a generating station or unit thereof, or a transmission system including communication systems or element thereof after it is certified by CEA or CTU or any other statutory authority, that any asset cannot be operated or needs to be replaced on account of environmental concerns or safety issues or system upgradation or a combination of these factors not attributable to generating company or a transmission licensee, the unrecovered depreciable value may</p>	<p>35. De-Commissioning</p> <p>(1) In case a generating station or unit thereof, or a transmission system including communication systems or element thereof after it is certified by CEA or CTU or any other statutory authority, that any asset cannot be operated or needs to be replaced on account of environmental concerns or safety issues or system upgradation or a combination of these factors not attributable to generating company or a transmission licensee, the unrecovered depreciable value shall be allowed to be recovered on a case-to-case basis after</p>	<ul style="list-style-type: none"> The inclusion of provision for allowance of balance depreciable value on account of de-commissioning is appreciated and may be included in the Final Regulations. It may however be noted that the allowance of carrying cost in case of any deferment in recovery of tariff is now settled principle. Hence, it would not be appropriate to deny the carrying cost on such recovery. Therefore, it is suggested to remove the proviso disallowing carrying cost in case of any delay in recovery of cost.

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
			<p>be allowed to be recovered on a case-to-case basis after duly adjusting the actual salvage value post disposal of such project.</p> <p>Provided that the manner of recovery, including a number of instalments in which such unrecovered depreciation will be allowed, shall be specified by the Commission on a case-to-case basis.</p> <p>Provided further that no carrying cost shall be allowed on any delay associated with such recovery.</p>	<p>duly adjusting the actual salvage value post disposal of such project.</p> <p>Provided that the manner of recovery, including a number of instalments in which such unrecovered depreciation will be allowed, shall be specified by the Commission on a case-to-case basis.</p> <p>Provided further that no carrying cost shall be allowed on any delay associated with such recovery.</p>	
50.	36	Norms for O&M Expenses	For Thermal generating Stations, the Commission has specified Norms (in Rs. Lakh/MW) as per methodology stipulated in Explanatory Memorandum of Draft Regulations.	<i>O&M Norms to be revised as per proposed suggestions.</i>	<ul style="list-style-type: none"> Explanatory Memorandum published provides the details of methodology adopted by the Commission for arriving at Norms for O&M Expenses. <p>Difference in Norms in Regulations and Explanatory Memorandum</p> <ul style="list-style-type: none"> It is observed that, for 600/660 MW series, the Commission has computed O&M Norm of Rs. 27.06 Lakh /MW for FY 2024-25 at Table 17 (Page No. 130) of Explanatory Memorandum. However, in Regulation 36, the same has been specified as Rs. 24.81 Lakh/MW for FY 2024-25, which is lower

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments												
					<p>than derived norm. Further, no rationale has been provided for such reduction in O&M Norms.</p> <ul style="list-style-type: none"> Hence, it is suggested to specify the norm of Rs. 27.06 lakh/MW as derived in Explanatory Memorandum. <p>Methodology for computation of Norms</p> <ul style="list-style-type: none"> The methodology for consideration of normalized O&M norms is not appropriate as it would lead to computation of norms lower than actual expenses, which can be clearly from the following Table: <p style="text-align: right;">In Rs. Lakh/MW</p> <table border="1" data-bbox="1464 868 2092 1241"> <thead> <tr> <th>Particulars</th> <th>Barh</th> <th>Mauda Stage 2</th> </tr> </thead> <tbody> <tr> <td>Actual O&M Expenses– FY 2022-23 (A)</td> <td>31.11</td> <td>19.54</td> </tr> <tr> <td>Derived/Normalised O&M Expenses – FY 2022-23 (B)</td> <td>28.59</td> <td>19.10</td> </tr> <tr> <td>Difference (A)-(B)</td> <td>2.52</td> <td>0.44</td> </tr> </tbody> </table> <p>While computing norms, the Commission has not removed these abnormalities.</p>	Particulars	Barh	Mauda Stage 2	Actual O&M Expenses– FY 2022-23 (A)	31.11	19.54	Derived/Normalised O&M Expenses – FY 2022-23 (B)	28.59	19.10	Difference (A)-(B)	2.52	0.44
Particulars	Barh	Mauda Stage 2															
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Difference (A)-(B)	2.52	0.44															

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
					<ul style="list-style-type: none"> • Based on the above, the norms derived for first year of Tariff Period (FY 2024-25) would always be lower than actual expenses for such year. • There would be deficit in O&M expenses for generating stations from first year itself of Tariff Period. • The approach of Performance-based Regulations should encourage efficient operations and should provide adequate leeway for improvement in performance with respect to norms. The lower norms than actual O&M expenses would put the generating stations in financial burden from first year itself. • In order to address this, instead of computation of normalized O&M Expenses, the latest actual O&M norms (FY 2022-23) should be considered as Base O&M expenses and further escalated by escalation factor as stipulated in Explanatory Memorandum. <p>Change in Escalation factor after excluding impact of COVID-19 pandemic –</p> <ul style="list-style-type: none"> • For computation of escalation factor of 5.89%, WPI and CPI index are considered for the period from FY 2018-19 to FY 2022-23, which includes the impact of COVID-19 pandemic in FY 2020-21.

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					<ul style="list-style-type: none"> • During FY 2020-21, the increase in WPI index is just 1.29%. • Hence, to rationalize the impact of COVID-19 pandemic, the escalation factor should be computed after excluding the increase in WPI and CPI index for FY 2020-21. • After excluding the impact of COVID-19 pandemic as discussed above, WPI and CPI would be worked out as 6.26% and 6.04% respectively. • Accordingly, the escalation factor worked out as 6.17%. <p>Consideration of Employee cost towards Performance-related pay –</p> <ul style="list-style-type: none"> • Productivity linked incentive, expenditure for VRS and performance-related Pay should be included in Normalisation of O&M expenses as it is part of Employee cost only. • In the case of IPPs, incentives and performance related pay are part of CTC of employee and considered as part of Employee Cost. • Further, Explanatory Memorandum stated that performance related pay should be funded from the sharing of gains received by the generating company. It is noted that, first of all, 50% of sharing of gains is shared

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
					<p>presently with beneficiaries. If the same approach is to be continued, then at least 50% of performance related pay should be considered in computation of O&M Norms.</p> <ul style="list-style-type: none"> • Further, it is stated that performance of generating station is dependent on PLF of the plant. PLF is not within control of generating station and it merely depends on scheduled given by beneficiary. Hence, linking the performance pay to performance of generating company for computation of O&M expenses would lead to disallowances in O&M Expenses. • Hence, it is suggested to include the actual O&M expenses towards Productivity linked incentive, expenditure for VRS and performance-related Pay for computation of O&M Norms. <p>Increase in Norms for inclusion of capital spares below Rs. 20 lakh –</p> <ul style="list-style-type: none"> • The Commission has proposed to include the capital spares below Rs. 20 lakh under O&M Expenses. However, for computation of O&M Norms, the Commission has not considered any actual O&M

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments				
					<p>expenses on account of this because of non-availability of data.</p> <ul style="list-style-type: none"> • However, by not considering any increase in O&M Norms on account of this would lead to disallowance in O&M expenses for generating company. • As commented by us earlier, it is suggested that there should not be any cut-off amount based on value for spares to be considered as Capital Spares. • However, if the Commission decides to impose such cut-off limit, it is suggested to increase the norm by Rs. 2.5 lakh/MW towards inclusion of capital spares below Rs. 20 lakh in O&M Expenses. <p>In view of the above, the following O&M Norms are proposed for 600/660 MW series based on the above consideration-</p> <table border="1" data-bbox="1464 1129 2092 1334"> <thead> <tr> <th data-bbox="1464 1129 1921 1233">Particulars</th> <th data-bbox="1921 1129 2092 1233">Rs. Lakh/MW</th> </tr> </thead> <tbody> <tr> <td data-bbox="1464 1233 1921 1334">O&M Norm specified in Draft Regulations for FY 2024-25</td> <td data-bbox="1921 1233 2092 1334">24.81</td> </tr> </tbody> </table>	Particulars	Rs. Lakh/MW	O&M Norm specified in Draft Regulations for FY 2024-25	24.81
Particulars	Rs. Lakh/MW								
O&M Norm specified in Draft Regulations for FY 2024-25	24.81								

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments													
					Add: Change in methodology by considering actual of FY 2022-23 as base value	1.00												
					Add: Change in Escalation factor from 5.89% to 6.17%	0.07												
					Add: Norm for inclusion of capital spares below Rs. 20 lakh	2.5												
					Grand Total	28.38												
					<ul style="list-style-type: none"> The following year-wise norms are proposed for 600/660 MW category: 													
					<table border="1"> <thead> <tr> <th>Particulars</th> <th>600/660 MW Series (Rs. Lakh/MW)</th> </tr> </thead> <tbody> <tr> <td>FY 2024-25</td> <td>28.38</td> </tr> <tr> <td>FY 2025-26</td> <td>29.97</td> </tr> <tr> <td>FY 2026-27</td> <td>31.67</td> </tr> <tr> <td>FY 2027-28</td> <td>33.46</td> </tr> <tr> <td>FY 2028-29</td> <td>35.38</td> </tr> </tbody> </table>	Particulars	600/660 MW Series (Rs. Lakh/MW)	FY 2024-25	28.38	FY 2025-26	29.97	FY 2026-27	31.67	FY 2027-28	33.46	FY 2028-29	35.38	
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Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
					<p>Additional compensation in O&M cost due to flexible operations –</p> <ul style="list-style-type: none"> • With ref. to notified Regulation on Flexible operation of coal based Thermal Power Generating Units on 30.1.2023, Flexible operation also leads to a higher rate of deterioration of plant components. This is observed in an increased failure rate and more frequent replacement of components. • The impact on the life of components increases with increase in number of flexible operation instances and with number of start-stops the unit undergoes in a year. As a result, the operation and maintenance costs are significantly higher in units operated on a daily or weekly start-stop basis. • Based on CEA Report “Flexibilization of coal fired power plants” the increase in annual O&M cost has been considered as 9%, 14% and 20% of O&M Cost at 50%, 45%, 40% loading respectively. • Also, for unit loading from 55% to 85% during flexible operations with frequent ramp up & downs, additional compensation in O&M cost has to be provided. <p>The increase in O&M cost should be allowed based on plant actual low load operation and could be calculated based on CEAs compensation methodology for operating</p>

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
					below 55% load and should be under change in law provisions of PPA to the generators.
51.	36(1)(7)	O&M expenses on account of Change in Law / Force Majeure	<p>(7) Any additional O&M expenses incurred by the generating company or transmission licensee due to any change in law or Force Majeure event shall be considered at the time of truing up of tariff.</p> <p>Provided that such impact shall be allowed only in case the overall impact of such change in law event in a year is more than 5% of normative O&M expenses allowed for the year.</p>	<p>May be modified as follows:</p> <p>(7) Any additional O&M expenses incurred by the generating company or transmission licensee due to any change in law or Force Majeure event shall be considered at the time of truing up of tariff.</p> <p>Provided that such impact shall be allowed only in case the overall impact of such change in law event in a year is more than 5% of normative O&M expenses allowed for the year.</p>	<ul style="list-style-type: none"> There is no rationale in linking such additional O&M Expenses with their normative levels in line with the Principles of Restitution and such additional O&M Expenses warrant allowance/ reimbursement on their actual value irrespective of the magnitude/ quantum of their value. Accordingly, it is requested that in the final CERC Tariff Regulations additional O&M Expenses (over and above the normative O&M Expenses) on account of Change in Law or Force Majeure Event be allowed on actuals irrespective of any minimum threshold levels.
52.	36(1)(9)	O&M expenses on account of ECS	(9) The operation and maintenance expenses on account of emission control systems in coal or lignite based thermal generating stations shall be 2% of the admitted capital expenditure (excluding IDC and IEDC) as on its date of operation, which shall be escalated annually @ 5.89% during the tariff period ending on 31st March 2029	<p>May be modified as follows:</p> <p>(9) The operation and maintenance expenses on account of emission control systems in coal or lignite based thermal generating stations shall be 2 4% of the admitted capital expenditure (excluding IDC and IEDC) as on its date of operation, which shall be escalated</p>	<ul style="list-style-type: none"> Estimation of O&M expenses on account of ECS is presently a difficult exercise due to the lack of available data and experience. However, proposed capping of such O&M expenses @ 2% of ECS CAPEX (excluding IDC & IEDC) is on the lower side on the basis of limited data that is presently available. This is especially because O&M expenses of ECS on a standalone basis would require additional cost involvement on account of the following:

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
				annually @ 5.89% during the tariff period ending on 31st March 2029	<ul style="list-style-type: none"> ○ Thermal Generating Stations predominantly have electromechanical devices (though there are several small chemical facilities) whereas Wet Limestone FGD is primarily a large chemical based plant with higher wear and tear entailing higher O&M expenses. ○ Degradation of equipment as the whole system operates in corrosive environment. This may pose major challenges for the generators to ensure availability of ECS. ○ Higher maintenance cost as a sizeable number of equipment installed for the ECS likely to be imported and imported spares are sensitive to market and exchange rate fluctuations. ○ Implementation of ECS in the existing Thermal Generating Stations may require additional infrastructural support to facilitate smooth operation ○ Recurring annual insurance costs of ECS which is almost of the order of 0.5% of ECS CAPEX. ● Accordingly, it is requested that for the first year of operation of ECS, O&M Expenses be allowed @ at-least 4% of the ECS CAPEX with an annual escalation at the proposed rate of 5.89%.
53.	36(2)(e)	O&M expenses for Hydro	e) Any additional O&M expenses incurred by the generating company due to any change in law	May be modified as follows:	<ul style="list-style-type: none"> ● There is no rationale in linking such additional O&M Expenses with their normative levels in line with the Principles of Restitution and such additional O&M

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
		Generating Stations	<p>or Force Majeure event shall be considered at the time of truing up of tariff.</p> <p>Provided that such impact shall be allowed only in case the overall impact of such change in law event in a year is more than 5% of normative O&M expenses for the year.</p>	<p>(e) Any additional O&M expenses incurred by the generating company due to any change in law or Force Majeure event shall be considered at the time of truing up of tariff.</p> <p>Provided that such impact shall be allowed only in case the overall impact of such change in law event in a year is more than 5% of normative O&M expenses for the year.</p>	Expenses warrant allowance/ reimbursement on their actual value irrespective of the magnitude/ quantum of their value. Accordingly, it is requested that in the final CERC Tariff Regulations additional O&M Expenses (over and above the normative O&M Expenses) on account of Change in Law or Force Majeure Event be allowed on actuals irrespective of any minimum threshold levels.
54.	36(3)(a)	O&M expenses for transmission system	<p>36 (3) Transmission system: (a) The following normative operation and maintenance expenses shall be admissible for the transmission system:</p> <p>...</p>	the Normative O&M Expenses for substation bays and HVDC stations for FY 2024-25 should at least cover escalation of 5.89% over Normative O&M expenses of FY 2023-24.	<ul style="list-style-type: none"> Reduction in Normative O&M Expenses for sub-station bays and HVDC stations will result in distress for the licensees due to aging of assets. Accordingly, the Normative O&M Expenses for substation bays and HVDC stations for FY 2024-25 should at least cover escalation of 5.89% over Normative O&M expenses of FY 2023-24. Escalation in O&M expenses for transmission assets would be at the same level of such expenses for generating companies.
55.	36(3)(a)	O&M expenses for transmission system	<p>36 (3) (a)</p> <p>...</p> <p>Provided that the O&M expenses of ± 500 kV Mundra-Mohindergerh HVDC bipole scheme (2500 MW) shall be allowed as worked out by</p>	The Normative O&M Expenses for substation bays and HVDC stations for FY 2024-25 should at least cover escalation of 5.89% over Normative O&M expenses of FY 2023-24	<ul style="list-style-type: none"> Reduction in Normative O&M Expenses for sub-station bays and HVDC stations will result in distress for the licensees due to aging of assets. Accordingly, the Normative O&M Expenses for substation bays and HVDC stations for FY 2024-25 should at least cover escalation of 5.89% over Normative O&M expenses of FY 2023-24.

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
			<p>multiplying 0.80 of the normative O&M expenses for HVDC bipole scheme;</p> <p>..</p> <p>Provided further that the O&M expenses for Transmission Licensees whose transmission assets are located solely in NE Region, States of Uttarakhand and Himachal Pradesh, the Union Territories of Jammu and Kashmir and Ladakh shall be worked out by multiplying 1.50 to the normative O&M expenses prescribed above.</p>		
56.	36(6)	Normative O&M expenses	<p>36. Operation and Maintenance Expenses:</p> <p>(1) Thermal Generating Station: Normative Operation and Maintenance expenses of thermal generating stations shall be as follows:</p> <p>(1) (2)</p>	<p>36. Operation and Maintenance Expenses:</p> <p>(6) The Water Charges, Security Expenses, <u>Insurance</u>, Capital Spares <u>and any other contingent O&M expenses</u> for thermal generating stations shall be allowed separately after prudence check:</p>	<ul style="list-style-type: none"> • It is suggested to allow additional head for contingent O&M and insurance cost. • It is further suggested that capital spares should be allowed separately on actual basis as per earlier practice, without putting limit of Rs. 20 lakh. Essentially, there should not be any monetary limit and instead, the nature of the utilized spares should be considered in order to be qualified as capital spares and existing provisions under the Tariff Regulations 2019-24 should continue.

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
			<p>(6) The Water Charges, Security Expenses and Capital Spares for thermal generating stations shall be allowed separately after prudence check:</p> <p>.....</p> <p>Provided also that the generating station shall submit the details of year-wise actual capital spares consumed individually costing above Rs. 20 Lakh at the time of truing up with appropriate justification for incurring the same and substantiating that the same is not funded through compensatory allowance as per Regulation 17 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 or Special Allowance or claimed as a part of additional capitalisation or consumption of stores and spares and renovation and modernization.</p>	<p>Provided also that the generating station shall submit the details of year-wise actual capital spares consumed individually costing above Rs. 20 Lakh at the time of truing up with appropriate justification for incurring the same and substantiating that the same is not funded through compensatory allowance as per Regulation 17 of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 or Special Allowance or claimed as a part of additional capitalisation or consumption of stores and spares and renovation and modernization.</p>	<ul style="list-style-type: none"> • It is further suggested that insurance cost must be treated and allowed separately, as from lenders’ perspective insurance is must for loan disbursement. Unlike group companies, keeping insurance corpus is not possible for a single plant generator company. The insurance cost available in the market are expensive and has huge share in O&M expenses. • Insurance is hedge towards risks a generator faces while running the project. The present Tariff Regulations do not shield generators against emerging risks in changing market scenario. Buyers of electricity are changing their behavior looking for more renewable energy supplies and on the other hand electricity consumption is still growing. Climate change also has an impact on electricity prices as e.g. during dry seasons with lack of rain electricity generation from hydro power has to be replaced by conventional energies like coal or gas. • It has to be stated that many electricity markets today are in a state of considerable change and suffer new challenges. Existing conventional power plants are now required to operate with much more flexibility and thus are deviating from original design features. Innovative power purchase agreements are expected to govern the market. Future power purchase agreements will be more complex with complicated adjustment and settlement

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
					<p>especially with the involvement of electricity and carbon emissions trading.</p> <ul style="list-style-type: none"> • Considering rapid changes expected in the market and thermal power plant are facing lot of uncertainties both at operation and contractual end. Needless to say, although these risks exist, they need to be insured in respect of value and their influence on the PPA and regulatory policy coverage. • At present, the insurance cost allowed to generator is subsumed in the O&M expenses. The insurance cost is necessary for the projects covering all risks including market risks and risks on account of natural calamities. It is to be appreciated that insurance cost depends upon market risk of the business, which is now continuously increasing for coal generating plant and burdening the generator. • It is pertinent to mention that even lenders also do not provide additional loans in absence of insurance which affects the plant operation and capex investment. • It is noted that the Commission (in para 15.7.6) of Explanatory Memorandum has proposed to allow the increase, if any, in insurance premiums for hydro generating station on a case-to-case basis after due prudence check for Hydro Generating Stations. However, the same shall be extended to Thermal

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
					<p>Generating Stations as well, given to above mentioned factors.</p> <p>Hence, it is suggested to allow the insurance cost to thermal generating stations over and above the normative O&M Expenses.</p>
57.	36(7)	Normative O&M expenses	<p>(7) Any additional O&M expenses incurred by the generating company or transmission licensee due to any change in law or Force Majeure event shall be considered at the time of truing up of tariff.</p> <p>Provided that such impact shall be allowed only in case the overall impact of such change in law event in a year is more than 5% of normative O&M expenses allowed for the year.</p>	<p>(7) Any additional O&M expenses incurred by the generating company or transmission licensee due to any change in law or Force Majeure event shall be considered at the time of truing up of tariff.</p> <p>Provided that such impact shall be allowed only in case the overall impact of such change in law event in a year is more than 5% of normative O&M expenses allowed for the year.</p>	<ul style="list-style-type: none"> • The Approach for allowance of additional O&M Expenses due to change in law or Force majeure event is appreciated and the same may be continued in the final Regulations. • However, the proposed limit of 5% is unwarranted since every expense on account of Change in Law/ FM is allowed only after the prudence check & thorough regulatory scrutiny. Therefore there should not be nay limit for recovery of genuine expenses.
58.	36(8)	Normative O&M expenses	(8) In the case of a generating company owned by the Central or State Government, the impact on account of implementation of wage	(8) In the case of a generating company owned by the Central or State Government , the impact on account of implementation of wage or pay revision	<ul style="list-style-type: none"> • Equal treatment should be given to IPP and JVs as compared to Central Government Utilities in respect to pay revision.

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
			or pay revision shall be allowed at the time of truing up of tariff.	shall be allowed at the time of truing up of tariff.	
59.	36(9)	Normative O&M expenses	<p>(9) The operation and maintenance expenses on account of emission control systems in coal or lignite based thermal generating stations shall be 2% of the admitted capital expenditure (excluding IDC and IEDC) as on its date of operation, which shall be escalated annually @ 5.89% during the tariff period ending on 31st March 2029:</p> <p>Provided that income generated from the sale of gypsum or other by-products shall be reduced from the operation and maintenance expenses.</p>	<p>The proviso may be changed as follows:</p> <p>Provided that net income generated <u>(after adjusting the cost incurred by generating company in handling & disposal of the By- product)</u> from the sale of gypsum or other by-products shall be reduced from the operation and maintenance expenses</p>	<ul style="list-style-type: none"> Income generated from sale of gypsum or other by products should be adjusted by the expense incurred in handling the byproduct and balance amount (if any) should be reduced from the O&M expenses.
60.	36	O&M expenses for Tertiary Treatment Plant	(not provided)	The Commission is requested to provide the norms for O&M expenses related to using the sewage treated water.	<ul style="list-style-type: none"> As per directions issued by Ministry of Power, the generating stations which are situated within a 50 km radius of the Sewage Treatment Plants (STPs), will have to mandatorily utilize the sewage treated water and for that the Tertiary Treatment Plant will build at the location of thermal generating station and same will be operated by the generating station. Consequently, the O&M expenses for the generating station will increase. The

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
					current draft regulation has not specified any O&M cost for operating the Tertiary Treatment Plant in order to fulfil the directives of MoP.
61.	37(4)	Input price of coal and lignite for energy charges (from integrated mine)	<p>37(4) In case of excess or short recovery of input price under Clauses (2) or (3) of this Regulation, the generating company shall refund the excess amount or recover the shortfall amount, as the case may be, with simple interest at the rate equal to 1-year SBI MCLR plus 100 basis points prevailing as on 1st April of the respective year of the tariff period, in six equal monthly instalments.</p> <p>Provided that such interest shall be payable till the date of issuance of the Order and no interest shall be allowed or levied during the period of six-monthly instalments.</p> <p>Provided that in case there is a delay in filing the Petition for determination of input price as per the timelines specified under Regulation 9 of these regulations,</p>	<p>Proposed change in 2nd proviso:</p> <p>Provided that in case there is a delay in filing the Petition for determination of input price as per the timelines specified under Regulation 9 of these regulations, no carrying cost shall be allowed to the generating company or the mining company for such delay and in such cases the carrying cost at the simple interest rate of 1-year SBI MCLR plus 100 bps shall be allowed from the date of filing of the Petition. commercial operation of the integrated mine.</p>	<ul style="list-style-type: none"> • The delay in filing of application for input price determination will adversely affect the revenues of the generating company. Hence, the generating company will not intentionally delay the application for input price determination. • However, application for input price determination may be delayed due to factors not under control of the generating company. Accordingly, in case of delay in filing application for input price determination, the carrying cost should be allowed from the commercial operation of the integrated mine.

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			no carrying cost shall be allowed to the generating company or the mining company for such delay and in such cases the carrying cost at the simple interest rate of 1-year SBI MCLR plus 100 bps shall be allowed from the date of filing of the Petition.		
62.	44(3)	Capital Structure – Integrated Mines	(3) Return on equity shall be computed in rupee terms on the equity base arrived under Clause (1) of this Regulation at the base rate of 14%.	May be changed as follows: (3) Return on equity shall be computed in rupee terms on the equity base arrived under Clause (1) of this Regulation at the base rate of 14% 15.5% .	<ul style="list-style-type: none"> The base rate of 14% is very low. It should be in line with ROE on Tariff of Generating Station as investment in mine / station is similar.
63.	46	O&M – Integrated Mines	(b) The Operation and Maintenance expenses for the tariff period ending on 31st March 2029 in respect of the integrated mine(s) of lignite commissioned on or before 31st March 2024 shall be worked out based on the Operation and Maintenance expenses as admitted by the Commission during 2023-24 and escalated at the rate of 5.89 % per annum;	May be changed as follows: (b) The Operation and Maintenance expenses for the tariff period ending on 31st March 2029 in respect of the integrated mine(s) of lignite commissioned on or before 31st March 2024 shall be worked out based on the Operation and Maintenance expenses as admitted by the Commission during 2023-24 and escalated at the rate of 5.89 % per annum allowed based on the projected Operation and Maintenance Expenses for each year of	<ul style="list-style-type: none"> There is no rationale of providing restrictive escalation rate on O&M of lignite mines operational before 31st March 2024. The O&M of all kinds of mines should be allowed on actuals.

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
				<p>the tariff period, subject to prudence check by the Commission;</p>	
64.	47	Interest on Working Capital – Integrated Mines	<p>(1) The working capital of the integrated mine(s) of coal shall cover:</p> <p>(i) Input cost of coal stock for 7 days of production corresponding to the Annual Target Quantity for the relevant year;</p>	<p>May be changed as follows:</p> <p>(1) The working capital of the integrated mine(s) of coal shall cover:</p> <p>(i) Input cost of coal stock for 7 25 days of production corresponding to the Annual Target Quantity for the relevant year;</p>	<ul style="list-style-type: none"> • Input cost of coal stock is a major cost which is incurred in advance and input cost of coal stock should be provided for at least 25 days.
65.	59	Transit Loss	<p>Transit and Handling Losses: For coal and lignite, the transit and handling losses shall be as per the following norms:</p> <p>... ..</p> <p>Pit Head : 0.20%</p> <p>Non-pit head (Rail) : 0.80%</p> <p>Non-pit head multi-modal transportation (using two or more than two mode of transport involving multiple transshipments) : 1.00%</p>	<p>Proposed change is as follows:</p> <p>Transit and Handling Losses: For coal and lignite, the transit and handling losses shall be as per the following norms:</p> <p>... ..</p> <p>Pit Head : 0.20%</p> <p>Non-pit head (Rail) : 0.80%</p> <p>Non-pit head multi-modal transportation (using two or more than two mode of transport involving multiple transshipments) : 1.00 1.6%</p>	<ul style="list-style-type: none"> • We welcome the move to introduce a new component of i.e. “Non-pit head multi-modal transportation (using two or more than two mode of transport involving multiple trans-shipments)” allowing a normative transit and handling loss of coal of 1% • However for a non-pit head generating station involving multi-modal transportation of coal by railways, trucks etc. involving multiple loading and uploading of coal and with transportation distance spanning across hundreds of kilometers, this normative value of 1% is inadequate to cover the actual transit loss of coal. • It is accordingly submitted that for Non-pit head multi-modal transportation (using two or more than two mode of transport involving multiple trans-shipments) the

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
					normative Transit and Handling Losses should be at least 1.6% (i.e. 0.8% per mode of transportation).
66.	60(1)	Gross Calorific Value (GCV) of fuel	<p>60. Gross Calorific Value of Primary Fuel: (1) The gross calorific value for computation of energy charges as per Regulation 64 of these regulations shall be done in accordance with 'GCV as Received';</p> <p>Provided that the generating station shall have third party sampling done at the billing end and the receiving end through an agency certified by the Ministry of Coal and ensure recovery of compensation as per Fuel Supply Agreement(s) and pass on the benefits of the same to the beneficiaries of the generating station.</p> <p>Provided further that in the absence of any third party sampling through an agency certified by the Ministry of Coal, the GCV shall be</p>	<p>1. For sake of abundant clarity in consideration of the GCV a phrase may be added as follows:</p> <p><u>“Further, for reconciliation of GCV, equilibrated GCV so arrived by third party sampler may be corrected for moisture loss to arrive at GCV at unloading point as per formula given as under:</u></p> <p><u>$GCV_{ARB} = GCV_{ADB} \times (1 - TM) / (1 - Meq)$</u></p> <p><u>Where, GCV_{ARB} = Gross Calorific value of coal after moisture correction,</u></p> <p><u>GCV_{ADB} = Gross Calorific Value at Equilibrated Condition (60% RH and 40° C),</u></p> <p><u>TM = Total Moisture</u></p> <p><u>Meq = Equilibrated Moisture at 60% RH and 40° C. "</u></p>	<p>The Commission's recommendations regarding disallowance of loss in calorific value between 'GCV as billed' and 'GCV as received' is valid only for coastal imported coal based plants.</p> <p>For non-coastal region plants which are using imported coal, it is not feasible to avoid GCV loss of imported coal as the coal is being transferred from ports to these plants through rail/road mode or combination of both. i.e. Transportation of imported coal is a multimodal transportation involving hundreds/thousands of Kilometers. Therefore, loss of GCV is unavoidable. Even for plants with integrated mines, loss of GCV is natural and cannot be avoided.</p> <p>CERC has itself prescribed a transit and Handling Losses of 1% for multimodal coal shipments, (regulation 59). Not allowing any relaxation in GCV degradation for imported coal undergoing multimodal transportation would be unjustified and shall lead to losses to generating companies.</p> <p>Therefore, a normative Loss must be prescribed for plants with integrated mines and for multimodal transportation of imported via rail/road/ inland waterways as the case may be.</p>

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
			<p>considered on the basis of 'as billed' by the Supplier less:</p> <p>i. Actual loss in calorific value of coal between as billed by the supplier and as received at the generating station, subject to maximum loss in calorific value of 300 kCal/kg for Pit-head based generating stations or generating stations with Integrated mine and 600 kCal/kg for Non-Pit Head based generating stations.</p>	<p>2. Commission has recommended that no Loss in GCV is admissible for procurement of coal from Integrated Mines or through the import of Coal. This condition must not be imposed and normative loss must be prescribed for integrated mines and multimodal transportation of imported Coal.</p>	
67.	62 (2)	PAF based incentive	No proviso in Existing Regulations	<p>(2) The Capacity Charge payable to a thermal generating station for a calendar month shall be calculated in accordance with the following formulae:</p> <p>.... .</p> <p>Capacity Charge for the Month (CCn) = Capacity Charge for Peak Hours of the Month (CCpn) + Capacity Charge for Off-Peak Hours of the Month (CCopn)</p> <p>Where,</p>	<ul style="list-style-type: none"> At present, there is no availability-based incentive available to Generating companies. The generating stations are required to maintain a normative PAF of 85%. Also, the normative working capital also considers the coal stock at PAF of 85%. There is a disincentive for generators for maintaining coal stock for more than 85% PAF on account of Working capital. At present, there is no incentive for achieving PAF more than 85%. This means to consider the PAF of 86% and 99% at same level, however, in actual, there are

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
				<p>CCp1= $[(0.20 \times AFC) \times (1/12) \times (PAFMp1/NAPAF)]$ subject to ceiling of $\{(0.20 \times AFC) \times (1/12)\}$</p> <p>CCp2= $[(0.20 \times AFC) \times (1/6) \times (PAFMp2/NAPAF)]$ subject to ceiling of $\{(0.20 \times AFC) \times (1/6)\}$ – CCp1</p> <p>CCp3= $[(0.20 \times AFC) \times (1/4) \times (PAFMp3/NAPAF)]$ subject to ceiling of $\{(0.20 \times AFC) \times (1/4)\}$ - (CCp1+ CCp2)</p> <p>CCp4= $[(0.20 \times AFC) \times (1/3) \times (PAFMp4/NAPAF)]$ subject to ceiling of $\{(0.20 \times AFC) \times (1/3)\}$ - (CCp1+ CCp2+CCp3)</p> <p>CCp5= $[(0.20 \times AFC) \times (5/12) \times (PAFMp5/NAPAF)]$ subject to ceiling of $\{(0.20 \times AFC) \times (5/12)\}$ - (CCp1+ CCp2+CCp3+CCp4)</p>	<p>considerable differences in the efficient practices adopted for achieving such PAF.</p> <ul style="list-style-type: none"> The PAF based incentive would be in the range of 2 paise per unit (for 86% PAF) to around 40 paise per unit (for 100% PAF), which means that Discoms can avail additional electricity beyond 85% by incurring marginal cost of 2 paise per unit to 40 paise per unit over and above variable charge and avoid the high cost of power purchase of around Rs 8-10 per unit from external sources. The generator by way of sharing of gains is entitled to avail incentive on performance parameters which are dependent on Load Factor of the plant. PLF is prerogative of distribution licensee. The improvement in performance parameter is not dependent on the effort made by the generator. Hence it is suggested to introduce the PAF based incentive. Further, the additional power availability will enable Discoms to manage and absorb the infirmity of Renewable sources in grid and enhance the Grid Stability. Hence, it is suggested to incorporate PAF based incentive for Generating stations for achieving PAF more than 85% to encourage the efficient

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
				<p>CCp6= $[(0.20 \times AFC) \times (1/2) \times (PAFMp6/NAPAF)]$ subject to ceiling of $\{(0.20 \times AFC) \times (1/2)\}$ - (CCp1+CCp2+CCp3+CCp4+CCp5)</p> <p>CCp7= $[(0.20 \times AFC) \times (7/12) \times (PAFMp7/NAPAF)]$ subject to ceiling of $\{(0.20 \times AFC) \times (7/12)\}$ - (CCp1+CCp2+CCp3+CCp4+CCp5+CCp6)</p> <p>CCp8= $[(0.20 \times AFC) \times (2/3) \times (PAFMp8/NAPAF)]$ subject to ceiling of $\{(0.20 \times AFC) \times (2/3)\}$ - (CCp1+CCp2+CCp3+CCp4+CCp5+CCp6+CCp7)</p> <p>CCp9= $[(0.20 \times AFC) \times (3/4) \times (PAFMp9/NAPAF)]$ subject to ceiling of $\{(0.20 \times AFC) \times (3/4)\}$ - (CCp1+CCp2+CCp3+CCp4+CCp5+CCp6+CCp7+CCp8)</p>	<p>performance of the plants and optimize the power purchase cost of Discoms.</p>

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
				<p>CCp10= [(0.20 x AFC) x (5/6) x (PAFMp10/NAPAF) subject to ceiling of {(0.20 x AFC) x (5/6)}] - (CCp1+ CCp2+ CCp3+CCp4+CCp5+CCp6 +CCp7 +CCp8 +CCp9)</p> <p>CCp11= [(0.20 x AFC) x (11/12) x (PAFMp12/NAPAF) subject to ceiling of {(0.20 x AFC) x (11/12)}] - (CCp1+ CCp2+CCp3+CCp4+CCp5+CCp6+CCp7+CCp8+CCp9+ CCp10)</p> <p>CCp12= [(0.20 x AFC) x (PAFMp12/NAPAF) subject to ceiling of (0.20 x AFC)] - (CCp1+ CCp2+ CCp3+CCp4+CCp5+CCp6+CCp7+CCp8+CCp9+CCp10+CCp11)</p> <p>... ..</p>	
68.	62(2)	Shutdown due to installation of emission control system	Provided that in case generating station or unit thereof is under shutdown due to Renovation and Modernisation or installation of emission control system, as the case may be, the generating company	<p>For Shutdown during installation of emission control system Following must be allowed:</p> <p>1. ROE</p>	<ul style="list-style-type: none"> • Installation of Emission control system is a Change in law event and an uncontrollable parameter under clause-22 of the Draft regulations. • DSCR of the Generating companies shall be adversely affected due to dis-allowance of ROE, Depreciation etc.

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
			shall be allowed to recover O&M expenses and interest on loan only.	2. Depreciation 3. IOL 4. O&M 5. Carrying Cost	<ul style="list-style-type: none"> Losses and cost incurred on account of uncontrollable parameters must be a pass-through.
69.	62(3)	Shortfall in recovery of Capacity Charge	<p>The shortfall in recovery of Capacity Charge for cumulative Off-Peak Hours derived based on NAPAF shall be allowed to be off-set by over-achievement of PAF, if any, and consequent notional over-recovery of Capacity Charge for cumulative Peak Hours.</p> <p>Provided that the shortfall in recovery of Capacity Charge for cumulative Peak Hours derived based on NAPAF, shall not be allowed to be off-set by over-achievement of PAF, if any, and consequent notional over-recovery of Capacity Charge for cumulative Off-Peak Hours.</p>	<p>It is requested that the following relaxation may be extended for at least 3 years of the forthcoming control period of five years:</p> <p>“Shortfall in recovery of Capacity Charge for cumulative Peak Hours derived based on NAPAF, should be allowed to be off-set by over-achievement of PAF, if any, and consequent notional over-recovery of Capacity Charge for cumulative Off-Peak Hours.”</p>	<ul style="list-style-type: none"> It may be noted that in the Forthcoming tariff period the CEA part load operations regulations shall come in force during next control period which may increase wear and tear and cause increased O&M and shutdown duration. Therefore, generators must have flexibility to recover the capacity charges lost on account of any breakdown/ Low Availability of unit during the Peak season. Further in order to cater to any other exigencies the relaxation has been requested.
70.	62(6)	Monthly Incentive for	(6) In addition to the capacity charge, an incentive shall be	(6) In addition to the capacity charge, an incentive shall be payable to a generating	<ul style="list-style-type: none"> The draft regulation proposes incentive to be payable based on NAPLF on cumulative basis.

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
		Peak Supply Period	payable to a generating station or unit thereof @ 75 paise/ kWh for ex-bus scheduled energy during Peak Hours and @ 50 paise/ kWh for ex-bus scheduled energy during Off-Peak Hours corresponding to scheduled generation in excess of ex-bus energy corresponding to Normative Annual Plant Load Factor (NAPLF) achieved on a cumulative basis, as specified in Clause (B) of Regulation 70 of these regulations.	station or unit thereof @ 75 paise/ kWh for ex-bus scheduled energy during Peak Hours and @ 50 paise/ kWh for ex-bus scheduled energy during Off-Peak Hours corresponding to scheduled generation in excess of ex-bus energy corresponding to Normative Annual Plant Load Factor (NAPLF) achieved on a cumulative monthly basis, as specified in Clause (B) of Regulation 70 of these regulations.	<ul style="list-style-type: none"> • Considering the quantum of RE integration at present and during future years, it would not be possible for thermal generating stations to achieve NAPLF on annual basis. • Hence, incentive to be allowed on monthly basis to optimise the cost of generation.
71.	64 (4)	Blending of coal	(4) In case of part or full use of an alternative source of fuel supply by coal based thermal generating stations other than as agreed by the generating company and beneficiaries in their power purchase agreement for the supply of contracted power on account of a shortage of fuel or optimization of economical operation through blending, the use of an alternative source of fuel supply shall be permitted to generating station up	(4) In case of part or full use of an alternative source of fuel supply by coal based thermal generating stations other than as agreed by the generating company and beneficiaries in their power purchase agreement for the supply of contracted power on account of a shortage of fuel or optimization of economical operation through blending, the use of an alternative source of fuel supply shall be permitted to generating station up to a maximum of 6% blending by weight: Provided that in such case, prior permission from beneficiaries shall not	<ul style="list-style-type: none"> • The use of alternative fuel would be done in case of shortage of fuel from existing sources or in case of directives issued by Ministry of Power, Central Government for blending of coal. • The generating companies have faced problems in receiving the consent from beneficiary for use of alternative source of fuel supply, which further delay the implementation of directives of Government. Hence, generating company would fall in non-compliance even though it has taken prompt action for use of alternative source of fuel supply or imported coal as per directives of the Government.

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
			<p>to a maximum of 6% blending by weight:</p> <p>Provided that in such case, prior permission from beneficiaries shall not be a precondition, unless otherwise agreed specifically in the power purchase agreement:</p> <p>Provided also that where a higher blending ratio than that specified under sub-clause (4) above of this Regulation is required, prior consultation with the beneficiary shall be made at least three days in advance.</p>	<p>be a precondition, unless otherwise agreed specifically in the power purchase agreement:</p> <p>Provided also that where a higher blending ratio than that specified under sub-clause (4) above of this Regulation is required, prior consultation with the beneficiary shall be made at least three days in advance:</p> <p>Provided that, if beneficiaries fail to provide the approval for higher blending ratio as specified in sub-clause (4) above within stipulated period then loss of Availability on account of the same shall be considered as deemed availability and 100% capacity charge payment liability for the affected capacity shall be of the concerned beneficiary.</p> <p>Provided further that no such prior permission from beneficiary(ies) will be required in case of use of alternative source of fuel supply on account of implementation of directions from Appropriate Government or concerned Authority.</p>	<ul style="list-style-type: none"> • It is specified that prior permission from beneficiaries shall not be pre-condition otherwise agreed specifically in PPA. However, in existing PPA, no such conditions are agreed between generating company and beneficiary regarding use of alternative fuel on account of directives from Government. • Hence, it is suggested to include such proviso in Regulations wherein it is clearly specified that no prior permission is required from beneficiaries in case of use of alternative source of fuel supply in compliance of directives of Government. • Further, if DISCOMs fail to provide approval then Generating companies should be reimbursed for the Loss of capacity charges

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
72.	64(5)	Blending of biomass fuel with coal	(5) Where biomass fuel is used for blending with coal, the landed cost of biomass fuel shall be worked out based on the delivered cost of biomass at the unloading point of the generating station, inclusive of taxes and duties as applicable. The energy charge rate of the blended fuel shall be worked out considering the consumption of biomass based on the blending ratio as specified by the Authority or the actual consumption of biomass, whichever is lower.	May be changed as follows: (5) Where biomass fuel is used for blending with coal, the landed cost of biomass fuel shall be worked out based on the delivered cost of biomass at the unloading point of the generating station, inclusive of taxes and duties as applicable. The energy charge rate of the blended fuel shall be worked out considering the consumption of biomass based on the blending ratio as specified by the Authority or the actual consumption of biomass, whichever is lower .	The blended ECR should be allowed on actuals only and not on normative consumption defined by Authority.
73.	64(6)	Base energy charge rate	(6) The Commission, through specific tariff orders to be issued for each generating station, shall approve the energy charge rate at the start of the tariff period. The energy charge rate so approved shall be the base energy charge rate for the first year of the tariff period. The base energy charge rate for subsequent years shall be the energy charge computed after escalating the base energy charge rate by escalation rates for payment	To be removed	It is not clear what is the relevance and purpose for approval of year-wise base energy charge during the tariff period by the Commission when the energy charges are required to be paid on actual basis. The purpose of approving year-wise base energy charge during the tariff period may be duly clarified in the final CERC Tariff Regulations 2024-29.

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
			purposes as notified by the Commission from time to time under competitive bidding guidelines.		
74.	70(A)	Normative Annual Plant Availability Factor (NAPAF)	<p>(A) Normative Annual Plant Availability Factor (NAPAF)</p> <p>(a) 85% for all thermal generating stations, except those covered under clauses (c), (c), (d) & (d)</p> <p>(b) 80% for coal and lignite based generating stations completing 30 years from COD as on 31.03.2024</p>	<p>May be changed as follows:</p> <p>(A) Normative Annual Plant Availability Factor (NAPAF)</p> <p>(a) 85% for all thermal generating stations, except those covered under clauses (c), (c), (d) & (d)</p> <p>(b) 80% <u>75%</u> for coal and lignite based generating stations completing 30 years from COD as on 31.03.2024</p>	Further relaxation beyond 80% NAPAF is required for coal and lignite based generating stations completing 30 years from COD as on 31.03.2024.
75.	70(D)	Operational Norms – Secondary Fuel Oil Consumption	(No provision for additional specific oil consumption due to low load operations)	With ref. to notified Regulation on Flexible operation of coal based Thermal Power Generating Units on 30.1.2023 and as per CEA recommendations vide file no. CEA-TH-17-13/1/2019-TETD division dated 19 th Dec-2023, additional specific oil consumption of 0.2 ml/KWh should be provided for units operating in 40-55% average loading as oil support may be needed for safe plant operations at such low load operations. Further, Startup cost to be added after predefined number of start-ups to compensate for its impact on SOC, SHR and APC.	
76.	70(C)	Operational Norm – Gross Station Heat Rate	Thermal Generating Stations achieving COD on or after 1.4.2009:	Thermal Generating Stations achieving COD on or after 1.4.2009:	<ul style="list-style-type: none"> It is submitted that the power plant equipment once designed based on the prevalent regulations at the point in time does not undergo a change during the operation period hence there is no rationale to vary the margin over

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
			<p>(i) For Coal-based and lignite-fired Thermal Generating Stations:</p> <p>For 200/210/250 MW Sets. : 1.05 X Design Heat Rate (kCal/kWh)</p> <p>For 500 MW Sets and above: 1.04 X Design Heat Rate (kCal/kWh)</p>	<p>(i) For Coal-based and lignite-fired Thermal Generating Stations:</p> <p>1.05 X Design Heat Rate (kCal/kWh)</p>	<p>and above the design heat rate in successive Control Period.</p> <ul style="list-style-type: none"> • Moreover, with increased RE penetration, the actual PLFs of thermal plants are reducing substantially as compared to the normative levels and coupled with flexible operation leads to further degradation of operational parameters. • It may also be appreciated that the operational parameters like GSHR of any Thermal Generating Station deteriorate with aging thereby making such Generating Stations less efficient in during each tariff period vis-à-vis the preceding tariff period. As such the normative levels of operation of any Thermal Generating Station w.r.t GSHR warrant relaxation by the Commission vis-à-vis their normative levels under the preceding tariff period. However, on the contrary instead of relaxing the normative levels, the same have been further tightened under the draft CERC Tariff Regulations 2024-29 as evident from the above table. Such an approach will only lead to penalizing the existing generation capacities for no fault on their part and would lead to substantial under-recovery by the generators vis-à-vis the actual cost of generation. • In view of above, it is suggested to continue with the existing operating margin of 5% over and above

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments																																												
					design heat rate for all thermal generating stations as per the existing 2019 Tariff Regulations.																																												
77.	70(C)	Operational Norms – Heat Rate degradation due to part load operations	(Not provided)	<p>With ref. to notified Regulation on Flexible operation of coal based Thermal Power Generating Units on 30.1.2023 and as per CEA recommendations vide file no. CEA-TH-17-13/1/2019-TETD division dated 19th Dec-2023, below unit Heat rate degradation due to part load (flexible operations) needs to be considered over and above to the normative heat rate.</p> <table border="1"> <thead> <tr> <th colspan="4">Unit Heat Rate % Degradation due to part load operation</th> </tr> <tr> <th>SR No</th> <th>Unit Loading %</th> <th>Sub-Critical Unit</th> <th>Super-Critical unit</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>85-100</td> <td>0</td> <td>0</td> </tr> <tr> <td>2</td> <td>80- <85</td> <td>2.1</td> <td>1.8</td> </tr> <tr> <td>3</td> <td>75- <80</td> <td>3</td> <td>2.5</td> </tr> <tr> <td>4</td> <td>70- <75</td> <td>4</td> <td>3.3</td> </tr> <tr> <td>5</td> <td>65- <70</td> <td>5.1</td> <td>4.1</td> </tr> <tr> <td>6</td> <td>60- <65</td> <td>6.1</td> <td>4.9</td> </tr> <tr> <td>7</td> <td>55- <60</td> <td>7.6</td> <td>6</td> </tr> <tr> <td>8</td> <td>50- <55</td> <td>9.35</td> <td>7.7</td> </tr> <tr> <td>9</td> <td>45- <50</td> <td>11.9</td> <td>10.7</td> </tr> </tbody> </table>	Unit Heat Rate % Degradation due to part load operation				SR No	Unit Loading %	Sub-Critical Unit	Super-Critical unit	1	85-100	0	0	2	80- <85	2.1	1.8	3	75- <80	3	2.5	4	70- <75	4	3.3	5	65- <70	5.1	4.1	6	60- <65	6.1	4.9	7	55- <60	7.6	6	8	50- <55	9.35	7.7	9	45- <50	11.9	10.7	
Unit Heat Rate % Degradation due to part load operation																																																	
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7	55- <60	7.6	6																																														
8	50- <55	9.35	7.7																																														
9	45- <50	11.9	10.7																																														

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change				Rationale for Suggestions/Comments
				10	40- <45	14.2	13.2	<p>The above compensation should be calculated block wise since the loss incurred in a block cannot be recovered. The recommendation of the Expert Committee appointed by the CERC in this regard needs to be implemented without any further delay.</p> <p>Further, compensation for impact of high moisture of imported coal in heat rate may be considered additionally.</p>
78.	70(E)	Operational Norm – Auxiliary Consumption	<p>Auxiliary Energy Consumption: (a) For Coal-based generating stations except at (b) below:</p> <p>(ii) 300/330/350/500 MW and above Steam driven boiler feed pumps: 5.25% Electrically driven boiler feed pumps: 8.00%</p> <p>(iii) 600 MW and above Steam driven boiler feed pumps : 5.25%</p>	<p>Auxiliary Energy Consumption: (a) For Coal-based generating stations except at (b) below:</p> <p>(ii) 300/330/350/500 MW and above Steam driven boiler feed pumps: 5.75% Electrically driven boiler feed pumps: 8.00%</p> <p>(iii) 600 MW and above Steam driven boiler feed pumps : 5.75%</p> <p>Further with ref. to notified Regulation on Flexible operation of coal based Thermal Power Generating Units on 30.1.2023 and as per CEA</p>				<ul style="list-style-type: none"> • Draft Regulations reduced the Auxiliary consumption for 300 MW and above plants having steam driven boiler feed pump from 5.75% to 5.25%. • The Commission in Explanatory Memorandum has not provided any rationale for such reduction in Auxiliary consumption norm. • There are some plants that have been designed for AUX consumption ~ 7% or even more which is far more than the prescribed Norms. It may also be noted that the operational parameters like AUX of any Thermal Generating Station deteriorate with aging thereby making such Generating Stations less efficient in during each tariff period vis-à-vis the preceding tariff period. As such the normative levels of operation of any Thermal Generating Station w.r.t AUX warrant relaxation by the Commission vis-à-vis their normative levels under the preceding tariff period. However, on the contrary instead of relaxing the normative levels, the same have been

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments																								
				<p>recommendations vide file no. CEA-TH-17-13/1/2019-TETD division dated 19th Dec-2023, below auxiliary energy consumption degradation due to part load (flexible operations) needs to be considered over and above the normative auxiliary energy consumption.</p> <table border="1"> <thead> <tr> <th colspan="3">% Degradation in Auxiliary power consumption due to part load operation</th> </tr> <tr> <th>SR No</th> <th>Unit Loading %</th> <th>% degradation</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>85-100</td> <td>0</td> </tr> <tr> <td>2</td> <td>80- <85</td> <td>0.5</td> </tr> <tr> <td>3</td> <td>70- <80</td> <td>1.1</td> </tr> <tr> <td>5</td> <td>60- <70</td> <td>1.8</td> </tr> <tr> <td>7</td> <td>50- <60</td> <td>2.5</td> </tr> <tr> <td>10</td> <td>40- <50</td> <td>3.2</td> </tr> </tbody> </table>	% Degradation in Auxiliary power consumption due to part load operation			SR No	Unit Loading %	% degradation	1	85-100	0	2	80- <85	0.5	3	70- <80	1.1	5	60- <70	1.8	7	50- <60	2.5	10	40- <50	3.2	<p>further tightened under the draft CERC Tariff Regulations 2024-29.</p> <ul style="list-style-type: none"> • Further, CEA flexibilization and part load operational Norms shall cause further degradation of Aux Consumption. • In case, actual norms are lower than normative, then generating company should not be penalised by considering such lower norms. This will reduce the sharing of gains. • It is therefore suggested to continue with present norm of Auxiliary Consumption of 5.75% while also providing for auxiliary energy consumption degradation due to part load (flexible operations).
% Degradation in Auxiliary power consumption due to part load operation																													
SR No	Unit Loading %	% degradation																											
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3	70- <80	1.1																											
5	60- <70	1.8																											
7	50- <60	2.5																											
10	40- <50	3.2																											
79.	70(E)	Auxiliary Consumption for operation of Tertiary	(not provided)	It is requested to specify the norms for Auxiliary Consumption for operating the Tertiary Treatment Plant	<ul style="list-style-type: none"> • As per directions issued by Ministry of Power, the generating stations which are situated within a 50 km radius of the Sewage Treatment Plants (STPs), will have to mandatorily utilize the sewage treated water and for 																								

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
		Treatment Plant			that the Tertiary Treatment Plant will build at the location of thermal generating station and same will be operated by the generating station. Consequently, the auxiliary consumption of the generating station will increase. The current draft regulation has not specified any auxiliary consumption for operating the Tertiary Treatment Plant in order to fulfil the directives of MoP.
80.	70(F)	Norms for consumption of reagent	<p>(1) The normative consumption of specific reagents for various technologies for the reduction of emission of sulphur dioxide shall be as under:</p> <p>(a) For Wet Limestone based Flue Gas De-sulphurisation (FGD) system: The specific limestone consumption (g/kWh) shall be worked out by following the formula:</p> $\frac{K \times \text{Normative heat rate (kcal/kWh)} \times \text{Sulphur content of coal (\%)} \times 100}{\text{GCV of Coal (kcal/kg)}} \times 1000$ <p>Where,</p>	It is requested that the norms for consumption of reagent may be relaxed for the forthcoming tariff period. Based on practical experience on the ground, the norms may be notified for 2029-34 control period.	<ul style="list-style-type: none"> • Emission control Systems are being installed as a result of Change in Law event therefore the entire cost of Installation and reagent cost must be reimbursed to the generating company on actuals in order to restore the economic position so that change in Law has not occurred. • As of now there is not enough experience with the operation of emission control systems to arrive at established norms. • Further, it may not be always feasible to arrange the Limestone with purity higher than 85%.

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			<p>GCV = (a) Weighted Average Gross calorific value of coal in kCal per kg for coal based thermal generating stations computed in accordance with Regulation 60 of these regulations;</p> <p>(b) Weighted Average Gross calorific value of lignite as received, in kCal per kg, as applicable for lignite based thermal generating stations:</p> <p>Provided that the value of K shall be equivalent to 35.2 for units to comply with the SO₂ emission norm of 100/200 mg/Nm³ or 26.8 for units to comply with the SO₂ emission norm of 600 mg/Nm³;</p> <p>Provided further that the limestone purity shall not be less than 85%.</p>		
81.	76(2)	Billing and Payment of charges	(2) Payment of the capacity charge for a thermal generating station shall be shared by the beneficiaries of the generating station as per their percentage shares for the month (inclusive of any allocation out of the unallocated capacity) in the	This provision may be revised as follows: (2) Payment of the capacity charge for a thermal generating station shall be shared by the beneficiaries of the generating station as per their percentage shares for the month (inclusive of any allocation out	Within the country, a number of thermal power stations are obligated to supply a part of their capacity only on a variable charge to the home state without getting any assured long term fuel support from the home state. A list of some such stations is provided below:

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments	
					Station	Case
			<p>installed capacity of the generating station.</p> <p>Payment of capacity charge and energy charge for a hydro generating station shall be shared by the beneficiaries of the generating station in proportion to their shares (inclusive of any allocation out of the unallocated capacity) in the saleable capacity (to be determined after deducting the capacity corresponding to free energy to home State).</p>	<p>of the unallocated capacity) in the <u>saleable capacity</u> of the generating station <u>(to be determined after deducting the capacity corresponding to energy only on a variable cost to home state).</u></p> <p>Payment of capacity charge and energy charge for a hydro generating station shall be shared by the beneficiaries of the generating station in proportion to their shares (inclusive of any allocation out of the unallocated capacity) in the saleable capacity (to be determined after deducting the capacity corresponding to free energy to home State).</p>		
					Adhunik Power and Natural Resource Ltd. (APNRL)	12% net capacity only on a variable cost to Jharkhand (home state)
					Inland Power Ltd.	12% net capacity only on a variable cost to Jharkhand (home state)
					Lanco Amarkantak Pvt. Ltd.	5% net capacity only on a variable cost to Chattisgarh (home state)
					DB Power	5% net capacity only on a variable cost to Chattisgarh (home state)
					Vedanta Ltd. (Jharsuguda)	5% / 7% net capacity only on a variable cost to Odisha (home state)
					Jindal India Thermal Power Ltd.	12% net capacity only on a variable cost to Odisha (home state)

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
					<p>The above scenario can be compared with hydro generating stations, where they also need to provide some free energy to home state. In case of hydro generating stations, Regulation provides the recovery of capacity charge from “saleable capacity”. The Saleable capacity is determined after deducting the capacity corresponding to free energy to home state. Similar provision may be extended to thermal generating stations supplying part of their capacity to the host State at variable charge only.</p>
82.	77	Recovery of statutory charges	<p>77. Recovery of Statutory Charges: The generating company shall recover the statutory charges imposed by the State and Central Government, such as electricity duty and water cess, by considering normative parameters specified in these regulations. In case the electricity duty is applied to the auxiliary energy consumption, such amount of electricity duty shall apply to the normative auxiliary energy consumption of the generating station (excluding colony consumption) and</p>	<p>Statutory charges incurred by a generating Station must be reimbursed on actuals.</p>	<ul style="list-style-type: none"> • Statutory charges incurred by a generating Station must be reimbursed on actuals in order to avoid any under-recovery of costs.

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
			apportioned to each of the beneficiaries in proportion to their scheduled dispatch during the month.		
83.	79	Early Payment Rebate	<p>Rebate: (1) For payment of bills of the generating company and the transmission licensee through letter of 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 by the generating company or the transmission licensee, a rebate of 1.50% shall be allowed.</p> <p>Provided that in case a different Rebate mechanism is provided in the PPA, the same shall be governed by the provisions of the PPA</p>	<p>Regulation 79 may be appropriately amended to allow:</p> <p>(i) Computation of Early Payment Rebate at the same rate at that of LPS and;</p> <p>(ii) Computation of Early Payment Rebate based on actual number of days elapsed between Bill presentation date and bill payment date</p>	<ul style="list-style-type: none"> • While the LPS rates are linked to bank rate, the same has not been done with respect of Early Payment Rebate rates, which have rather been standardized. This leaves no incentive for payment on the 1st Day of Bill presentation (vis-à-vis payment on the 5th Day of Bill presentation) for claiming 1.5% rebate or for payment on the 6th Day of Bill presentation (vis-à-vis payment on the 30th Day of Bill presentation) for claiming 1.0% rebate • LPS is allowed on the basis of actual delay beyond the due date (of 45 days post bill presentation), Early Payment Rebate is allowed at flat 1.5% (for payment within 1-5 days of bill presentation) and 1% (for payment within 6-30) days of bill presentation). • The proposed LPS rate (~ 13% Per Annum) has been reduced significantly vis-à-vis CERC Tariff Regulations 2019-24 which provided LPS rate of 18% Per Annum, however there has been no reduction in the Early Payment Rebate Rate. • It may be appreciated that provisions for Early Payment Rebate and LPS warrant no discriminatory treatment and the same are to be treated at par. Accordingly, while the

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
					<p>provisions with respect to LPS contained under Regulation 80 of the draft CERC Tariff Regulations 2024-29 may be retained, however Regulation 79 may be appropriately amended to allow</p> <ul style="list-style-type: none"> ○ Computation of Early Payment Rebate at the same rate at that of LPS and; ○ Computation of Early Payment Rebate based on actual number of days elapsed between Bill presentation date and bill payment date
84.	81	Sharing of gains	<p>81. Sharing of gains due to variation in norms: (1) The generating company or the transmission licensee shall work out gains based on the actual performance of applicable Controllable parameters as under:</p> <p>i) Station Heat Rate;</p> <p>ii) Secondary Fuel Oil Consumption; and</p> <p>iii) Auxiliary Energy Consumption.</p> <p>(2) The financial gains by the generating company or the transmission licensee, as the case</p>	To be deleted	<ul style="list-style-type: none"> ● Any gain due to variation from the normative parameters shall be to the account of generating company and not to be shared with beneficiaries. This will be the true reflection of the spirit of defining normative parameters and the Commission will also be saved from the task of scrutinising the accounts, year after year. ● At present, Hybrid Approach has been adopted by the Commission. Regulations are required to move more towards performance-based approach rather than hybrid approach, wherein sharing of gains or losses should not be allowed. ● All the risk here is taken by the generation company. There are many challenges like unavailability of fuel, maintaining operation norms, etc. Also, no risk is being

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
			<p>may be, on account of controllable parameters shall be shared between the generating company or transmission licensee and the beneficiaries or long term customers, as the case may be on an annual basis. The financial gains computed as per the following formulae in the case of generating stations other than hydro generating stations on account of operational parameters as shown in Clause (1) of this Regulation shall be shared in the ratio of 1:1 between the generating stations and beneficiaries.</p>		<p>shared by Beneficiary and all risks are with the Developer only.</p> <ul style="list-style-type: none"> • Therefore, the generating companies should be rewarded for efficient performance and all gains are to be retained by the generating company. • In line with “Principle of Equity”, as there is no sharing of losses in case of Efficiency loss, there should be no sharing of Efficiency gains earned by a generating company/Licensee. Moreover, such parameters are normative in nature, hence, there should not be any sharing of either gain or losses should be allowed. Whole purpose of giving normative target is defeated by sharing of gains. • It is further mentioned that, in CERC Tariff Regulations, 2009-14, there was no sharing of gains, appreciating the same principle stated above. • It is requested that, the same may be followed in Regulations for 2024-29 Control Period and delete the provisions related to sharing of gains.
85.	82	Re-financing	<p>82. Sharing of savings in interest due to re-financing or restructuring of loan :(1) If re-financing or restructuring of loan by the generating company or the transmission licensee, as the case</p>	<p>82. Sharing of savings in interest due to re-financing or restructuring of loan :(1) If re-financing or restructuring of loan by the generating company or the transmission licensee, as the case may be, results in net savings on interest after</p>	<ul style="list-style-type: none"> • It is suggested that in respect to refinancing of loan, the Commission should provide a detailed mechanism for sharing of re-financing gains as more and more projects are opting for re-financing of their existing loans.

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
			<p>may be, results in net savings on interest after accounting for cost associated with such refinancing or restructuring, the same shall be shared between the generating company or the transmission licensee and the beneficiaries, as the case may be, in the ratio of 1:1.</p>	<p>accounting for cost associated with such refinancing or restructuring, the same shall be shared between the generating company or the transmission licensee and the beneficiaries, as the case may be, in the ratio of 1:1:</p> <p>Provided that the net savings in interest amount for the remaining tenor of the loan shall be discounted at rate of interest of such re-financed loan to arrive at net present value of net savings and such net present value of net savings shall be shared between the entity and Beneficiaries in the above specified ratio:</p>	<ul style="list-style-type: none"> • At present, the computation of re-financing is left at discretion of Generating company and its beneficiary. In majority cases, Net savings is allowed based on YoY adjustment through tariff. • The benefits of re-financing in terms of lower interest rate have already been pass through by generating company and tariff is determined on such lowered interest rates. Moreover, share of financial gains of generating company is recovered on YoY basis. Also, this recovery of share of gains on YoY may also reduce in case of change in sharing ratio in subsequent regulations. • Hence, in line with principle of equity, gains to generating company shall be allowed as one time in year in which such re-financing is undertaken. • It is suggested that Net Present Value (NPV) based one-time settlement of the refinancing benefit should be allowed. In NPV based settlement, the NPV of Interest on loan based on difference of actual and revised WAROI is calculated and shared between the parties in as suggested in the regulations. • Accordingly, proviso is proposed in Draft Regulations.

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
86.	91	Arbitration award - servicing of principal and interest payment	<p>91. Award of Arbitration: In cases where there is a liability with respect to capital works on account of award of arbitration having principal amount along with interest payment, the principal amount actually paid shall be capitalised.</p> <p>Provided that any interest amount associated with the arbitration award and actually paid shall be recovered in instalments along with carrying cost at the rate specified under Regulation 10(7) and 10(8) of these Regulations.</p> <p>Provided further that such number of instalments shall be decided by the Commission on a case-to-case basis depending upon the amount to be reimbursed.</p>	<p>91. Award of Arbitration: In cases where there is a liability with respect to capital works on account of award of arbitration having principal amount along with interest payment, the principal amount actually paid shall be capitalised.</p> <p>Provided that any interest amount associated with the arbitration award and actually paid shall be recovered in instalments along with carrying cost at the rate specified under Regulation 10(7) and 10(8) of these Regulations.</p> <p>Provided further that such number of instalments shall be decided mutually between the parties. by the Commission on a case-to-case basis depending upon the amount to be reimbursed.</p>	<ul style="list-style-type: none"> To avoid the Tariff shock for either party, the interest payment may be segregated and recovered over a fixed period of time as agreed between the parties.
87.	100	Public Procurement through Competitive Bidding	<p>The generating company for a specific generating station or for an integrated mine or a transmission licensee shall procure equipment, work, and services through a</p>	<p>The generating company for a specific generating station or for an integrated mine or a transmission licensee may procure equipment, work, and services</p>	<ul style="list-style-type: none"> The Developers are following least cost approach for execution of the projects. For RTM projects, the majority of work contracts are being awarded based on competitive bidding as the same are liable for prudence check at time of approval of capital cost.

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
			<p>transparent process of competitive bidding:</p> <p>Provided that under certain exceptional circumstances, equipment, works and services may be procured through other methods, as provided under general financial rules issued by the Government of India and applicable from time to time.</p>	<p>through a transparent process of competitive bidding:</p> <p>Provided that under certain exceptional circumstances, equipment, works and services may be procured through other methods, as provided under general financial rules issued by the Government of India and applicable from time to time.</p> <p>Provided that, in case of procurement of equipment, work and service is made through process of transparent competitive bidding, then cost of such equipment, work and service derived through process of transparent competitive bidding shall be allowed by the Commission.</p>	<ul style="list-style-type: none"> • However, in some special cases, because of limited participation from vendors or limited vendors for such special works e.g. FGD implementation, etc., the competitive bidding is not feasible. In such cases, the contracts have been awarded based on one-to-one negotiations. • Hence, mandatorily award of contracts based on competitive bidding will increase the difficulties of the developer and delay the implementation of the project. Also, more Petitions/cases may pile up before CERC for special exclusion on case-to-case basis. • In view of the above, it is suggested that developer should be provided enough liberty for execution of the project and award of contract based on competitive bidding shall not be made mandatorily. Moreover, any contract is liable for prudence check and developer shall follow the least cost approach for such work execution. • Alternatively, if the procurement of equipment, work, and services is made through a transparent process of competitive bidding, then such cost derived through competitive bidding shall be allowed, without undertaking any detailed prudence check of the cost.

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments																		
88.	Appedix-II	Depreciation Schedule for New Projects		<ul style="list-style-type: none"> The Depreciation rate has been reduced from 5.28% to 4.22% for some of the assets, which will impact the cash flow of Generating Station. Therefore, rate of depreciation @5.28% should be retained, as it has adverse impact on the cash flow of new projects. 																			
89.	To be added	Norms for compensation in Partial Load operations	No clause	<p>For the part load operation of the plants the compensation is provided for Super critical plant as per CEA recommendation as under:</p> <table border="1"> <thead> <tr> <th>Loading (%)</th> <th>Increase in SHR</th> <th>Increase in Auxiliary consumption</th> </tr> </thead> <tbody> <tr> <td>85 to 100</td> <td>Nil</td> <td>Nil</td> </tr> <tr> <td>80 to <85</td> <td>1.8%</td> <td>0.5%</td> </tr> <tr> <td>75 to <80</td> <td>2.5%</td> <td>1.1%</td> </tr> <tr> <td>70 to <75</td> <td>3.3%</td> <td></td> </tr> <tr> <td>65 to <70</td> <td>4.1%</td> <td>1.8%</td> </tr> </tbody> </table>	Loading (%)	Increase in SHR	Increase in Auxiliary consumption	85 to 100	Nil	Nil	80 to <85	1.8%	0.5%	75 to <80	2.5%	1.1%	70 to <75	3.3%		65 to <70	4.1%	1.8%	<ul style="list-style-type: none"> CERC vide its amendment dated April 6, 2016 in CERC (Indian Electricity Grid Code) Regulations, 2010 has introduced the detailed mechanism for compensating the thermal power stations on account of Partial Loading Operations. Further, CERC vide its Order dated May 5, 2017 has approved the detailed procedure for taking unit(s) under Reserve Shut Down and Mechanism for Compensation for de-gradation of Station Heat Rate, Auxiliary Consumption and Secondary Fuel Oil Consumption, because of Partial Loading Operation and Multiple Start/Stop of Units considering the technical minimums as 55%. The same methodology is being continued. Owing to various development in respect to compensation for part load operation of Thermal power plants, it is necessary that CERC Tariff Regulation must incorporate compensation mechanism. CERC, along with Draft Regulations, has also published the CEA recommendations dated 19.12.2023 on operation norms including the norms in case of partial load operation. However, the same is not incorporated in the Draft Regulations.
Loading (%)	Increase in SHR	Increase in Auxiliary consumption																					
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				<table border="1" data-bbox="936 293 1400 810"> <tr> <td>60 to <65</td> <td>4.9%</td> <td></td> </tr> <tr> <td>55 to <60</td> <td>6.0%</td> <td>2.5%</td> </tr> <tr> <td>50 to <55</td> <td>7.7%</td> <td></td> </tr> <tr> <td>45 to <50</td> <td>10.7%</td> <td>3.2%</td> </tr> <tr> <td>40 to <45</td> <td>13.2%</td> <td></td> </tr> </table> <p data-bbox="936 874 1422 1102">Provided that the above-mentioned degradation in operational norms shall be applicable for generating stations, whose tariff is determined by the Commission under section 62 of the Act.</p> <p data-bbox="936 1134 1422 1369">For the generating stations whose tariff is adopted by the Commission under section 63 of the Act, the Commission may adopt these operational norms for partial load operation through separate Order.</p>	60 to <65	4.9%		55 to <60	6.0%	2.5%	50 to <55	7.7%		45 to <50	10.7%	3.2%	40 to <45	13.2%		<ul data-bbox="1435 293 2132 1428" style="list-style-type: none"> • Central Electricity Authority vide notification dated 25.01.2023, has notified the Central Electricity Authority (Flexible Operation of Coal based Thermal Power Generating Units) Regulations, 2023. These regulations mandate power plant to be able to operate on technical minimum of 40%. • Further, Regulation 7 of CEA (Flexible Operation of Coal based Thermal Power Generating Units) Regulations, 2023 specifies that requirement of ramp rate capability of minimum 3% per minute for operation between 70% to 100% of maximum continuous power rating. • According to the current actual operating conditions of the majority of the generating stations, achieving a ramp rate of 3% is not possible without making modifications to the boiler and turbine design. • Further, these Regulations do not mention any compensation mechanism for the modifications required to comply with the ramp rate and recovery of the same as part of fixed cost recovery mechanism. • During flexible operation, the generator will undergo frequent) ramping up and ramping down, resulting in deviations in operating parameters. This change in frequent parameter during transient state results in very high heat rate. Station Heat rate degradation is mentioned for steady stated not for dynamic condition. To address
60 to <65	4.9%																			
55 to <60	6.0%	2.5%																		
50 to <55	7.7%																			
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Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
				<p>The Commission through separate Order shall specify the detailed methodology and procedure to be adopted by the Stakeholders for providing the compensation to the generating station for partial load operation.</p>	<p>this issue, it is imperative to incorporate additional compensation for the ramp rate.</p> <ul style="list-style-type: none"> In view of the above, it is suggested to include degradation norms recommended by CEA for part load operation and include comprehensive compensation mechanism including procedure and methodology in Regulations.
90.	To be added	Recovery of discount offered under SHAKTI B(ii) auctions	No provision	The Commission is requested to allow the SHAKTI B(ii) Scheme discount as a pass-through in the Regulation.	<ul style="list-style-type: none"> The Ministry of Coal (MoC), under the SHAKTI (Scheme to Harness and Allocate Koyla Transparently in India), has effectively established a mechanism for the allocation of coal linkages to power plants lacking fuel supply agreements (FSAs) through coal auctions. In the matter of Maharashtra State Electricity Distribution Company Limited Vs Adani Power Maharashtra Limited and another, the Hon'ble Supreme Court of India has deemed the SHAKTI scheme as a "Change in Law". The relevant excerpt from the judgement again reproduced herein below: <p style="margin-left: 40px;"><i>"22. It can thus be seen that this Court has held that if there is a Change in any consent, approval or licence available or obtained for the project, otherwise than for the default of the seller, which results in any change in any cost of the business of selling electricity, then the said seller will be governed under Clause 13.1.1 of the PPA. As already discussed hereinabove,</i></p>

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
					<p><i>this Court has consistently held that modification to NCDP 2007 by the communication dated 31st July 2013 would amount to Change in Law and the generating companies would be entitled to compensation on account of such Change in Law. Undisputedly, SHAKTI Policy also reduces the ACQ as was assured under the 2007 NCDP. Consequently, SHAKTI Policy will also have to be held to be Change in Law.” (Emphasis Supplied)”</i></p> <ul style="list-style-type: none"> • It is pertinent to mention here that in the multiple cases where Change in Law is approved, the economic position prior to bid due date has been protected by the judgement of the Hon’ble Supreme Court / APTEL / CERC. • The current Tariff Regulations do not give any cognizance to discount offered by generators under SHAKTI B(ii) Scheme. It may be noted that the beneficiaries of power get an assured reliable supply of power using Shakti coal. For projects under Section-62, the fuel cost is allowed as a pass-through. Therefore, there is no obligation as such on generating companies to apply for coal under SHAKTI by offering discount. However, with the objective of safeguarding the interests of beneficiaries and ensuring a reliable long term coal supply, some of the generating stations are voluntarily procuring coal under the SHAKTI Scheme.

Sl. No.	Clause no.	Issue	Provisions of Draft CERC Tariff Regulations, 2024	Proposed Change	Rationale for Suggestions/Comments
					<ul style="list-style-type: none"> • Currently, the entirety of the benefit derived from the SHAKTI Scheme is being passed through to long-term procurer, notwithstanding the financial losses incurred by the company that is already struggling with sustainability issues. • It is important to recognize that a decrease in RoE can greatly discourage and it is worth mentioning that a considerable number of companies have recently gone bankrupt as a result of financial crises. • Hence, considering the above grounds it is requested to allow the SHAKTI B(ii) Scheme discount as a pass-through in the Regulation.