VIEWS OF GRIDCO ON DRAFT CERC (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2014 FOR THE CONTROL PERIOD 01.04.2014 TO 31.03.2019

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Chapter-1: PRELIMINARY

3. Definitions & Interpretations:

3. (5) "Bank Rate": Instead of plus 350 basis points above the SBI Base Rate, GRIDCO proposes plus **150 basis** .

3. (6) "Beneficiary": In addition to Distribution licensee, it is proposed to include the Bulk Supplier ((i.e. the Apex State Power Purchase Entity) which purchases power on behalf of the State for supply to DISCOMs.

As per the proposed amendment to the Electricity Act, 2003, the power supply function is likely to be taken over by the "Supply Licensee" e. It is proposed to include the "Supply Licensee" in view of the proposed upcoming amendment to the Electricity Act, 2003.

3. (60) "Useful Life":

It is proposed to enhance the useful life of the different types of Generating Stations by 5 more years in view of the modern upgraded technology including the present performance .

Chapter-3:
PROCEDURE FOR TARIFF DETRMINATION

7. Application for determination of tariff:

7. (7) & 7. (8)

Allowance of $\underline{+}$**5%** deviations between the projected capital cost and the actual capital cost may be dispensed with. The projected capital cost should be adjusted to the actual project cost and accordingly, the deviation should be factored into the tariff.

8. Truing-up

Annual Truing Up instead of Truing-up at the end of the Tariff Period / Control Period may be considered.

Actual Expenditure incurred as per audited accounts should be considered for truing-up.

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Chapter-3:
PROCEDURE FOR TARIFF DETRMINATION

8.**(3)** Financial Gain on account of controllable parameters may be shared equally instead of 3:1 as proposed in the Draft Notification.

8.(4) Financial loss on account of un-controllable parameters may be shared equally instead of being borne by the beneficiary in full as proposed.

8.(8) In case , after the truing-up, the tariff recovered is less than the tariff approved by the Commission, the generating Company/ Transmission Licensee shall not be allowed to recover the shortfall from the beneficiary(ies) as it would amount to excess profiteering over the actual expenditures as per audited accounts.

Chapter-4:
COMPUTATION OF CAPITAL COST AND CAIPTAL STRUCTURE

9. CAPITAL COST:

9.1GRIDCO proposes the following with regard to determination of CAPITAL COST:

- The Capital Cost of a project may be fixed as per projected capital expenditure arrived at based on the benchmarks of capital cost fixed by CERC or actual cost as on COD whichever is lower.
- The construction period must be standardized as per the Appendix-2 of Terms & Conditions of Tariff for 2009-14. As technology along with automation advances year after year, the construction period may be considered to be suitably reduced.

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Chapter-4:
COMPUTATION OF CAPITAL COST AND CAIPTAL STRUCTURE

9.1 commissioning of the project when a generating station / transmission system is ready but cannot be operated due to non-availability of load or evacuation system or the vice versa, it may be ensured that the defaulting entity be made liable to compensate the additional cost instead of passing the burden to the beneficiary.

- Adequate fuel supply linkage should be ensured by the generator before the financial closure.
- Pre-requisite for completion of data telemetry and communication facilities for declaring COD of transmission system and that of generators as per IEGC may be followed.
- The results achieved on account of capital expenditure incurred by the Generator for implementation of PAT scheme, may be shared in the ratio of 75:25 between the beneficiary and the generator.

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Chapter-4:
COMPUTATION OF CAPITAL COST AND CAIPTAL STRUCTURE

11.Interest during Construction (IDC), Incidental Expenditure during construction (IEDC):

11.(A) (2) & 11. (B) (2) : Additional costs on account of IDC and/ or IEDC due to delays in achieving the date of commercial operation on SCOD may not be allowed only except force majeure conditions.

15. **Renovation & Modernization:**

- A standard Renovation & Modernization Policy may be considered to be developed.
- The useful life of a thermal plant may be considered to be extended upto 20 years from the date of completion of R&M work unlike TTPS which was done retrospectively from 2001 to 2021 when R&M activities were still under progress.
- If special allowance is allowed to a generator, then extension of plant life should also be made mandatory, accordingly.
- The R&M proposal should be an economical and viable proposition. While allowing capitalization through R&M, the cost of old assets needs to be reduced from the gross block.

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Chapter-4:
COMPUTATION OF CAPITAL COST AND CAIPTAL STRUCTURE

- R & M activities shall be considered after proper scrutiny of cost benefit analysis by taking into consideration the improvement in the operational parameters including the reduction in Gross Station Heat Rate of the plant and with due consent of the beneficiary.
- R & M should be allowed only if the assets have outlived their useful life or else the required capital expenditures, if any, should be covered under regular O & M expenses.
- The accumulated depreciation should be deducted to arrive at the Net Capital Base for the purpose of tariff determination during the extended period of useful life of the asset.

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Chapter-4:
COMPUTATION OF CAPITAL COST AND CAIPTAL STRUCTURE

16.Special Allowance for Coal based/Lignite fired Thermal Generating Stations:

- Special Allowance for Coal based/Lignite fired Thermal Generating Stations may not be allowed except actual R&M expenses.

9. Debt Equity Ratio:

- The Debt Equity Ratio may be revised to 80:20 for the reason that the beneficiaries will be required to pay a comparative lesser ROE. Equity beyond 20% may be allowed to earn interest as in case of normative loan and if subscribed equity is less than 20%, return on equity may be allowed on the actual equity. For existing projects, the debt: equity ratio may be considered to be 70:30.

Chapter-6:
COMPUTATION OF ANNUAL FIXED COST

26. (7)The benefit of re-financing (swapping) of loans, after adjusting the cost associated with such re-financing, may be shared equally between the generating/Transmission Company, as the case may be, with the beneficiary(ies) instead of the proposed ratio of 2:1.

27.Depreciation:

- Benefits of reduced tariff after the assets have been fully depreciated should remain available to the consumers.
- As per the existing depreciation schedule, the rate of depreciation should be linked with the life of the assets and the useful life of the assets should be increased at least by another 5years, as these assets have been giving service for more than useful life specified in the existing schedule of depreciation.
- The loan repayment period may also be extended to 15 years /18 years or even more as long tenure loans are now available in the domestic as well as international financial markets.

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Chapter-6:
COMPUTATION OF ANNUAL FIXED COST

28. Interest on Working Capital:

28. (a) (i) and (ii):The Statements under 28(a) (i) & (ii) are contradictory in so far as the Pit Head Coal/ Lignite & Lime Stone Stations are concerned

28. (a) (iii): Instead of allowing the cost of two months' secondary fuel oil stock towards interest on working capital, the average actual stock of secondary fuel oil of the existing Stations may be prudently checked and accordingly, the lower of the above two, may be fixed as the norm.

28. (3) Bank Rate: The Bank Rate may be considered as plus 150 basis points above SBI Base Rate.

- 29. O & M Expenses:
- 29. (1) (b):In case of TTPS, there should not be any relaxed separate norms considering the huge R&M expenses incurred on this plant towards its modernization. Further TTPS unit capacity is same as Tanda TPS and were taken over by NTPC at the same time. So the O&M of TTPS should not be more than TANDA TPS.

Chapter-7:
COMPUTATION OF CAPCITY CHARGES & ENERGY CHARGES

30. (4) Incentive:

Incentive may be paid at a flat rate of 25 P/KwH instead of proposed 50/KwH in line with the CERC Tariff Regulation for the period 2004-09.

30(9) Blending of fuel:

- Blending of fuel (coal) in shortage scenario, may be allowed subject to prior consent of the beneficiaries. Blending may be restricted between 10% to 15% considering the generator capacity mentioned by the manufacturer.
- The cost of blending of fuel may be loaded to the beneficiaries who are willing to bear the additional cost on account of blending with exclusion to the non-willing beneficiaries who do not want to draw the power generated out of the blended fuel without any reference to the Power Purchase Agreements.

NORMS OF OPERATION

36. (A)NAPAF (Normative Annual Plant Availability Factor):

For Coal based Plants, NAPAF may be fixed at 90% as most of the Thermal Plants are now operating at above 90%.

36. (B)NAPLF (Normative Annual Plant Load Factor):

For Coal based Plants, NAPLF may be fixed at 90% as most of the Thermal Plants are now operating at above 90%.

36. (C) Gross Station Heat Rate:

In case of TTPS, there should not be any relaxed separate norms considering the huge R&M expenses incurred on this plant towards its modernization.

36. (E)Auxiliary Energy Consumption:

In case of TTPS, there should not be any relaxed separate norms considering the huge R&M expenses incurred on this plant towards its modernization. Therefore, the Auxiliary Consumption in case of TTPS should accordingly be fixed at a lower % than proposed 10.50%.

Chapter-9: SCHEDULING, ACCOUNTING AND BILLING

44.Rebate:

44(1) To avail 2% rebate, GRIDCO suggests as follows:

" For payment of bills through LC or through any other mode having standby LC within 2 days, 2% rebate shall be allowed".

44 (2) Where payments are made through LC or other than through LC on 30th day, rebate of 1% shall be allowed.

New clause suggests:

44.(3) For payment made through LC or through any other mode within 30 days of presentation, proportionate rebate shall be allowed.

45 Late payment Surcharge:

GRIDCO proposes to keep 1.25% pm in place of 1.5% pm as was prevalent during last controlling period.

THANK YOU