

JINDAL INDIA THERMAL POWER LIMITED

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April 30th, 2020

To,
The Secretary,
Central Electricity Regulatory Commission
3rd & 4th Floor, Chanderlok Building
36, Janpath
New Delhi-110 001

Sub: Draft Central Electricity Regulatory Commission (Terms & Conditions of Tariff) (First Amendment) Regulations, 2020

Dear Sir,

This is in reference to the public notice no. L-1/236/2018/CERC dated 01.04.2020 issued by the Hon'ble Commission inviting comments/suggestions/objections from the stakeholders and interested persons on the provisions of the said Draft Regulations.

In this regard, we are e-submitting our Comments on the Draft CERC (Terms & Conditions of Tariff) (First Amendment) Regulations, 2020 and the soft copy of the same is attached herewith at Annex-I. Owing to the lockdown situation in the country, we request this Hon'ble Commission to accept the hard copies of the same which we will dispatch post lockdown.

We humbly crave leave of this Hon'ble Commission to allow us to make any further submission or a detailed analysis on the subject matter post the lockdown period and/or during the public hearing process.

Thank you.

For Jindal India Thermal Power Limited

A handwritten signature in blue ink is written over a circular purple stamp. The stamp contains the text "JINDAL INDIA THERMAL POWER LTD." around the perimeter and "NEW DELHI" in the center, with a small star at the bottom.

(Authorised Signatory)

Encl: as above

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Annexure-I

Existing Regulation	Proposed Amendment	Comments/Suggestions
<p>Regulation 9 of the Principal Regulations – Application for determination of tariff</p>	<p><i>A new proviso, namely, Fourth Proviso shall be added to Clause (1) of Regulation 9 of the Principal Regulations as under:</i> <i>"Provided also that the generating company shall file an application for determination of supplementary tariff for the emission control system installed in the coal or lignite based thermal generating station in accordance with these regulations not later than 60 days from the date of operation of such emission control system."</i></p>	<p>a) In order to allow the generators to recover the fixed and variable costs associated with installation of FGD, immediately after commissioning, filling of application for determination of supplementary tariff may be allowed before 90 days from Scheduled Commissioning Date as per the project schedule of the entrusted Contractor for the job. Hon'ble CERC may kindly dispose of such petition and fix a provisional tariff within the next 2 months. Such a provision will help generating company to recover cost incurred immediately on commissioning of the system.</p> <p>b) In case there is difficulty in approving the final Tariff, Hon'ble Commission may allow a provisional supplementary tariff of 95 % of the reasonable costs after prudence check.</p>
<p>Regulation 18 of the Principal Regulations - Debt-Equity Ratio</p>	<p><i>A new clause, namely Clause (6) shall be added after Clause (5) of Regulation 18 of the Principal Regulations as under:</i></p>	<p>Taking into consideration the prevailing volatile financial market in India including</p>

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	<p><i>"(6) Any expenditure incurred for the emission control system during the tariff period as may be admitted by the Commission as additional capital expenditure for determination of supplementary tariff, shall be serviced in the manner specified in clause (1) of this Regulation."</i></p>	<p>stress in the banking sector, developers / IPPs are finding it difficult to raise finance from the banks.</p> <p>Therefore, in case a developer is forced to put additional equity above normative level for installation of emission control system, the additional equity should not be considered as normative loan (as per Regulation 18 (1) of the Tariff Regulations and RoE on the actual may be provided to the developer.</p>
<p>Regulation 30 of the Principal Regulation - Return on Equity</p>	<p><i>In the first proviso under Clause (2) of Regulation 30 of the Principal Regulations, the words "excluding additional capitalization due to Change in Law," shall be deleted and at the end of the said proviso, the words and expressions "or in the absence of actual loan portfolio of the generating station or the transmission system, the weighted average rate of interest of the generating company or the transmission licensee, as the case may be, as a whole, shall be considered;" shall be added. A new clause, namely, Clause (3) shall be added after Clause (2) of Regulation 30 of the Principal Regulations, as under:</i></p> <p><i>"(3) The return on equity in respect of additional capitalization due to emission control system shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or in the absence of actual loan portfolio of the generating station, the weighted average rate of interest of the generating company as a whole shall be considered;"</i></p>	<p>(a) In the extant regulations, to discourage continuous capital expenditure outside the original scope of work, after the cut-off date, return on equity has been specified at weighted average interest rate. However, it has been clearly spelt out in regulation 30 (2) of the extant Tariff Regulations that such reduced return will not be applicable for additional capitalization arising due to change in law. The present amendment to the Tariff Regulation proposes to treat the return on equity on additional expenditure due to change in law events at par with other additional expenditure incurred. In the statement of reasons the Hon'ble Commission has only</p>

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		<p>stated that it felt such a treatment as reasonable, without offering any explanation for such reasonableness.</p> <p>It is therefore requested to align the provisions of the extant regulations, where return on equity on additional expenditure arising out of change in law events is treated at par with the equity of the original scope of work (i.e. RoE of 15.5% or 16.5%, as the case may be). The distinction of capital expenditure which is forced on the generator due to change in law must be retained.</p> <p>It would be unfair that while new projects being approved shall get the higher rate of return 15.5% (including the equity required to meet the expenses for environmental systems), the existing projects – undergoing retrofitting of FGD/SCR/SNCR shall be fetching lower returns.</p> <p>(b) Requesting Hon’ble Commission to recognize that the risks of equity investment in the emission control equipment are far higher for the existing generating plants owing to</p>
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		<p>the fact that the original OEM of BTG package generally does not takes any responsibility for deterioration of plant performance and the entire risk of system integration is completely on the original developer. We suggest the Hon'ble Commission may kindly consider that existing plants shall be allowed an additional 1% return on equity investments for environmental systems.</p>
<p>Regulation 33 of the Principal Regulations – Depreciation</p>	<p><i>A new clause, namely, Clause (9) shall be added after Clause (8) of Regulation 33 of the Principal Regulations as under:</i> <i>"(9) The depreciation of the emission control system shall be computed from its date of operation for the balance useful life or extended life of the generating station, as the case may be."</i></p>	<p>a) Based on the reading of the proposed amendment and the statement of reasons, we understand that the amended provision ensures that recoverable depreciation (i.e. 90% of capital cost) with respect to emission control system is fully recovered in the balance useful life or balance extended life of the generating station.</p> <p>b) This provision may kindly be retained without any further modification to ensure full recovery of depreciation.</p>

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<p>Regulation 35 of the Principal Regulations- Operation and Maintenance Expenses</p>	<p><i>Sub-Clause (7) of Clause (1) of Regulation 35 of the Principal Regulations along with its proviso shall be substituted as under:</i></p> <p><i>"(7) The operation and maintenance expenses on account of emission control system in coal or lignite based thermal generating station shall be 2% of the admitted capital expenditure (excluding IDC & IEDC) as on the date of its operation, which shall be escalated annually at the rate of 3.5% during the tariff period ending on 31st March 2024: Provided that income generated from sale of gypsum or other by-products shall be reduced from the operation & maintenance expenses."</i></p>	<p>a) We request the Hon'ble Commission to consider the disposal cost of byproduct of emission control system if required, in the operation and maintenance expenses.</p> <p>Rationale:</p> <ol style="list-style-type: none"> 1. Marketability of Gypsum as a by-product. 2. Change the supply chain of gypsum due to sudden high availability of gypsum owing to installations of FGD. 3. Disposal of by-product will be required through filling of abandoned mines or such other method as maybe approved by CPCB. Disposal of by-product will require additional transportation costs, which may be allowed to be recovered through operation and maintenance expenses.
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		<p>b) O&M expenses on account of operation and maintenance of emission control system may be clarified for super critical and sub critical categories.</p> <p>c) O&M expenses of emission control system on a stand-alone basis, may require additional cost involvement over the power plant due to following:</p> <ul style="list-style-type: none">• Degradation of equipment as the whole system operates in corrosive environment. This may pose major challenges for the generators to ensure availability of emission control system.• Higher maintenance cost as a sizeable number of equipment installed for the emission control system is likely to be imported and imported spares are sensitive to forex fluctuations.• Implementation of emission control system at existing plants setup may require additional infrastructural support to facilitate smooth operation (for
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		<p>example installation of a dedicated road and gate for trucks carrying gypsum - similar to separate dedicated gates with security personnel that have to be maintained in power plants for ash movement.).</p> <ul style="list-style-type: none"> • Increased Insurance cost in the capital cost. <p>d) The Hon'ble Commission may allow the generating companies to offset any actual additional O&M expenses over the normative from the income on account of sale of gypsum and other by-products before passing on the benefits to the consumers.</p>
<p>Regulation 42 of the Principal Regulations- Computation and Payment of Capacity Charge for Thermal Generating stations</p>	<p><i>Clause (5) of Regulation 42 of the Principal Regulations along with the proviso of the said clause shall be substituted as under:</i> <i>"(5) The Plant Availability Factor for a Month („PAFM“) shall be computed in accordance with the following formula:</i></p> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;"> $PAFM = 10000 \times \sum_{i=1}^N \frac{DC_i}{[N \times IC_x (100 - AUX_n - AUX_{en})]} \%$ </div> <p><i>Where,</i> <i>AUXn = Normative auxiliary energy consumption in percentage;</i></p>	<ol style="list-style-type: none"> 1. Existing Generators retrofitting emission control system may lose Capacity Charges during the year when interconnection of emission control system is done with the flue gas system of the plant as a prolonged shutdown is required. 2. Further, the availability of the unit may suffer during stabilization period

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	<p><i>AUXen = Normative auxiliary energy consumption for pollution control system as a percentage of gross energy generation, wherever applicable;</i> <i>DCi = Average declared capacity (in ex-bus MW), for the ith day of the period i.e. the month or the year as the case may be, as certified by the concerned load dispatch centre after the day is over;</i> <i>IC = Installed Capacity or (MW) of the generating station;</i> <i>N = Number of days during the period;</i></p>	<p>of 6 months post commissioning of FGD. Hence, while calculating plant Annual PAF for a particular year and during stabilization period, availability loss due to shut down for interconnection of emission control system/ FGD related forced outages post commissioning may be allowed to be excluded from calculation of actual availability for recovery of fixed costs.</p>
<p>FORM- 16A</p> <p>Details of Reagent for Computation of Supplementary Energy Charge Rate</p>		<ol style="list-style-type: none"> 1. Transit and handling loss of limestone may be allowed as transportation of limestone will entail transit losses similar to that of coal. 2. Handling cost and applicable statutory charges, if any for limestone may be allowed.
Additional Submissions		
<ol style="list-style-type: none"> 1. It is important to mention that many generating companies across the country are having un-tied capacities owing to lack of long-term PPAs. In this context, it is requested to the Hon'ble Commission to kindly provide necessary advice with respect to some of the existing contracts which have already been entered by the generating companies and the present Regulations pertaining to the installation of the FGD/etc. 2. Due to the fact that at the time of entering into contracts by the generating companies there was no regulation related to the computation of tariff with respect to the installation of FGD/etc. Thus, we request the Hon'ble Commission to kindly provide necessary advice regarding the treatment of such arrangements. 		