Bangalore Electricity Supply Company Limited

(Wholly Owned Government of Karnataka Undertaking)
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No. BESCOM/GM[PP]/DGM(F&C)/PP/BC-39/2023-24/ 29958 *Date :* 20 FEB 2024

The Secretary,
Central Electricity Regulatory Commission,
3rd & 4th Floor, Chandeslok Building, No. 36,
Janpath, New Delhi - 110001.

Sir,

Sub:- *Views / Comments on the "Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulation 2024" - Reg.*

Ref:- *CERC Notification No. L1/236/2022/CERC dated 04.01.2024.*

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Referring to the above, Views / Comments of BESCOM on the "Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (Fourth Amendment) Regulations 2024" is herewith enclosed for needful.

Yours Faithfully,

General Manager [Elec],
Power Purchase, BESCOM.

Annexure (a)

BESCOM Comments on Draft CERC (Terms and Conditions of Tariff) Regulations, 2024 for the tariff period from 1.4.2024 to 31.3.2029.

Sl. No	Proposed Tariff Regulation 2024		BESCOM Comments
1	**Definition (5)**	'Annual Target Quantity' or 'ATQ' in respect of an integrated mine(s) means the quantity of coal or lignite to be extracted during a year from such integrated mine(s) corresponding to 85% of the quantity specified in the Mining Plan;	Definition shall be retained as in Existing Tariff Regulation, 2019
2	7	Auxiliary Energy Consumption' or 'AUX' in relation to a period in case of a generating station means the quantum of energy consumed by auxiliary equipment of the generating station, such as the equipment being used for the purpose of operating plant and machinery including switchyard of the generating station and the transformer losses within the generating station, expressed as a percentage of the sum of gross energy generated at the generator terminals of all the units of the generating station; Provided that auxiliary energy consumption shall not include energy consumed for the supply of power to the housing colony and other facilities at the generating station and the power consumed for construction works at the generating station and integrated mine(s); Provided further that auxiliary energy consumption for compliance with revised emission standards, sewage treatment plant and external coal handling plant (jetty and associated infrastructure) shall be considered separately.	There is no system using the power from the generating station on the consumption of the external coal handling system using the power from the generating station or power drawal from the distribution licensee.
3	14	'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);**	The cut off date allowed for the integrated mines shall be align with the thermal generating stations. There could be chances of mismatch in the activities carried out by the mines

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4	19	'Date of Operation' or 'ODe' in respect of an emission control system means the date of putting the emission control system into use after meeting all applicable technical and environmental standards, certified through the Management Certificate duly signed by an authorised person, not below the level of Director of the generating company;	The certificate from the Pollution Control Board is important, hence it is proposed to incorporate certificate from Pollution Control Board.
5	48	'Landed Fuel Cost' means the total cost of coal (including biomass in case of co firing), lignite or the gas/naphtha/liquid fuel delivered at the unloading point of the generating station and shall include the base price or input price, washery charges wherever applicable, transportation cost (overseas or inland or both) and handling cost, charges for third party sampling and applicable statutory charges;	**Proposed** 'Landed Fuel Cost' means the total cost of coal (including biomass in case of co firing), lignite or the gas/naphtha/liquid fuel delivered at the unloading point of the generating station and shall include the base price or input price, washery charges wherever applicable, transportation cost (overseas or inland or both) and handling cost, charges for third party sampling, statutory charges and cost associate with the handling of coal excluding the cost associated **with jetty / port such as licensee fee, annual maintenance charges, dredging charges, lost of capacity charges, bonus, LC establishment charges, dead freight & development cess.**
	59	'Scheduled Generation' or **'Scheduled injection'** for a time block or any period means the schedule of generation or **injection** in MW or MWh ex-bus, **including the schedule for Ancillary Services** given by the concerned Load Despatch Centre; 'Schedule Drawal' for a time block or any period means the schedule of drawal in MW or MWh ex-bus, including the schedule for Ancillary Services given by the concerned Load Despatch Centre;	Schedule for ancillary services should not be included in the 'Scheduled Generation' or **'Scheduled injection'** as "Schedule for ancillary services" is not the operative injection into the Grid. Schedule for ancillary services should not be included in the 'Schedule drawal' **as** "Schedule for ancillary services" is not the operative drawal from the Grid
6	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;	'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 **250 basis points;**
7	2	The date of commercial operation in case of integrated mine(s), shall mean the	The date of commercial operation in case of integrated

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		earliest of: - a) the first date of the year succeeding the year in which 25% of the Peak Rated Capacity as per the Mining Plan is achieved; or b) the first date of the year succeeding the year in which the value of production estimated in accordance with Regulation 7 of these regulations, exceeds total expenditure in that year; or c) the date of two years from the date of commencement of production	mine(s), shall be linked to the commercial operation of the thermal / lignite plant for which mines could have been supplied, it should not be any mismatch in the supply of coal to the generating station
8	10(3)	(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 tariff claimed in case of new generating station or unit thereof or transmission system or element thereof during the first hearing of the application: 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 28 as on 1st April of the financial year in which such excess recovery was made	If the information furnished in the petition is in accordance with these regulations, the Commission may consider granting interim tariff of up to **eighty per cent (80%) of the tariff claimed in case of new generating station or unit thereof or transmission system or element thereof during the first hearing after the notice served to the Respondent** **Rationale:** Normally generating / transmission companies shall file an application for determination of tariff based on their capital expenditure incurred for the work which are not permissible under the Regulation. Hence, Commission may consider 80% of the tariff claimed by the Petitioner.
9	**10(4)**	Provided that the billing for energy charges w.e.f. 1.4.2024 shall be as per the operational norms specified in these regulations	**In case generator billed other than the operational norms specified in the Regulation, such generators is not entitled for revision of part load compensation.** **If any changes subsequent to the order passed by the Commission.**
	19(2)	**Capital Cost** (2)The Capital Cost of a **new project** shall include the following: New insertion: **(p) Expenditure required to enable flexible operation of the generating station at lower loads** (3) The Capital cost of an **existing project** shall include the following:	**(p)** Expenditure required to enable flexible operation of the generating station **at technical minimum loads.**

Sl. No		Proposed Tariff Regulation 2024	BESCOM Comments
		New insertion: **(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 co-firing.**	**(g)** Expenditure required to enable flexible operation of the generating station **at technical minimum loads;**
10	21(5)	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.	Delay shall not be condoned, if the condonaton of delay allowed upto 90% , then generating company or transmission licensee may not take effort to obtain Clearance to setup the project within scheduled COD. Regulation already provides exemption under Force majeure events
11	26(g)	Works required towards biomass handling system to enable biomass co-firing and towards enabling flexible operation of the generating station as may be required.	Part load compensation shall not be allowed as the Additional capital expenditure consider for flexible operation of generating plant. Consumer has to pay the capacity charges as well as the part load compensation for flexible operation
12	26(h)	Works pertaining to Railway Infrastructure and its augmentation for transportation of coal up to the receiving end of the generating station (excluding any transportation cost and any other appurtenant cost paid to railways) that are not covered under Regulation 24, 25 and 27, but shall result in better fuel management and can lead to a reduction in operation costs, or shall have other tangible benefits	The work done for better or reduction in operation cost, O&M expenses allowed at normative has to be reduced and re--determine for such generating companies separately.
13	32(6)	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 portfolio, the weighted average rate of interest of the generating company as a whole shall be considered subject to a ceiling of 14%.	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 portfolio, **1-year MCLR of the State Bank of India as applicable as on April 01, of the relevant financial year may be considered subject to a ceiling of 14%.**

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14	36(2)(c)	In the case of hydro generating stations which have not completed a period of three years as on 1.4.2024, operation and maintenance expenses for 2024-25 shall be worked out by applying an escalation rate of 5.86% on the applicable operation and maintenance expenses as on 31.3.2024. The operation and maintenance expenses for subsequent years of the tariff period shall be worked out by applying an escalation rate of 5.86% per annum	Truing up exercise shall be done after completion of the control period in the absence of complete five year data
15	37(4)	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-yearyear SBI MCLR plus 100 bps shall be allowed from the date of filing of the Petition.	Carrying cost shall be payable by the generating companies to the beneficiaries in case of excess recovery for delay in filing of the petition. Generating companies are not entitled for carrying cost for short recovery for the price of coal/ lignite
16	59	**Transit and Handling Losses:** For coal and lignite, the transit and handling losses shall be as per the following norms: - **Thermal Generating Station** — **Transit and Handling Loss(%)** Pit head — 0.20% Non-pit head - Rail — 0.80%	Transit and handling losses shall be retained as in the Tariff Regulation 2019
	62(5)	In addition to the capacity charge, an incentive shall be 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.	As financial condition of ESCOMs is fragile, incentive payable to generating station or unit thereof should be maintained at **65 Paise/ kWh** only.
17	65(4)	In addition to the AFC entitlement as computed above, the hydro generating station shall be allowed an incentive of up to 4% of the Capacity Charge approved for a given year which shall be billed monthly as per the following. **Incentive = (4% x ß x CCy)/12** Where, ß = Average Monthly Frequency Response Performance for that generating station, as certified by RPCs, which shall be computed by considering primary response as per the methodology prescribed by the NLDC and shall range between 0 to 1. CCy= Capacity Charges for the Year.	In the present Regulation, different types of incentives are proposed. Generators will recover full capacity charges @ their normative plant availability factor prescribed by the commission. In addition, the actual saleable energy is exceeding design energy generator are entitled for 120 ps/unit. In the draft , it is proposed incentive up to 4.00% of AFC paid for monthly frequency response performance for

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			that generating station. In this connection, our submission would be, Generators has to adhere to guidelines/grid code. Hence, allowing additional incentive may not be appropriate. This will add additional burden to the consumer.
18	**65(9)**	In case the energy charge rate (ECR) for a hydro generating station, computed as per clause (5) of this Regulation exceeds one hundred and twenty paise per kWh, and the actual saleable energy in a year exceeds {DE x (100- AUX) x (100 - FEHS) /10000} MWh, the energy charge for the energy in excess of the above shall be billed at one hundred and twenty paise per kWh only.	The AFC paid to the hydro plants much higher than the other projects since completion of the project is almost 10 years duration which will add time overrun and cost overrun to the project. Therefore, the 120 ps/unit. paid for the energy over and above the design energy may not be appropriate. Moreover, the generator is not taking any effort for increase in generation which has in natural course of generation.
19	**66(3)**	(3) The energy charge shall be payable by every beneficiary for the total energy scheduled to be supplied to the beneficiary in excess of the design energy plus 75% of the energy utilized in pumping the water from the lower elevation reservoir to the higher elevation reservoir, at a flat rate equal to the average energy charge rate of 20 paise per kWh, if any, during the calendar month, on ex power plant basis.	The 75% proposed in the draft is on higher side since new technology are used the cycle loss may reduce to 20% and supplied 80% of the energy by the generator to the beneficiary.
20		(d) Lignite fired Generating Stations using Circulatory Fluidized Bed Combustion (CFBC) Technology and Generating stations based on coal rejects: 126 1. First Three years from the date of commercial operation – 68.50% 2. After completion of three years of the date of commercial operation - 75% (e) For following lignite fired thermal generating stations of NLC India Ltd. 1.TPS-II State-I and Stage-II : 80% 2. Barsingsar (CFBC) : 75% 3. TPS-II Expansion (CFBC) : 50% 4. TPS-1 Expansion : 80% 5. New Neyveli TPS : 80%	The PLF allowed for NLC stations is very less . The entire capacity charges would be recovered for the low PLF. The ESCOMs have to tie up for the balance capacity additionally paying the capacity charges and part load compensation. The cost towards in efficiency of the plant may not be passed on to the beneficiaries.

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21	70	For TPS-I (Expansion) and TPS-II Stage-I&II of NLC India Ltd.: TPS-II Stage-I and Stage-II 10.00% TPS-II (Expansion) 12.50%	Commission may retain the auxiliary consumption as in the current Regulation 2019 in respect of TPS-1&II and TPS-II Expn
22	79	**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. Provided that in case a different Rebate mechanism is provided in the PPA, the same shall be governed by the provisions of the PPA.	Commission may allow 5 days of presentation of the bill excluding the date of presentation. Normally, bill are being submitted in the late evening to the beneficiary Hence, it is proposed to exclude the date of presentation.
23	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: i) Station Heat Rate; ii) Secondary Fuel Oil Consumption; and iii) Auxiliary Energy Consumption. (2) The financial gains by the generating company or the transmission licensee, as the case 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.	Sharing of gains shall be in the ratio of 1:2 between the generating station and beneficiary as in the present Regulation 2019, since beneficiaries have paid all the cost involved in generation, hence the existing ratio may be retained.
24	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 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. (2) In case of dispute, any of the parties may make an application in accordance with the Central Electricity Regulatory Commission (Conduct of Business)	Sharing of gains shall be in the ratio of 1:2 between the generating station and beneficiary as in the present Regulation 2019, since beneficiary have paid all the cost involved in generation, hence the existing ratio may be retained. The Regulation is not clear whether savings have to be worked out for entire balance repayment of loan period

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		Regulations, 1999 for settlement of the dispute: Provided that the beneficiaries or the long term customers shall not withhold any payment on account of the interest claimed by the generating company or the transmission licensee during the pendency of any dispute arising out of re-financing of the loan. 83. Sharing of gains referred to in Regulation 48(3)(e) and Regulation 49(1)(l) of Grid Code, unless specifically provided in the rules or the guidelines issued by the Central Government, shall be in the ratio of 1:1.	or restricting the year in which refinancing took place. In order to avoid the litigation, Commission may specify the methodology to be adopted for computation of savings in refinancing of loans.
25	84	**Sharing of Non-Tariff Income:** The non-tariff net income in case of generating station and transmission system from rent of land or buildings, eco-tourism, sale of scrap, and advertisements shall be shared between the generating company or the transmission licensee and the beneficiaries or the long term customers, as the case may be, in the ratio of 1:1.	Commission may add the income on account of sale of ash & sale of coal
26	94(2)	The following fees and charges shall be reimbursed directly by the beneficiaries in proportion to their allocation in the generating stations or by the long term customers in proportion to their share in the inter-State transmission systems determined in accordance with the Central Electricity Regulatory Commission (Sharing of inter-State Transmission Charges and Losses) Regulations, 2020, as amended from time to time.	The GNA quantum of the beneficiaries and allocation of the power from the generating stations are differs. Hence, it is proposed to allocate based on the GNA quantum.

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