**Parbati Koldam Transmission Company Limited’s Comments on Draft Terms and Condition of Tariff Regulation, 2024**

| **Reg** | **Particulars** |
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| 3 (67) | **Reference Rate of Interest****Draft Regulations** 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.**Indigrid Request**Contradictory to the submission made by Hon’ble Commission in EM, it has been observed that the Repo Rate is on an increasing curve which suggest that Ref Rate should either be maintained as it is or increased. Since there is no data in the public domain on reduction of risk in power industry, it would be prudent that Hon’ble commission discloses the detailed study basis which the ref rate has been proposed to be reduced. In view of the above, It is requested to retain the reference rate as SBI MCLR + 350 basis points as per CERC Tariff Regulations, 2019 as any rate below the same will lead to under-recovery to generators/ Transmission Licensees. |
| 9 (5) | **Application for Tariff Determination****Draft Regulations** Carrying cost shall be allowed from date of filing of petition as against date of COD in case of delay in filing of application by generator / transmission licensee.**Indigrid Request** There must be timeline of 180 days from registration of Petition for determination of Tariff Order by the Hon’ble Commission |
| 10 (3) | **Determination of Tariff****Draft Regulations** –New Projects - Interim Tariff **may** be granted up to 90% of the tariff claimed in the first hearing.If final tariff < interim tariff by > 10%, the utility shall refund the excess with simple interest @ 1.2 times rate of ‘SBI MCLR for the year + 100 bps’.**Indigrid Request –**If information submitted as per regulations, 90% of tariff claimed **shall** be granted for new projects.Interest rate for refund of final tariff in excess of 10% of interim tariff should be with simple interest **@ SBI MCLR + 100 bps.**Utility should not be penalized for difference in tariff which has been determined by the commission. Levying **interest at 1.2 times** shall create adverse impact on the operations and debt obligations of the utility. |
| 10 (3) | **Interest Rate for Carrying Cost** **Draft Regulations** –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.**IndiGrid Request** It has been observed that the interest rate for carrying cost proposed is less than the reference rate of interest as proposed in the Draft Regulation. This difference of treatment is not in line the approach as defined under Sec 61(d) of Electricity Act’03. We request to Additionally, provision for voluntary refund of excess tariff identified during truing activity to be introduced. |
| 19 (5) | **Tariff Determination of Projects Acquired through NCLT****Draft Regulations** –**Operational Projects** - Lower of historical GFA of the project or the acquisition value paid,**Under-construction projects** - Lower of the acquisition value or actual audited cost incurred till date of acquisition.**IndiGrid Request –**Tariff of projects acquired through NCLT should continue to be computed based on the historical GFA only, as the bidder for stressed assets considers multiple factors including cost to be incurred for completion of the facilities, standardization of the schemes as per the industry practice, any unforeseen factors to arrive at the acquisition value on account of which the procurer would acquire the asset at a discount to the existing price to make the stressed asset financially viable.Moreover, APTEL has upheld the tariff determination of projects acquired through NCLT at historical cost only vide its judgment dated 27.09.2019 in Appeal No. 183 of 2019 in case of Renascent Power Ventures Pvt. Ltd. vs UPERC, & Ors. Said order has attained finality. |
| 21 (5) | **Delay in achieving COD****Draft Regulations**IDC & IEDC shall be disallowed in entirety or pro-rated based on the period of delay not condoned vis-à-vis the total implementation period, and liquidated damages recovered from the contractor/ supplier shall be retained by the utility in same proportion of delay not condoned vis-à-vis the total implementation period.**IndiGrid Request**Utility should be allowed to retain all the liquidated damages recovered from the contractors/ suppliers as they are already being penalized by way of disallowance of IDC and IEDC.**Draft Regulations** – In case of delay in COD on account of delay in approvals by statutory authority, **maximum** condonation shall be allowed **up to 90% of delay**.**IndiGrid Request**There is no method to assess the rigorous follow up term in general; the utility developing the projects always intends to realise the revenue in the allowed project completion time frame as any delay also impact the IRR envisaged. Condoning delay in getting approval from the statutory authorities up to 90% of delay is unfair to the utilities who have made bonafide efforts to obtain the approvals. Hence, 100% of delay should be condoned after prudence check by the commission. |
| 31 | **Tax on Return on Equity****Draft Regulations**RoE shall be grossed up with effective tax rate of Generating Station or Transmission Licensee.**IndiGrid Request** Effective Tax rate should be the Tax rates, including surcharge and Cess, specified as the under relevant finance Act for the Generating Stations or Transmission Licensee in line with second proviso related to Section 115 BAA (New tax Regime). No actual effective tax rate computation should be required. |
| 32 | **Interest on Loan Capital****Draft Regulations** In case of a new project, if the generating station or the transmission system does not have any actual loan, then the rate of interest for a loan shall be considered as 1-year MCLR of the SBI as on 1st April of the relevant financial year.**IndiGrid Request** In case of a new project, if the generating station or the transmission system does not have any actual loan, then the rate of interest for a loan shall be considered at weighted average rate of interest of the loan portfolio of the generating company or the transmission licensee as a whole or kept equal to Reference Rate of Interest provided in these Regulations whichever is lower. |
| **33 (5), (6) & (12)** | **Depreciation****Draft Regulations** –**Existing Projects** – Annual. SLM based. Considering loan repayment tenure of **12 years**.**New Projects** - Annual. SLM based. Considering loan repayment tenure of **15 years**. Post 15 years equal recovery over balance useful life.**IndiGrid Request** For new projects also the typical loan repayment tenure will be 10-12 years and consequently they will be unable to service the debt at the proposed lower normative depreciation (considered towards normative loan repayment) pushing the project towards financial stress and eventual insolvency. Therefore, Depreciation rate for new projects should be aligned with that of the existing projects to keep the new projects solvent. |
| 19 (2) (b) | **Regulation 36 (3) - Transmission system O&M****Draft Regulations** – Normative O&M Expenses for Sub-station bays and HVDC stations have been reduced.**IndiGrid Request** The O&M expenses of single project Companies or Licensees should be based on the Weighted Avg of all these single project companies put together and same should be considered to derive the normative O&M expenses for these entities. Revising / reducing the normative O&M Expenses for sub-station bays and HVDC stations of single project companies will result in distress to the licensees due to aging of assets. Accordingly, the Normative O&M Expenses for substation bays for FY 2024-25 should at least cover escalation of approx. 6% as has been derived from Table 1 provided in para 15.5.2 (e) over Normative O&M expenses of FY 2023-24. |