

**NLC INDIA LIMITED**

**PRESENTATION ON  
CERC DRAFT REGULATION ON TERMS  
AND  
CONDITIONS OF TARIFF FOR THE TARIFF  
CONTROL PERIOD 2019-24**

**01.02.2019**

## **CAPACITY CHARGE (51) :**

Capacity charge rate is 25% higher for peak hour performance as per the draft regulation.

But monthly capacity charge is subject to a limitation of  $1/12^{\text{th}}$  of the Annual Fixed charges.

- This limiting Provision for CC on monthly basis denies benefit derived from peak period performance
- Limiting provision needs to be based on Quarterly cumulative for NQPAF, NQPLF as carry forward of under recovery of CC from one quarter to subsequent quarter is not allowed.

## **Normative Quarterly Plant Load Factor (NQPLF) (59 B) :**

**NQPLF for all Generating Stations is 85% and for TS I is 75% as per the draft regulation.**

- Fixing of higher norms for PLF on quarterly basis will be very difficult to achieve with planned maintenance shutdown.
- NQPLF also needs to be reckoned excluding Annual scheduled plant maintenance as being stipulated for NQPAF

## **Normative Quarterly Plant Availability Factor (NQPAF) (59 A) :**

**NQPAF is 83% for all stations and 72% for TS I;**

**For CFBC (Lignite):75%(first 3 yrs), 80% (thereafter) as per the draft regulation.**

- The NQPLF for TS II has been proposed to 83% against the present PAF norms of 75% and for TS II Expn it is proposed to 80% against the present Norms of 75 % PAF
- For CFBC units 68.5% (first three years) & 75% (after three years) recommended by CEA may kindly be considered.

## **O & M EXPENSES (35) :**

O&M expenses for 2019-20 is lesser than 2018-19 values and year to year escalation is only 3.2% against 6.3% in previous years as per the draft regulation.

- O & M expenses for Lignite based power stations requires to be enhanced due to persistent under recovery.
- The escalation ratio of 3.2% considering 60:40 ratio of WPI and CPI does not reflect the actual composition of O & M expenses.
- Fixing O & M expenses in correlation to the CPI & WPI alone does not reflect the real escalation, given the fact that there are many key drivers determining the O & M Expenses like specific maintenance requirements of the plant, ageing of the plant, higher salary and wages.
- Yearly escalation of O & M expenses to be retained at 6.3% as was in the previous regulation.
- For BTPS with CFBC boilers, the O&M expenses have been revised to 29.29 Lakhs/MW from the 2018-19 norms of 37.15 Lakhs/MW.
- The O&M expenses for the year 2019-20 ought to have been considered more than the stipulated figure for 2018-19.

## **INTEREST ON LOAN CAPITAL(32) :**

- Provision is required to be made for normative interest rate of normative loan for stand alone projects like NTPL for which no drawal of loan had happened and also last available weighted average rate of interest does not exist.

## **INTEREST ON WORKING CAPITAL (34) :**

For non pit stations, cost of Coal / Lignite towards stock is allowed for only 20 days as per the draft regulation.

- In case of NTPL, additional time period is required for extra transportation and hence Coal stock inventory for 40 days stock may be allowed .
- Spare cost inventory is requested to be enhanced from 20% to 25% as NTPL has additional features like desalination plant.

## **STATION HEAT RATE (59) :**

**Gross Station Heat Rate for TPS-II is 2720 Kcal/Kwh as per draft regulation against the present norm of 2900 Kcal/KW hr**

- CEA recommended Station Heat Rate of 2890 Kcal/Kwh for TPS-II may be allowed

## **AUXILIARY POWER CONSUMPTION (59)**

- For NTPL, 1% additional APC was allowed ( $5.25 + 1.0 = 6.25$ ) as per CERC tariff order dated 11.07.2017 owing to additional load of shore unloader, desalination plant & cross-country conveyor system.
- APC of 6.25% may please be continued for NTPL.

## SPECIAL ALLOWANCES (27) :

- Stipulation of Rs.9.5 lakhs per MW without escalation for the ensuing entire tariff period may kindly be reviewed .
- The escalation rate may please be retained at 6.3% as in the previous period 2014-19 considering the year on year escalation in CPI & WPI.

## COMPENSATION ALLOWANCES :

- This allowance has been dispensed in the draft regulation. As items like plant batteries require replacement once in 8 years and many minor items like DCS monitors, DCS software, instruments, T&P etc., need recurrent replacement, this allowance may kindly be retained.

## ADDITIONAL CAPITALISATION DUE TO REVISION OF EMISSION STANDARDS(29) :

- The draft regulation stipulates approval before implementation of FGD
- As FGD is a statutory requirement with CEA specification, approval before implementation may be considered for dispensation.
- Generator may be permitted to approach the commission for supplementary tariff alone.

## DECLARATION OF AVAILABILITY & MERIT ORDER DISPATCH (53)

The draft regulation proposes Declaration of Day Ahead Availability for each fuel source in terms of price and calorific value and beneficiaries shall have option to schedule based On Merit Order Dispatch

- For NTPL , as Coal is sourced from different mines viz., MCL,ECL & imported Coal, arriving at Day ahead ECR figures within time will be difficult.
- The present practice of Merit Order Dispatch based on previous month ECR submitted for RRAS may please be retained.

### LATE PAYMENT SURCHARGE (69 ) :

The draft regulation proposes 1.25 % as Late Payment Surcharge rate.

- This may be retained at 1.50% p.m as in the previous regulation to act as a deterrent for delayed payment.

### **REBATE ( 68 ) :**

At present, 2% rebate is being offered for payments within 2 days based on the condition of 60 days receivables permitted in IWC.

- Now, since that receivables had been reduced to 45 days, rebate may please be reduced to 1.5% for payments made during the first 2 days.
- It is to be noted that late payment surcharge rate has also been reduced based on 45 days stipulated for payment.

## **IDC & IEDC 20 (3)**

- IDC and IEDC to the extent provided in the investment approval/sanction need to be considered in full, when the project gets delayed due to genuine reasons, instead of drawing a cut off line on SCOD.

## **TREATMENT OF MISMATCH IN THE DATE OF COMMERCIAL OPERATION OF TRANSMISSION ASSETS**

- The compensation of transmission charges specified to be provided to Generator for delay in commissioning of transmission assets is not commensurate with the actual loss likely to be incurred by the Generator.
- Transmission licensee may be made liable to pay fixed charges of the Generating unit till the commissioning of the Transmission assets.

## SHARING OF NON TARIFF INCOME (72) :

The draft regulation proposes sharing of other income with the beneficiaries.

- As the Additional Expenditure towards Common assets was not allowed by Commission in determination of Tariff for the previous tariff periods, NLCIL may please be exempted from sharing of Non-tariff income.

## SCRAP:

- Since, only 90 % of the capital cost is considered by the Commission for depreciation, sharing of the income from sale of scrap (10% of capital cost) may please be dispensed with.



*Thank you*