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Maharashtra State Power Generation Co. Ltd.

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Ref No: RCD19/1A/LT00078 No 01069

Date: 28/01/2019
28 JAN 2019

To,
The Secretary
Central Electricity Regulatory Commission,
3rd &4th Floor, Chanderlok building, 36 Janpath,
New Delhi 110001.

Sub: Comments/suggestions/objections on Draft CERC (Terms & Conditions of Tariff) Regulations 2019

Ref: 1) CERC Draft Tariff Regulations 2019-24
2) CERC Public Notice dated 27.12.2018 & 07.01.2019

Respected Sir,

Hon'ble Commission has invited comments and suggestions on the approach paper regarding Terms & Conditions of Tariff Regulations for the Control Period 01-04-2019 to 31-03-2024 vide Public notice under reference above.

MSPGCL is submitting herewith the comments / suggestions/ objections regarding the subject matter as attached Annexure -1 .

It is requested to accept MSPGCL's comments

It is also requested to allow MSPGCL to submit additional comments, if any, in the matter at latter stage i.e. up to or during the Public hearing scheduled on 01.02.2019.

Submitted please.

Thanking you.

Yours faithfully,

28/01/19
Chief Engineer
Regulatory & Commercial Dept.

Encl.: Annexure-1.

Annexure- A

Comments / suggestions/objections from MSPGCL on Draft CERC (terms and conditions of tariff) Regulations, 2019			
Sr. No.	Draft regulation No.	Provision details / Clarification in Explanatory Memorandum	Comments / suggestions / objections
1	**Regulation 51. Computation and Payment of Capacity Charge for Thermal Generating Stations**	(1) The fixed cost of a thermal generating station shall be computed on annual basis, based on norms specified under these regulations, and recovered on monthly basis under capacity charge. The total capacity charge payable for a generating station shall be shared by its beneficiaries as per their respective percentage share or allocation in the capacity of the generating station. Capacity Charge for the month shall be recovered in two parts viz., Capacity Charge for Peak period of the month and Capacity Charge for Off-Peak period of the month. (2) The Capacity Charge rate for Peak hours shall be 25% more than that of Off-Peak hours. (3) Normative Plant Availability Factor for “Peak” and “Off-Peak” periods shall be equivalent to the NQPAF specified in Regulation 59 (A) of these regulations. The number of hours of “Peak” and “Off-Peak” periods in a region shall be declared on monthly basis in advance, by the concerned RLDC and the Peak period in a day shall not	1. There is major change suggested for recovery of fixed charges. Instead of full fixed charge recovery on actually achieving cumulative availability factor above normative level, there will be quarterly cumulative actual availability considered for recovery of fixed charges on quarterly basis. 2. It is also proposed to link the fixed cost recovery to “peak hour availability” and “off peak hour availability” on daily basis. **3. Thus in effect the generators have to ensure availability of the units when there is demand and also maintain availability at normative level in each quarter.** 4. The draft provides for separate multiplying factors for fixed cost recovery in “peak hour” & “off peak hour” with more weightage to “peak hour” availability. Hourly capacity charge for peak period will be 1.25 times that of off peak hour capacity.

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		be less than 4 hours. (4) The generating company shall be allowed to recover the monthly Peak period Capacity Charge upon achievement of PAF equivalent to the NQPAF for cumulative Peak period during the month, and the monthly Off-Peak Period Capacity Charge upon achievement of PAF equivalent to the NQPAF for cumulative Off-Peak period during the month. (5) Achievement of PAF less than the specified NQPAF in "Peak" or "Off-Peak" periods shall result in pro-rata reduction in recovery of Capacity Charge for the appropriate period. Provided that if the cumulative peak period PAF achieved during a quarter is more than the specified NQPAF for peak period and the cumulative Off-Peak period PAF achieved during the quarter is less than the specified NQPAF for Off-Peak period, the loss in recovery of	5. **This is a welcome measure as the provision incentivizes the generators for higher availability during peak hours.** So this will help to address the grievance by the distribution companies that generators do not supply adequate power during peak demand period and at the same time the generators get a liberty to manage their key resources (especially coal) such that they can ensure full recovery by keeping lower availability during "off-peak hours", if they are providing maximum availability during peak hours. So there can be some coal conservation also without sacrificing the fixed cost recovery. 6. The draft regulation provides for PLF incentive at 65 paise / unit for "peak hour" & at 50 paise / unit for "off peak hour" for generation in excess of normative PLF of 85 %. **MSPGCL is of the opinion that since**

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		Capacity Charge for Off-Peak period shall be off-set against the notional gain on account of over-achievement in Peak period, subject to the ceiling of full recovery of Capacity Charge for Off-Peak period; Provided further that if the cumulative peak period PAF achieved during the quarter is less than the specified NQPAF for peak period and the cumulative Off-Peak period PAF achieved during the quarter is more than the specified NQPAF for Off-Peak period, the loss in recovery of Capacity Charge for Peak period shall not be off-set against the notional gain on account of over-achievement in Off-Peak period; Provided also that carry forward of under-recovery of Capacity Charge shall not be allowed for recovery from one quarter to the subsequent quarter. ……. (7) In addition to the capacity charge, an incentive shall be	**the peak hour generation is the major concern, the incentive for higher PLF during peak hour may be enhanced to say paise and incentive for higher PLF during "off-peak hour" may be reduced to even 40 paise/unit.**

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		payable to a generating station or unit thereof @ 65 paise / kWh for ex-bus scheduled energy during Peak period and @ 50 paise / kWh for ex-bus scheduled energy during Off-Peak period corresponding to scheduled generation in excess of ex-bus energy corresponding to Normative Quarterly Plant Load Factor (NQPLF) as specified in Regulation 59 (B) of these regulations.	
2	**Regulation 59 : Norms of operation for thermal generating station : Plant Availability Factor**	"(A) Normative Quarterly Plant Availability Factor (NQPAF) (a) For all thermal generating stations, except those covered under clauses (b), (c), (d), & (e) - 83% Provided that for the purpose of computation of Normative Quarterly Plant Availability Factor, annual scheduled plant maintenance shall not be considered."	1. **Regarding the adjustment for annual scheduled plant maintenance, it is only mentioned that annual scheduled plant maintenance shall not be considered for the purpose of Normative Quarterly Plant Availability Factor (NQPAF). However, there is need for clarity regarding the modalities to be followed by the generators for such adjustment. As per MSPGCL, all the planned outages for annual maintenance / capital overhaul or any such maintenance outage carried under statutory**

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			requirement should be considered for such exclusion. There is need for clarifications on issues like whether the generator has to get prior approval for such annual plant maintenance activity from RLDC, will there be any cap on outage period, what will be the recovery in case of extension of such approved outage due to any unforeseen reason etc. 2. As per MSPGCL's understanding, exclusion of such maintenance period for the purpose of NQPAF means that NQPAF will be applicable only for the remaining period e.g. if a thermal unit is under annual maintenance outage during 15th July to 14th August, then the NQPAF for the July to Sept quarter will be applicable for the period 1st July-14th July + 15th Aug-30th Sept. Clarification in this regard will be helpful. 3.Also, the normative NQPAF proposed in the draft

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			regulation 59. (b) is 83%. However, in its recommendations CEA has mentioned following regarding normative annual plant availability factor "*a) All coal / lignite based thermal generating stations, except those covered under clause ii), iii) & iv) below :* *Pithead stations : 83%* *Non-ptit head stations : 75% (to be reviewed after 2 years)* *First FY after COD : 68.5%* ..." 3. Under Electricity Act, 2003 Section 73 one of the functions and duties of CEA it is to advise the Appropriate Government and the Appropriate Commission on all technical matters relating to generation, transmission and distribution of electricity. 4. However, in the present case, in spite of specific recommendations/ advice from CEA on this technical

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			matter , Hon'ble CERC has only partly accepted the recommendation without giving any specific reason for not accepting the recommendation for non-pit head. **5. Considering the prevailing domestic coal supply situation, where MoP itself expects that the coal shortages will prevail for next few years, especially for non-pit head stations, Hon'ble CERC needs to provide 75 % as NQPAF for non-pit head stations.**
3	**Regulation 34. Interest on Working Capital:**	" (1) The working capital shall cover: (a)Coal-based / lignite-fired thermal generating stations (i)Cost of coal or lignite and limestone towards stock, if applicable, for 15 days for pit-head generating stations and 20 days for non-pit-head generating stations for generation corresponding to the normative annual plant availability factor or the maximum coal / lignite stock storage capacity whichever is lower;	1. In the present Regulations, the cost of coal stock for non-pity head stations is considered at 30 days coal stock. This has been reduced to 20 days coal stock. Considering present coal supply scenario, the coal stocks are rarely at 30 days' level. So as such actual IoWC is on lower side. The change in provision might result in lower gain on IoWC at the time of truing up. 2. **By considering 30 days advance payment towards**

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		(ii)Advance payment for 30 days towards Cost of coal or lignite and limestone for generation corresponding to the normative annual plant availability factor; (iii)Cost of secondary fuel oil for two months for generation corresponding to the normative annual plant availability factor, and in case of use of more than one secondary fuel oil, cost of fuel oil stock for the main secondary fuel oil; (iv)Maintenance spares @ 20% of operation and maintenance expenses specified in Regulation 35 of these regulations; (v)Receivables equivalent to 45 days of capacity charges and energy charges for sale of electricity calculated on the normative annual plant availability factor; and (vi)Operation and maintenance expenses for one month."	**cost of coal, the Hon'ble CERC has addressed the concern raised by MSPGCL that the advances paid for coal related payments are not getting considered for normative working capital requirement computations. This is a welcome measure.**
4	**Regulation 17. Debt-Equity Ratio:**	"(6) In case of generating station or a transmission system including communication system which has completed its useful life as on or after 1.4.2019, the accumulated	After completion of useful life, equity to be reduced as per remaining depreciation, initially from balance of accumulated depreciation after deducting the

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		depreciation as on the completion of the useful life less cumulative repayment of loan shall be utilized for reduction of the equity and depreciation admissible after the completion of useful life and the balance depreciation, if any, shall be first adjusted against the repayment of balance outstanding loan and thereafter shall be utilized for reduction of equity till the generating station continues to generate and supply electricity to the beneficiaries."	cumulative repayment of loans and subsequently from the annual depreciation to be claimed for the remaining life. **So there will be reduction in Return on Equity to that extent. Though this will result in reduced profitability for the old units to certain extent, the consumers will be benefitted due to lowering of Fixed Charges for such units.**

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5	**Regulation 28. Special Provision for thermal generating station which have completed 25 years of operation from commercial operation date:**	"(1) In respect of a thermal generating station that has completed 25 years of operation from the date of commercial operation, the generating company and the beneficiary may agree on an arrangement where the total cost inclusive of the fixed cost and the variable cost for the generating station as determined under these regulations, shall be payable on scheduled generation instead of the pre-existing arrangement of separate payment of fixed cost based on availability and energy charge based on schedule. (2) The beneficiary will have the first right of refusal and upon its refusal to enter into an arrangement as above the generating company shall be free to sell the electricity generated from such station in a manner as it deems fit."	If the beneficiary and the generator mutually decide, the recovery of the total charges for the units which have completed 25 years of operation will depend on scheduled power. i.e. **for full recovery of fixed charges , the unit must essentially getting scheduled at normative availability level.**
6	**Regulation 33. Depreciation:**	"(3) The salvage value of the asset shall be considered as 5% and depreciation shall be allowed up to maximum of 95% of the capital cost of the asset:	**Salvage value i.e. value after completion of useful life is reduced from 10 % to 5%. This will help in recovering up to 95% of the capital cost through**

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		Provided that the salvage value for IT equipment and software shall be considered as NIL and 100% value of the assets shall be considered depreciable."	**tariff.**
7	**Regulation 35. Operation and Maintenance Expenses: Normative O & M expenses**	The following is mentioned in the Explanatory memorandum regarding consideration of impact of wage revision on actual O & M expenses *"f) For NTPC stations, it was generally observed that the employee expenses for FY 2016-17 and FY 2017-18 were on the higher side due to impact of wage revision. During the FY 2016-17, the pay revision impact is provided for 3 months (i.e. January 2017-March 2017), while during FY 2017-18, the same is provided for the entire financial year.* ***This pay revision impact has been separated from employee expense during the respective financial year, which works out to INR 1.60 Lakh/MW for coal based generating stations and INR 1.38 Lakhs/MW for gas based generating stations. The same has been considered while deriving the norms for O&M***	It is a welcome measure that while approving the normative O & M cost for thermal stations, Hon'ble CERC has given separate consideration for the impact of wage revision. However form the given information it is not clear whether the impact of wage revision includes only the differential amounts paid out to the employees on account of such wage revision or also includes the additional provisioning needed as per actuarial valuation for terminal benefits (like gratuity and leave encashment etc.) of the employees. . **If the costs for additional provisioning needed as per actuarial valuation for terminal benefits (like gratuity and leave encashment etc.) of the employees are not**

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		expenses." {Emphasis added}	**included then there is need to include these costs also.** Also as per Ind AS 19 , an entity shall recognise the components of defined benefit cost, particularly re-measurement of the net defined benefit liability (i.e. gain or loss on account of actuarial valuation of gratuity) in other comprehensive income (OCI). Such actuarial gains and losses are part of employee cost shown separately in OCI. However due to such separate presentation, there are chances that these costs are not allowed to the generators. Hence it is requested that merely change in presentation of employee cost should not become reason for disallowance and the same be allowed in full.
8	**Regulation 35. Operation and Maintenance**	"(6) The Water Charges, Security Expenses and Capital Spares for thermal generating stations shall be allowed separately prudence check:	**The security charges which are till now part of regular O & M are now separately considered, similar to Water charges. Considering the**

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	Expenses: Water Charges , Security Expenses and Capital Spares	Provided that water charges shall be allowed based on water consumption depending upon type of plant, type of cooling water system etc., subject to prudence check. The details regarding the same shall be furnished along with the petition: Provided further that the generating station shall submit the assessment of the security requirement and estimated expenses;. Provided also that the generating station shall submit the details of year wise actual capital spares consumed at the time of truing up with appropriate justification for incurring the same and substantiating that the same is not funded through compensatory allowance or special allowance or claimed as a part of additional capitalisation or consumption of stores and spares and renovation and modernization."	**importance of generation plants as national assets, adequate security systems are essential. Thus separate consideration of such expenses is a welcome measure.**
9	**CHAPTER – 9**	Separate chapter regarding computation of capital cost of	1. As the costs of integrated coal mines have to

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	COMPUTATION OF CAPITAL COST OF INTEGRATED MINE AND INPUT PRICE	integrated mine & input price is provided.	reflect in the coal input price, there was a need for regulations specifying the mine cost components and coal cost computation methodology. This issue is now addressed with addition of a separate chapter for this. **2. This will be helpful to all those generators, which have been allotted coal blocks, while approaching the respective Regulators for approval of coal costs.**
10	**Regulation 52 : Computation and Payment of Energy Charge for Thermal Generating Stations:**	(2) Energy charge rate (ECR) in Rupees per kWh on ex-power plant basis shall be determined to three decimal places in accordance with the following formulae: (a) For coal based and lignite fired stations: ECR = {(SHR – SFC x CVSF) x LPPF / (CVPF + SFC x LPSFi + LC x LPL} x 100 / (100 – AUX) (b) For gas and liquid fuel based stations ECR = SHR x LPPF x 100 / {(CVPF) x (100 – AUX)}	1. The stack loss considered at 85 kcal / kg, irrespective of location of plant i.e. pit head or non-pit head.. 2. However regarding the Stack loss, CEA has mentioned following in its recommendations under "loss of energy in storage" *"Further in its inputs to MoP & CERC, CEA has suggested that above mentioned margins would vary from*

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		Where, AUX =Normative auxiliary energy consumption in percentage. CVPF = (a) Weighted Average Gross calorific value of coal as received, in kCal per kg for coal based stations less 85 Kcal / Kg on account of variation during storage at generating station;	*plant to plant, season to season and to varying coal characteristics and accordingly a margin of 85-100 kcal/kg for pit head stations and a margin of 105-120 kcal/kg for non-pit head stations may be allowed to the generators as a loss of GCV measured at Wagon top at unloading point till the point of firing in the boiler."* Thus CEA has recommended separate margin for pit head and non-pit head stations, clearly citing the reasons for such differentiation. 3. Under Electricity Act, 2003 Section 73 one of the functions and duties of CEA it is to advise the Appropriate Government and the Appropriate Commission on all technical matters relating to generation, transmission and distribution of electricity. 4. However, in the present case, in spite of reasoned recommendations from CEA, Hon'ble CERC has only

<table>
<tr><th colspan="4">Comments / suggestions/objections from MSPGCL on Draft CERC (terms and conditions of tariff) Regulations, 2019</th></tr>
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<tr><td></td><td></td><td></td><td>partly accepted the recommendation without giving any specific reason for not accepting the recommendation for non-pit head .
5. Separate margins as per CEA recommendations needs to be incorporated for pit head and non-pit head stations.</td></tr>
<tr><td>11</td><td>Regulation 59: Norms of operation for thermal generating station : Auxiliary Energy Consumption</td><td>(E) Auxiliary Energy Consumption :
(a) For Coal-based generating stations except at (b) below:
<table>
<tr><th>S. No.</th><th>Generating Station</th><th>With Natural Draft cooling tower or without cooling tower</th></tr>
<tr><td>(i)</td><td>200 MW series</td><td>8.50%</td></tr>
<tr><td>(ii)</td><td>300/330/350/500 MW series</td><td></td></tr>
<tr><td></td><td>Steam driven boiler feed pumps</td><td>5.75%</td></tr>
<tr><td></td><td>Electrically driven boiler feed pumps</td><td>8.00%</td></tr>
</table></td><td>In auxiliary consumption norms, additional auxiliary consumption for FGD is not mentioned, whereas in other parameters, separate norms on account of Revised Emission Standards are mentioned e.g. specific consumption for lime/ammonia etc. At least clarification may be given regarding separate consideration for the Auxiliary Energy Consumption for such measures (FGD /SCR) .</td></tr>
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		(iii) *600 MW and above* *Steam driven boiler feed pumps* — *5.75%* *Electrically driven boiler feed pumps* — *8.00%* Provided that for thermal generating stations with induced draft cooling towers and where tube type coal mill is used, the norms shall be further increased by 0.5% and 0.8% respectively: Provided further that Additional Auxiliary Energy Consumption as follows may be allowed for plants with Dry Cooling Systems: ***Type of Dry Cooling System*** — ***(% of gross genera)*** *Direct cooling air cooled condensers with mechanical draft fans* — *1.0%*	

The provision column above contains the following nested tables:

(iii)	*600 MW and above*	
	Steam driven boiler feed pumps	*5.75%*
	Electrically driven boiler feed pumps	*8.00%*

Type of Dry Cooling System	***(% of gross genera)***
Direct cooling air cooled condensers with mechanical draft fans	*1.0%*

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		Indirect cooling system employing jet condensers with pressure recovery turbine and natural draft tower — *0.5%*	
12	**Regulation 72 : Sharing of Non-Tariff Income:**	"The non-tariff income in case of generating station and transmission system on account of following shall be shared in the ratio of 50:50 with the beneficiaries and the long term customer on annual basis: a) Income from rent of land or buildings; b) Income from sale of scrap; c) Income from statutory investments; d) Interest on advances to suppliers or contractors; e) Rental from staff quarters; f) Rental from contractors; g) Income from advertisements; h) Interest on investments and bank balances; Provided that the interest or dividend earned from investments made out of Return on Equity corresponding	**It is a welcome measure as the generators will be allowed to retain 50% of such non-tariff income.**

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		to the regulated business of the Generating Company shall not be included in Non-Tariff Income.”	