एनएलसी इंडिया लिमिटेड
(पूर्व में नेयवेली लिग्नाइट कार्पोरेशन लिमिटेड)
(भारत सरकार का नवरत्न उद्यम)
पंजीकृत कार्यालय: प्रथम तल, नं.8, मेयर सत्यमूर्ति रोड, एफ.एस.डी, भारतीय खाद्य निगम, एग्मोर कॉम्प्लेक्स, चेटपेट, चेन्नई – 600031

NLC India Limited
(Formerly Neyveli Lignite Corporation Ltd)
Navratna – A Government of India's Enterprise
Regd. Office: First Floor, No.8, Mayor Sathyamurthy Road, FSD, Egmore Complex of Food Corporation of India, Chetpet, Chennai – 600031

CREATING WEALTH FOR WELLBEING

सी.आई.एन / CIN : L93090TN1956GOI003507
जीएसटीएन / GSTN : 33AAACN1121C1ZG
वाणिज्यिक विभाग / COMMERCIAL DEPARTMENT

निगमित कार्यालय : ब्लॉक-1, नेयवेली-607801, कडलूर जिला, तमिलनाडु
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Lr.No.NLCIL/ED/Comm./Draft Regulation 19-24/comments/2019 **Date: 25.01.2019**

To

The Secretary,
Central Electricity Regulatory Commission,
3rd & 4th floor, Chanderlok Building,
36, Janpath Marg,
NEW DELHI - 110 001 .

Sir,

Sub: CERC –Draft Regulationson Terms and Conditions of tariff for the control period 2019-24- NLCIL comments -submitted - Reg.

Ref: CERC Draft Regulations on Terms and conditions of Tariff Regulations for the period 01.04.2019-31.03.2024 vide. No. L-1/236/2018/CERC Dt: 14th December 2018.

Pursuant to the notification of Draft regulation on Terms and conditions of Tariff Regulations for the period 01.04.2019-31.03.2024 in CERC website, inviting comments / suggestions of the stakeholders, NLCIL is submitting its comments/suggestion vide this Affidavit enclosed.

The above may please be taken on record.

Thanking you,

Yours faithfully,
for NLC India Limited

Executive Director / Commercial

Encl: As above

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Form–1

BEFORE THE CENTRAL ELECTRICITY REGULATORY COMMISSION

IN THE MATTER OF:

Draft Regulationon Terms and Conditions of tariff for the control period 2019-24

NLC India Limited,
First Floor, No.8, Mayor Sathyamurthy Road, FSD,
Egmore Complex of Food Corporation of India,
Chetpet, Chennai-600 031. ——— **RESPONDENT**

IN THE MATTER OF:

Submission of comments by NLCIL with respect to Draft Regulationon Terms and Conditions of tariff for the control period 2019-24

THE RESPONDENT HUMBLY STATES THAT:

1.0 BACKGROUND:

- In exercise of powers conferred under Electricity Act, 2003, the Hon'ble Central Commission has published draft regulation on Terms and Conditions of tariff for the control period2019-24and invited comments/suggestions from the stakeholders.
- NLCIL vide this affidavit is submitting its comments/suggestions on the said Draft regulations.

2.0 The comments/suggestions of NLCIL on the subject consultation paper are furnished below.

A. Capacity Charge (51) Ceiling wrt CCm, CCpd, CCopd

- Limiting provision in the following algorithm per month wrt **CCm, CCpdi, CCopdi** would **deny the benefits of higher performance during peak hours**. In so far as the Capacity charges are limited to the pro rata entitlement for the number of days of the month, whatever earned through efficiency performance in peak hours with 1.25 multiplication factor would get nullified.

Subject to,

$$CCm \leq \frac{(AFC\ x\ NDM)}{NDY}\ ;\ \text{and}$$

$$\sum_{i=1}^{NDM} CCpdi \leq \frac{(AFC\ x\ NDM)}{(NDY)}\, x\, \frac{(1.25\ x\ NPAFp\ x\ NHDp)}{[(1.25\ x\ NPAFp\ x\ NHDp)+(NPAFop\ x\ NHDop)]}\ ;\ \text{and}$$

$$\sum_{i=1}^{NDM} CCopdi \leq \frac{(AFC\ x\ NDM)}{(NDY)}\, x\, \frac{(NPAFop\ x\ NHDop)}{[(1.25\ x\ NPAFp\ x\ NHDp)+(NPAFop\ x\ NHDop)]}$$

- It is requested that **limiting provision** needs to be based on **Quarterly cumulative** ie CCq, CCpdi, CCopdi for i= 1 to number of days in quarter, in so far as NQPAF, NQPLF, are stipulated and **carry forward of under recovery** of CC **not allowed** from one quarter to subsequent quarter.
- The previous year performance of NLCIL plants are tabulated below.

PAF of TPS I

Sl. No	Financial Year	NPAF (%)	Actual PAF (%)
1	2014-15	72	67.738
2	2015-16	72	58.917
3	2016-17	72	71.386
4	2017-18	72	69.861

PAF of TPS I Expn

Sl. No	Financial Year	NPAF (%)	Actual PAF (%)
1	2014-15	80	92.58
2	2015-16	80	90.31
3	2016-17	80	94.61
4	2017-18	80	95.06

PAF of TPS II Stage I

Sl. No	Financial Year	NPAF (%)	Actual PAF (%)
1	2014-15	80	87.779
2	2015-16	80	85.969
3	2016-17	80	92.124
4	2017-18	80	84.173

PAF of TPS II Stage II

Sl. No	Financial Year	NPAF (%)	Actual PAF (%)
1	2014-15	80	87.165
2	2015-16	80	83.114
3	2016-17	80	90.275
4	2017-18	80	92.509

PAF of BTPS

Sl. No	Financial Year	NPAF (%)	Actual PAF (%)
1	2014-15	75	63.48
2	2015-16	80	58.915
3	2016-17	80	68.789
4	2017-18	80	78.188

PAF of TPS II Expn

Sl. No	Financial Year	NPAF (%)	Actual PAF (%)
1	2015-16	75	19.392
2	2016-17	75	30.925
3	2017-18	75	48.199

B. Incentive (51) & NQPLF (59)(7) Incentive 65 Paise Per Unit During Peak Period And 50 Paise For Non Peak Period

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

C. O & M Expenses (35)

- O & M expenses are **under recovered** in all the plants and required to be **increased based on the increasing trend of the cost of O & M expenses for the tariff control period 2019-24**.
- **The escalation ratio of 3.2%** considering 60:40 ratio of WPI and CPI does not reflect the **actual trajectory of O & M expenses**. The mix ratio ought to give more Weightage for CPI.
- 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

- Hence, it is requested that yearly escalation of O & M expenses **to be retained at 6.3% as was in the previous regulation.**

General Comments For Lignite Based Plants

- O & M expenses for **Lignite based power stations may be enhanced**, at least to the extent of actual incurrence, due to its unique nature of difficulty in operation and Maintenance involving more financial outlay.
- **Higher O & M expenses**may be considered for **CFBC boilers,** due to increased maintenance expenses and **increased down time period** required between shut down and startup as per **design specification**
- O & M expenses in respect of Lignite fired generating stations (125 MW & TPSI) have been **reduced drastically.**
- The O&M expenses for the year 2019-20 ought to have been considered more than the stipulated figure for 2018-19.
- The actual O & M expenses of NLCIL plants are tabulated below:

O&M of TPS I (Rs. In Lakhs/MW

Sl. No	Financial Year	Norms	Actual	Difference = (Norm – Actual)
1	2014-15	38.12	46.4	-8.28
2	2015-16	40.52	44.14	-3.62
3	2016-17	43.07	39.66	3.41
4	2017-18	45.78	50.5	-4.72

O&M of TPS I Expn Rs. In Lakhs/MW

Sl. No	Financial Year	Norms	Actual	Difference = (Norm – Actual)
1	2014-15	23.9	28.89	-4.99
2	2015-16	25.4	30.95	-5.55
3	2016-17	27	30.3	-3.3
4	2017-18	28.7	20.88	-7.82

O&M of TPS II (Rs. In Lakhs/MW

Sl. No	Financial Year	Norms	Actual	Difference = (Norm – Actual)
1	2014-15	23.9	31.26	-7.36
2	2015-16	25.4	30.56	-5.16
3	2016-17	27	29.49	-2.49
4	2017-18	28.7	38.66	-9.96

O&M of BTPS (Rs. In Lakhs/MW

Sl. No	Financial Year	Norms	Actual	Difference = (Norm – Actual)
1	2014-15	29.1	34.76	-5.66
2	2015-16	30.94	31.29	-0.32
3	2016-17	32.88	29	3.88
4	2017-18	34.95	42.6	-7.65
5	2018-19 (till Nov'18)	45.49	37.15	-8.34

- It is to be noted that the **proposed O&M Expenses** for the year 2019-20 (29.29 L/MW) is lesser than the O&M norms for the current year 2018-19 (37.15 L/MW) by **7.86 Lakhs/MW** and **much lesser than the actual O&M Expenses of 45.49 Lakh/MW** (till Nov'18) for BTPS.
- It is observed that actual O&M cost is **higher than the prescribed norms for the years 2014-15 to 2018-19** except for the year 2016-17. As BTPS is CFBC based Generating Station which is a fairly **new technology** and also BTPS has completed almost seven years of operation, therefore, it is apprehended that the **O&M cost will be higher for the subsequent years** also.
- **In the case of NTPL, additional O&M expenses of Rs. 0.312 lakh/MW/year** has been allowed for NTPL vide CERC tariff order dated 11.07.2017 (Para 73 in Pg.No.38) for Desalination plant of NTPL which may be **continued.**
- As NTPL is located near sea shore area, special painting of structures is to be done frequently to avoid corrosion. This **additional expenditure of 1.0 Lakh/MW/year due to this reason may please be allowed.**

D. <u>Normative Quarterly Plant Availability NQPAF (59)</u>

<u>General Comments For NLCIL Lignite Based Plants</u>

- A difference of **5% in fixing PAF norms may be maintained between Coal & Lignite fired units as followed from 2004 regulation considering the quality of lignite compared to coal.**

- Keeping in view of the above, it is requested that for CFBC units **68.5%(first three years)& 75%(after three years) recommended by CEA may kindly be considered.**
- As regards to Barsingsar Thermal Power Station, in the explanatory memorandum 16.6.3, the actual PAF of TSII stage II has been inadvertently replicated for BTPS also. The actual PAF of BTPS is tabulated below:

Station	2012-13	2013-14	2014-15	2015-16	2016-17	Avg
BTPP (%)	59.00	67.05	63.48	58.92	68.79	**63.48**

- Hence, it is requested that **NQPAF for BTPS may suitably revised in accordance with actual data furnished above.**
- It may also be noted that the CFBC Technology is fairly new and hence, the issues are being sorted out only after much trials and experiments. Moreover, the **Forced Outages are more for CFBC boiler due to frequent refractory failures** and all efforts are being taken up to control the same.
- Actual outage details have been furnished below:

S.No.	Financial Year	Forced Outage%	PAF %
1	2014-15	12.81	63.48
2	2015-16	16.87	58.92
3	2016-17	12.50	68.79
4	2017-18	12.61	78.19
5	2018-19 (till Dec'18)	22.01	59.46

- It may be noted that so far, BTPS has **not achieved 80% PAF** due to high % of forced outage by virtue of its design. Each Forced Outage invariably results in **5 to 6 days** of idle period mainly for cooling alone unlike other PF boilers. Consequently, Machine availability is getting lower. The same is resulting in Under Recovery of Annual Fixed Cost.
- However, the problems are being resolved systematically and in a continuous basis.
- Therefore, considering the above, it is requested to give relaxation of the existing PAF norms of **75% to CFBC boiler for first ten years from the date of COD instead of first three years** from the date of COD for further review and analysis.
- **Average PAF of TSII expn** for years 2015-16 & 2016-17 is also only **25.16%**

E. <u>Tax on RoE (30):</u>

- While determining the effective tax rate, the actual tax paid on income from other businesses including deferred tax liability (i.e. income from business other than business of generation or transmission, as the case may be) shall be excluded for the calculation of effective tax rate.
- Hence, the **effective tax rate (for grossing up Return on Equity) needs to be Corporate tax rate**.

F. <u>Interest on loan capital (32)(5)</u>

- It is requested that 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.

G. <u>Interest on working capital (34)</u>

- Cost of limestone requires to be treated separately, in so far as **coal/lignite pithead cannot be considered to possess limestone at project site.**
- In NTPL project, from MCL, coal is transported **by rail up to paradip port**. After achieving sufficient coal stock (i.e after 15 days), **coal is loaded in the ship and transported to Tuticorin port which takes about 10 days** including loading, travelling time & unloading at coal yard . This duration may also get extended due to **weather conditions & traffic**.
- Hence, in case of NTPL, additional time period may be given for the extra transportation time. Coal stock inventory for (20 +20)= **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.
- Receivables for 2 months instead of 45 days may please be retained as the average bill collection from DISCOMS is 127 days.

H. <u>Station Heat Rate (59)</u>

- Regulation 59(C) (a) does not cover Barsingsar Thermal power station of 125 MW capacity (existing station).
- The **error as explained in Explanatory Memorandum 17.6.12** wrt Station Heat rate of TSII may be addressed suitably to keep the same at **2890 Kcal/KwH as recommended by CEA.**

I. <u>Auxiliary Power Consumption (59)</u>

- For NTPL, **1% additional APC** was allowed (5.25 +1.0 = 6.25) as per CERC tariff order dated 11.07.2017 (Para 85 in Pg.No.43) owing to additional load of shore unloader, desalination plant &cross-country conveyor system. Hence, APC of 6.25% may please be **continued for NTPL.**

J. <u>GCV (Gross calorific Value) 3(31) & 47</u>

- **CVPF as received minus 85 Kcal/kg** may please be made applicable for lignite also, in line with CEA recommendation.

K. <u>Input Price for Variable Charge (36)</u>

- At present, the guidelines for determining the price of the lignite from all the NLCIL Mines are being issued by Ministry of Coal/Govt. Of India once in five years.
- NLCIL calculates the price of the lignite based on these guide lines of MOC and submits the same to Central Electricity Regulatory Commission with necessary audit certificates for finalising the energy charge calculations of NLCIL's Power Plants.
- The new draft Regulations proposes to entrust the scope of determining the coal/lignite price to CERC for integrated mines allotted to Generating Companies.
- As NLCIL has got both existing integrated mines and proposes for new coal and Lignite mines, the Hon'ble commission may consider to adopt MOC guidelines for fixing the Input price of lignite from integrated mines as in the current Tarrif period due to the the difficulties enlisted below :
- as multiple agencies deciding the price of coal/lignite from mines belonging to the same generating company may lead to inconsistency.

- The clause on COD of New mine viz., on achieving 25% rated capacity or the Financial year in which value of production exceeds Capital expenditure or 2 Years of touching coal applicable for Coal Mines will not suit Lignite Mines.
- O&M expenditure to be escalated based on WPI may not be suitable for Lignite Mines since the machineries involved in lignite mining ae of special nature.
- **In this context, CERC in an earlier orderdt.04.01.2000(Para5.6.2) for ABT has endorsed this view by stating that mining operations do not fall within the regulatory jurisdiction** of the Commission and in fact mining activities are being **regulated by the Ministry of Coal. The commission further stated that CERC could not regulate this activity**.
- Further the GOI's Gazette notification dated 04.03.2014 which states that Government of India hereby do constitute the Coal Regulatory authority (CRA) under the overall administration of Ministry of Coal strengthens NLCIL's views . The primary function of the CRA shall be to formulate the principles and methodologies for determination of price of raw coal, formulation of policies in coal sector ,Coal linkage, etc

L. <u>Special Allowance Renovation and Modernisation (27)</u>

- **Special** allowance if suitably escalated vis a vis of previous regulation, it is more than Rs.9.5 lakhs per MW.

- **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.**

M. **Compensation allowance**

- The provision has been included in the previous regulation to compensate for the minor asset addition.
- Now, this provision had been removed thus denying the provision to permit the expenses for minor asset additions for **plants of 11 to 25 years old.**
- **This may kindly be reviewed for restoration as in the previous regulation since plant batteries require replacement once in 8 years and many minor items like DCS monitors, DCS software, instruments, T&P etc., need recurrent replacement**

N. **Additional Capitalisation due to revision of Emission Standards(29)**

- In as much it is a statutory requirement with CEA specification, it is requested that **approval before implementation may be considered for dispensation and to approach the commission for supplementary tariff alone**.

O. **Declaration of Availability & Merit Order Dispatch (53)**

- In so far as the fuel is sourced from different mines viz., MCL,ECL and imported Coal, arriving at Day ahead ECR figures within time will be difficult.
- Hence, it is requested that present practice of **Merit Order Despatch based on previous month ECR submitted for RRAS** may please be retained.

P. **Heat Rate & APC Compensation at part load**

- In case of NTPL, it is requested that the heat rate & APC compensation at part load may be calculated on time block basis instead of the existing monthly basis sinceit is not possible to recover thermal losses occurred ina particular time block in the subsequent time blocks with full load.

Q. **Late Payment Surcharge:**

- Late Payment Surcharge rate to be maintained at 1.50% p.m to keep it asa deterrent for delayed payment.

R. **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 been reduced based on 45days stipulated for payment.
- It is requested that Hon'ble Commission may allow the implementation of the improved rebate scheme as being adopted by NTPC & NLCIL (Graded rebate scheme) without approaching Commission.

S. Investment Approval 3(41)

- Investment approval as modified by Board/ GoI or date of Award of Main plant package may please be considered for finalizing capital cost of the project.
- It is requested that the IDC and IEDC to the extent provided in the investment approval/ sanction need to be considered, when the project gets delayed due to genuine reasons, instead of drawing a cut off line on SCOD.

T. Treatment of mismatch in the date of commercial operation of Transmission assets ((6(1)(b)):

- The compensation 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.**

U. Sharing Of Non Tariff Income (72)

It is requested that the stipulation may kindly be reviewed, keeping in view of the following:

- NLCIL is an **integrated utility, consisting of production units of mines and power stations** and in order to augment the production units, the service units like the Centralized Material Management, Services, Township Administration, Corporate Office, Hospital and Regional Offices are functioning and the asset additions are apportioned to the service units.
- However, CERC in its earlier tariff order(s), observed that the assets are either minor in nature or in the nature of O&M and in terms of clause (3) of Regulation18 of the 2004 regulations did not admit any expenditure of minor assets.
- Commission further stated that these common assets are generally booked under corporate assets and the normative O&M expenses also include corporate expenses. These, expenses are recovered by NLCIL through O&M cost. In view of this, the

claim of Common Expenditure by NLCIL as additional capitalization in respect of **common assets was disallowed**.

- Even the **Expenditure which was necessary for successful and efficient plant operation was disallowed** by the Commission in determination of the Tariff in the previous Tariff Control period.
- **As the Additional Expenditure (either assets of Minor, replacement, Common nature) was not allowed by Commission in determination of Tariff, NLCIL may please be exempted from sharing of Non-tariff income.**

  The values of direct and common assets **not considered** by the commission for the tariff determination is as follows:

Rs in Lakhs

Unit	Control Period 2004-09	Control Period 2009-14
TPS-I	312.92	1,030.52
TPS II (Stage I and II)	611.68	40,153.58
TS-I EXPN	4,758.00	26,777.86
Total	**5,682.60**	**67,961.96**

- **Income from sale of 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.

3.0 PRAYER

NLCIL humbly requests the Hon'ble Commission

1. To take on record the views of NLC submitted vide this affidavitas stated above.
2. To pass such order (s) as deemed fit by the Hon'ble Commission.

RESPONDENT

Date

FORM 2

BEFORE THE CENTRAL ELECTRICITY REGULATORY COMMISSION

IN THE MATTER OF:

Draft Regulationson Terms and Conditions of tariff for the control period 2019-24

NLC India Limited,
First Floor, No.8, Mayor Sathyamurthy Road, FSD,
Egmore Complex of Food Corporation of India,
Chetpet, Chennai-600 031. **----- RESPONDENT**

IN THE MATTER OF:

Submission of comments by NLCIL with respect to Draft regulationson Terms and Conditions of tariff for the control period 2019-24

Affidavit verifying the Petition:

I, A.Ganesanson of Shri. M.Alagarsamy, aged 58 years, residing at 14, Type IV Quarters, BLOCK- 16, NEYVELI-607 801, do solemnly affirm and say as follows:

I am the Executive Director / Commercial of the NLC India Limited., the Respondent in the above matter and am fully conversant with the facts and make this affidavit**.**

- *Hon'ble Central Commission has published Draft Regulation on Terms and Conditions of tariff for the control period 2019-24*
- *Hon'ble Central Commission has invited comments / suggestions of the stakeholders on the same on or before 28.01.2019 for which NLCIL is submitting its comments/suggestions vide this affidavit.*

The statements made in FORM 1 enclosed, containing a total number of 11 pages of the reply herein now shown to me are true to my knowledge and based on information and I believe them to be true.

Solemnly affirm at NEYVELI on this day of **25.01.2019** that the contents of the above affidavit are true to my knowledge, no part of it is false and no material has been concealed there from.

A.Ganesan
Executive Director / Commercial/ NLC India Ltd.

Identified **before** me by