POWER COMPANY
OF KARNATAKA
LIMITED

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POWER COMPANY OF KARNATAKA LTD.
(Government of Karnataka Undertaking)

No: PCKL/A12/5/2018-19/ 4556 25 JAN 2019
Encl: One

The Secretary,
Central Electricity Regulatory Commission,
3rd and 4th Floor, Chandralok Building,
36, Janpath,
New Delhi – 110001.

Sir,

Sub: Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 for the tariff period from 1.4.2019 to 31.3.2024

Ref: Notification No. L-1/236/2018/CERC Date: 14th December, 2018

Adverting to the above, PCKL wish to enclose herewith the views / comments on the draft CERC (Terms and Conditions of Tariff) Regulations, 2019 for kind consideration.

Yours faithfully

ADDITIONAL DIRECTOR (PROJECTS)

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Views / suggestion of PCKL on Draft CERC (Terms and Conditions of Tariff) Regulations, 2019.

Clause	Existing in draft Terms and Conditions of Tariff Regulations 2019	Proposed changes to Draft terms and Conditions of tariff Regulation 2019	Rationale
Regulation -9	**Application for determination of tariff** In case of an existing generating station or unit thereof, or transmission system or element thereof, the application shall be made by the generating company or the transmission licensee, as the case may be, within a period of 180 days from the date of notification of these regulations, based on admitted capital cost including additional capital expenditure already admitted and incurred up to 31.3.2019 (either based on actual or projected additional capital expenditure) and estimated additional capital expenditure for the respective years of the tariff period 2019-24 along with the true up petition for the period 2014-19 in accordance with the CERC (Terms and Conditions of Tariff) Regulations, 2014.	In case of an existing generating station or unit thereof, or transmission system or element thereof, the application shall be made by the generating company or the transmission licensee, as the case may be, within a period of 180 days from the date of notification of these regulations, based on admitted capital cost including additional capital expenditure already admitted and incurred up to 31.3.2019 (either based on actual or projected additional capital expenditure) and estimated additional capital expenditure for the respective years of the tariff period 2019-24 along with the true up petition for the period 2014-19 in accordance with the CERC(Terms and Conditions of Tariff) Regulations, 2014. **Provided that a penal charges of Rs...... per MW/ as percentage of total capital cost of the project will be levied for delay in submission of tariff petition.**	

Clause	Existing in draft Terms and Conditions of Tariff Regulations 2019	Proposed changes to Draft terms and Conditions of tariff Regulation 2019	Rationale
10(7)	**Determination of tariff** The difference between the tariff determined in accordance with clauses (3) and (5) above and clauses (4) and (5) above, shall be recovered from or refunded to, the beneficiaries or the long term customers, as the case may be, with simple interest at the rate equal to the bank rate prevailing as on 1st April of the respective year of the tariff period, in six equal monthly instalments.	The difference between the tariff determined in accordance with clauses (3) and (5) above and clauses (4) and (5) above, shall be recovered from or refunded to, the beneficiaries or the long term customers as the case may be, with simple interest at the rate equal to the bank rate prevailing as on 1st April of the respective year of the tariff period, in six equal monthly instalments. **Provided that, for the delay in filing of the petition by the generator/transmission licensee, the simple interest shall be allowed from date of determination of provisional tariff for new projects.**	Delay in filing of the petition by the generators or transmission licensee, for which the long term beneficiaries shall not be responsible for payment of interest for difference amount .
13(3)	The generating company or the transmission licensee, as the case may be, may make an application for interim truing up	To be reconsidered	The annual fixed charges for generating station or transmission system would always be determined by the

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	of tariff in the year 2021-22, if the annual fixed cost increases by more than 20% over the annual fixed cost as determined by the Commission for the respective years of the tariff period.		Commission after prudence check and due diligence. Hence, suo-moto tariff claims by generating station or transmission system for increase in annual fixed cost may not be appropriate.
27 (3)	**Special Allowance for Coal-based/Lignite fired Thermal Generating station** The special allowance admissible to the generating station shall be @ Rs.9.5 lakh per MW per year for the tariff period 2019-24.	The special allowance admissible to the generating station shall be @ Rs.9.5 lakh per MW per year for the tariff period 2019-24. **May be added** Provided that the generating company or transmission licensee shall seek consent of the beneficiary or long term customer with a Detailed Project Report giving complete scope, justification, cost-benefit analysis, estimated life extension from a reference date, financial package, phasing of expenditure, schedule of completion, reference price level,	Detailed project report shall be submitted to Commission for availing special allowances

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		estimated completion cost including foreign exchange component relevant in lieu of conducting R&M.	
30	**Return on Equity** Return on equity shall be computed at the base rate of 15.50% for thermal generating station, transmission system including communication system and run of the river hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run of river generating station with pondage------	Return on equity shall be computed at the base rate of **14.00%** for thermal generating station, transmission system including communication system and run of the river hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run of river generating station with pondage------ **May be added** **Provided that, the Commission may allow better norms agreed between Beneficiary and generating company/transmission licensee in the computation of annual fixed charges.**	The RoE proposed at 15.5% is on higher side as compared to the present Industrial Returns.
32(5)	**Interest on loan capital** Provided further that if the	Provided further that if the generating	

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	generating station or the transmission system, as the case may be, does not have actual loan, then the weighted average rate of interest of the generating company or the transmission licensee as a whole shall be considered.	station or the transmission system, as the case may be, does not have actual loan, then the **annual MCLR of SBI as on 1st of April of each year or the weighted average rate of interest of the generating company or the transmission licensee whichever is lower shall be considered.**	
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	To be reconsidered	The non-cash expenditure of depreciation and ROE may be excluded from the working capital requirement. Advance payment 30 days towards cost of coal or lignite and lime stone for generation corresponding to annual plant availability factor shall not be consider, advance payment is not expenditure. The stock of fuel considered for working capital is very high. Even a week stock is not available. Hence, stock of fuel may be considered as 7 days.

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	is lower; (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		The most of the sub-element under administrative expenses and most of the sub-element under corporate office form part of the working capital along with O&M expenses in the existing methodology although these are not even remotely connected with the working capital requirement.

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	of electricity calculated on the normative annual plant availability factor; and (vi) Operation and maintenance expenses for one month		
35	**Operation and Maintenance (O&M) expenses**	To be reconsidered	The Commission may notify the uniform O&M cost per MW for old and new thermal station having a different capacity units. The cost of the new generating station / transmission system will be lesser than the old generating / transmission system. The Commission may specify O&M cost per MW/KM for new and old projects or transmission element. The elements included in the O&M cost needs to be specified. **O& M cost for the imported coal based project exclusively having jetty may specify separately for coastal based projects using Jetty.**
47	**Components of Landed cost of**	To be reconsidered.	Generating company incurring

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	Primary Fuel The landed cost of primary fuel for any month shall include base price or input price of fuel corresponding to the grade and quality of fuel and inclusive of statutory charges as applicable, transportation cost by rail or road or any other means, and loading, unloading and handling charges.		cost towards procurement of coal which are not directly related to fuel but the following charges are being incurred every year. For example Lease Rent, Railway bonus, Dredging Cost, loss of capacity charges, Demurrage Charges, Annual Maintenance charges, Land license and maintenance fee and Railway Marshalling charges. Commission may specify whether yearly charges paid for maintenance of jetty shall be considered in order to arrive for landed cost of primary fuel. If the charges are considered in the landed cost, the amount payable will be more than the amount actually incurred. Hence, these charges are to be reimbursed without adding in the landed cost of primary fuel.

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52	**Computation and payment of energy charges for thermal Stations** 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;	To be reconsidered.	The commission may notify the allowable interlab tolerance of GCV between loading point of coal and receiving at generating station.
57	**Deviation Charges:** (1) Variations between actual net injection and scheduled net injection for the generating stations, and variations between actual net drawl and scheduled net drawl for the beneficiaries shall be treated as their respective deviations and charges for such deviations shall be governed by the Central Electricity Regulatory		Commission may specify the rates to be applicable when the Generating station imports the energy from the grid whenever the plant is shut down for maintenance or RSD or for start up etc.,

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	Commission (Deviation Settlement Mechanism and Related matters) Regulations, 2014, as amended from time to time or any subsequent re-enactment thereof.		
68	**Rebate** 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 2 days of presentation of bills by the generating company or the transmission licensee, a rebate of 2% shall be allowed.	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 4 working days from the date of presentation of bills** by the generating company or the transmission licensee, a rebate of 2% shall be allowed	2 days is too short for arranging payment in order to avail 2% rebate.
69	**Late payment surcharge:** In case the payment of any bill for charges payable under these regulations is delayed by a	**Late payment surcharge:** In case the payment of any bill for charges payable under these regulations is delayed by a beneficiary or long term	1.25% per month is higher when compared to the prevailing market rate.

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	beneficiary or long term transmission customers as the case may be, beyond a period of 45 days from the date of billing, a late payment surcharge at the rate of 1.25% per month shall be levied by the generating company or the transmission licensee, as the case may be	transmission customers as the case may be, beyond a period of 45 days from the date of billing, a late payment **surcharge at the rate of 1.00 % per month** shall be levied by the generating company or the transmission licensee, as the case may be.	
70	**Sharing of gains due to variation in norms:** 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 generating company or transmission licensee and the beneficiaries or long term transmission customers, as the case may be, on monthly basis with annual reconciliation.	**Sharing of gains due to variation in norms:** 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 generating company or transmission licensee and the beneficiaries or long term transmission customers, as the case may be, on monthly basis with annual reconciliation **which shall be considered for monthly gains only.**	To ensure efficient operation of the generating company.

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76 (2)	**Deviation from ceiling tariff** Provided that the unrecovered depreciation on account of reduction of depreciation by the generating company or the transmission licensee during useful life shall be allowed to be recovered after the useful life in these regulations;	To be deleted.	Once agreed by generating company or the transmission licensee with the beneficiary for better norms, unrecovered depreciation shall not be allowed in subsequent years.

ADDITIONAL DIRECTOR (PROJECTS)