RATNAGIRI GAS AND POWER PVT. LTD

Promoters: ***NTPC Ltd.*** *&* ***GAIL (India) Ltd.***

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Ref: RGPPL/HQ/COMM/Comments/2019 **Date: 28.01.2019**

To,

The Secretary,
Central Electricity Regulatory Commission,
3rd & 4th floor, Chanderlok Building,
36, Janpath, New Delhi – 110001

Sub: RGPPL's Comments on draft CERC Regulation 2019.

Dear Sir,

We hereby submit RGPPL's comments on draft CERC (Terms and Conditions of Tariff) Regulation, 2019 issued by Hon'ble CERC for the Tariff period from 01.04.2019 to 31.03.2024.The same is being submitted in three copies and along with a CD containing soft copy, as required.

A copy of the same has also been sent through email to: tariff.regulation@cercind.gov.in and is also being uploaded through SAUDAMINI portal.

Kindly acknowledge receipt of the same.

Thanking You,

Yours faithfully

S K Sharma
GM (Commercial)

S K SHARMA
General Manager (Commercial)
RATNAGIRI GAS & POWER PVT. LTD.
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RGPPL's comment on the draft CERC (Terms & conditions of tariff) Regulation, 2019 issued on 14.12.2018

Back Ground of RGPPL:

1. Ratnagiri Gas and Power Pvt. Ltd (RGPPL) has been established as a Special Purpose Vehicle to take over the generating station of erstwhile Dabhol Power Company on 6th October 2005, under the aegis of empowered Group of Ministers (EGoM). It is a is a joint venture company of NTPC Ltd., GAIL (India) Ltd, MSEB Holding Company Limited (a Government of Maharashtra undertaking) and Indian Financial institutions.

   RGPPL station has total installed capacity of 1967.08MW. It consists of Three Power Block. Block 1 consists of 640 MW (2*210 MW Gas Turbine (GT) + 230 MW Steam Turbine (ST) and Blocks 2 & 3 each consists of 663.54 MW (2*213 MW GTs + 237.54 MW ST).

   As per allocation made by Ministry of Power, RGPPL entered into Power Purchase Agreement for 95% of its installed capacity with MSEDCL, 2% each with UT of DNH & UT of DD and 1% with Electricity Department of Goa (EDG).

   Govt. of India /EGoM (on pricing and utilization of gas under NELP) had allocated 7.6 MMSCMD of gas from RIL's KG D6 Block and 0.9 MMSCMD from ONGC's marginal gas fields for generation of Power from the power Block. Since September, 2011 there had been continuous decline in supply of domestic gas from KG D6 and since 1st March, 2013, the gas supply from KG-D6 is fully stopped.

   RGPPL Power station was able to generate partially on rostering of Non-APM domestic gas (0.6 MMSCMD. Finally, principal beneficiaries not availing its share from RGPPL and not paying its outstanding dues, Power Block completely stopped generation since Dec, 2013 to November 2015. Generation again resumed w.e.f 26 November 2013 with PSDF support from Govt. of India (up to 31.03.2017) and subsequently, continued supply to Railways from 01.04.2017 onwards as per the tariff finalized under the aegis of PMO and MoP.

   MSEDCL, one of the beneficiaries (95% allocation) of RGPPL has total outstanding dues of around Rs. 3,287 Crores consisting of principal amount of Rs. 2,055 Crores and surcharge on delayed payment of Rs. 1,232 Crores as on 31.03.2018.

   There has been payment of defaults to the lenders due to non-payment by beneficiaries and in order to revive RGPPL as per the business plan by SBI Caps, LNG Terminal of RGPPL has been demerged into a separate entity namely Konkan LNG Pvt. Ltd vide National Company Law Appellate Tribunal (NCLAT) vide order dated 28.02.2018 and was made effective on 26.03.2018.

2. RGPPL ISSUES

A) Normative Heat rate of RGPPL for 2019-24:

In the Draft tariff order for 2019-2024 the normative heat rate for RGPPL is drastically reduced to 1820 Kcal/KWh from 1850 Kcal/KWh (as per 2014-19 tariff order). As per the PPA signed with Railways and schedule given by Railways for the period FY 2015-16 (26.11.2015-21.01.2016),FY(2015-16(22.01.2016-31.03.2016), FY 2016-17, FY 2017-18 and FY 2018-19 (up to Dec 2018) the average generation for the said period were 284.9, 510.3, 520.5, 513.2 and 516.4 4 MW respectively (Details placed at Annex-I).At present supplies to the Railways are met through Power Block 2&3 having installed capacity of 663.54 MW each. Due to low schedule given by Railways, RGPPL's Power Block has to run at part load of around 500 MW under single Block (GT1+GT2+ST1) or split Block (GT1+ST1 & GT2+ST2) operation. As the machine are not operating at rated capacity there is a considerable loss of heat rate.

RGPPL has so far achieved its best Heat Rate1790 Kcal/KWh in the year 2011-12. During this period RGPPL generation was maximum i.e. average 31.83 MU/day (Avg. PLF of 67.42%) However, this heat rate cannot be taken as reference for fixing normative heat rate for 2019-24, since RGPPL is always running at part load with average generation of around 12.39 MU/day from a Block of 660MW (at a daily PLF of 26.2 %).

Annual average load, PLF & Heat rate after resuming operation (After Long preservation) of RGPPL units from 26th Nov 15 to 31st Dec, 2018 are given in Annexure-I. It is evident from the data that RGPPL has never achieved the heat rate below 1820 Kcal/KWh in case of 2 GT operation under part load.

Phase-II Gas turbines (2A,2B,3A,3B) at RGPPL which are presently supplying power to Indian Railways and DD, are advanced 9FA class machines of GE make which has already completed cumulative running hours of 42,922.9, 52,754.1, 40,453.9 and 46,680.4 respectively as on 01.01.2019. Also Phase-II STG (Block-2, STG and Block-3 STG) has completed running hours of 67,883.0 and 56,536.6 respectively as on 01.01.2019. Block-2 and Block-3 achieved COD on 01.09.2007 and 21.11.2007 respectively.

As RGPPL machines have crossed /crossing 50,000 hrs of cumulative running, there will be nearly 2% of non-recoverable heat rate loss due to ageing of the machines even though periodic inspection and offline/online water washing are carried out.

Along with the Gas turbines, aging of HRSG's is also contributing to the heat rate deterioration.

Single Block and Split Block Operation:

The Heat Rate achieved in Single Block Operation is better by 15 to 20 Kcal due to lesser losses in Steam Turbine. But due to Operational Constraints like the planned maintenance activities (CI/HGPI/MI) RGPPL has to operate machine in Split Block Operation causing the heat rate deterioration.

RGPPL request regarding Heat Rate norms.

Considering the above reasons, it is evident that RGPPL can never achieve the heat rate of 1820 Kcal/KWh under present operating condition. It is requested to the commission to reconsider the RGPPL Normative heat rate target of 1820 Kcal/KWh for 2019-24 and keep it same as in the previous tariff 2014-19 ie, 1850 Kcal/Kwh.

B) O&M expenses:

In regard to O&M expenses for gas based advance F Class Machine, the Hon'ble Commission at para 14.5.18 has observed that the average plant load factor of RGPPL during five year was only 14% and has concluded that, therefore, it would not be appropriate to determine the normative O&M expenses for the tariff period 2019-24, based on the actual data available from FY 2012-13 to FY 2016-17. The Hon'ble Commission has proceeded to calculate O&M expenses of 25 Lacs/MW by discounting the derived figure of Rs. 35.67 Lacs/MW by 70% for FY 2019-24.

In this regard RGPPL submit that during the relevant period out of the three Blocks (one Block 640MW and other two Block 663.54 MW each), only one Power Block has been in operation during the period except Dec'2013 to Nov'2015 when there was total stoppage of operation and the actual O&M charges related to RGPPL should be read and applied with the capacity of one Block only.

The O&M expenses of Rs. 25 Lacs/MW arrived in draft Regulation will be grossly in-adequate and would not be sufficient to meet the O&M expenses likely to be incurred by RGPPL during the period FY 2019-24 in view of the followings:-

a) As per the details enclosed at Annexure-I, considering operation of one Block out of three, the actual Repairs and Maintenance expenditure pertains to only one Power Block and includes periodical inspections and over haul of the two gas turbine & one steam turbine of one Block and if the operation amongst Blocks is rotated, such expenditures gets deferred, since the available equivalent operating hours spread over other machines would now be consumed.

b) It is submitted that the actual expenditure incurred need to be considered with respect to one Block only and not spread over the entire installed capacity. Since the capacity not under operation would have contribution in actual O&M expenses only to the extent of preservation costs which are insignificant.

c) Besides other heads of O&M expenditure such as employees' salary, consumables etc. would be charged to actual expenses pertaining to deployment of such resources getting pruned for one Block only.

As per the enclosed Annexure-II, the O&M cost per MW for RGPPL works out to Rs. 52 Lakh/MW, the Hon'ble Commission may specify the same for RGPPL.

C) Implications of Non-Payment of Charges by the beneficiaries:

It has been seen that any persistent and significant non-payment of charges by the beneficiaries of generating company eventually results in defaults in the debt servicing. Government of India has notified very sever provisions under Insolvency and Bankruptcy Code (IBC). RBI has also notified a circular dated 13.02.2018 in this regard. These developments have taken place in the backdrop of large scale loan defaults in the economy wherein many power projects also had a significant share. RGPPL also encountered this situation and had to default in debt servicing.

Non-payment of generator's bills by the beneficiaries also affect the generator's ability to procure fuel and incur other expenses necessary for power plant operation and may result into fuel shortage, availability of the station as well as debt service defaults.

The Hon'ble Commission has not covered the remedies available to the generators facing this challenge under these draft regulations. PPA and tariff are composite package and respective parties are obliged to fulfill their respective obligations wherein the beneficiaries or purchasers have obligation to make timely payment of bills and extend and maintain reliable payment security mechanism.

The terms and condition of tariff including PAF, interest on loan, depreciation etc. under these regulation should suitably incorporate for adjustment of various norms and methodologies to take into account consequences of payment defaults. The Hon'ble Commission may be pleased to specify the same in the Tariff Regulations 2019.

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Annexure-I

Financial Year	Avg. daily Gross generation (MU)	Average Load (MW)	PLF (%)	Block Loading (%)	Gross Heat rate(Kcal/ Kwh)	Remarks
2015-2016(26.11.2015-21.01.2016)	6.838	284.9	14.48	85.88	1798.18	Singe GT operation During PSDF scheme
2015-2016(21.01.2016-31.03.2016)	12.247	510.3	25.94	76.91	1828.06	2 GT operation During PSDF scheme
2016-2017	12.493	520.5	26.46	78.45	1843.27	2 GT operation During PSDF scheme
2017-2018	12.318	513.2	26.09	77.35	1840.19	2 GT operation Under New PPA
2018-2019(upto Dec,2018)	12.394	516.4	26.25	77.83	1827.27	2 GT operation Under New PPA
	Avg. Heat rate for 2 GT operation				1834.70	

Annexure-II

Ratnagiri Gas and Power Pvt. Ltd

O&M Calculation

Amount in Rs Lakhs

	2012-13	2013-14	2014-15	2015-16	2016-17	AVG (Rs/MW)
O&M Expensess- Station	26502.14	46699.54	6769.09	8937.87	20531.26	
CC EXPENSES	2075.7	1075.36	872.2	780.06	1474.42	
Capital Spares Consumed	2196.37	2664.26	541.36			
Toal O&M Expenses of RGPPL						
Total O&M Exp of Station- RGPPL	30774.21	50439.16	8182.65	9717.93	22005.68	
Capacity under operation(One Block)	660	660	660	660	660	
Actual Exp Lakhs/ MW	**46.63**	**76.42**	**12.40**	**14.72**	**33.34**	
AVG 5 years : Lakhs/ MW						**36.70**
Avg (Excluding negligible operation years 2014-15, and 2015-16) for 3 performing years for one block						**52.13**