



# टीएचडीसी इंडिया लिमिटेड THDC INDIA LIMITED



(भारत सरकार एवं उ.प्र.सरकार का संयुक्त उपक्रम)  
(A Joint venture of Govt. of India & Govt. of UP)  
CIN : U45203UR1988GOI009822

No: THDC/RKSH/COMML/116/ 2860  
Dtd.: 25.01.2019

To,  
Secretary,  
Central Electricity Regulatory Commission,  
3<sup>rd</sup> & 4<sup>th</sup> Floor,  
Chanderlok Building,  
36, Janpath,  
New Delhi - 110 001

**Subject : 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: CERC's Public Notice no. L-1/236/2018/CERC dtd. 14th December, 2018 and 7<sup>th</sup> January, 2019.

Sir,

This has reference to the Hon'ble CERC's Public Notice dtd. 14.12.2018 and 07.01.2019, vide which comments/ suggestions/ objections from the stakeholders on Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 for the tariff period from 1.4.2019 to 31.3.2024, have been invited.

As desired, comments/ suggestions/ objections on the draft Regulations on behalf of THDCIL are enclosed please.

Thanking you,

yours faithfully,  
for & on behalf of THDC Ltd.

*(Signature)*  
25/01/2019  
(A.K.Porwal)  
General Manager (Commercial)

Encl: as above.

**Comments on CERC's draft Regulations on Terms & Conditions of Tariff  
for the tariff period 2019-24.**

Reference Document: CERC's Public Notice No. L-1/236/2018/CERC Date: 14<sup>th</sup> December 2018

Sl. No	Regulation No. / Page No.	Provision as per CERC's draft Regulations	Proposed Amended Clause	Comments/Justification
1	2/2	<b>(2) Scope and extent of application.</b> Provided that any generating station for which agreement(s) have been executed for supply of electricity to the beneficiaries on or before 5.1.2011 and the financial closure for the said generating station has not been achieved by 31.3.2019, such projects shall not be eligible for determination of tariff unless fresh consent of the beneficiaries is obtained and furnished.	<b>(2) Scope and extent of application.</b> Provided that any generating station for which agreement(s) have been executed for supply of electricity to the beneficiaries on or before 5.1.2011 and the financial closure for the said generating station has not been achieved by <b>31.3.2020</b> , such projects shall not be eligible for determination of tariff unless fresh consent of the beneficiaries is obtained and furnished.	A high level committee headed by Cabinet Secretary in a report stated that already signed PPAs should be honoured. Introduction of this clause may give opportunity to the beneficiaries to back out from the PPAs and hence discourage the intention of the Government. The power projects have to pass through various stages of feasibility report and DPR preparation involving activities like land acquisition, R&R and social issues apart from environmental and other statutory clearances. The above processes are delayed due to local issues, strikes & hindrances which ultimately delays the process of Investment Approval and Financial Closure.
2	3(20 & 21)/7 & 8	<b>(20) 'Element'</b> <b>(21) 'Development Period'</b>	<b>(20) 'Development Period'</b> <b>(21) 'Element'</b>	Sl. No. should be in Alphabetic order.
3	9 (2)/ 33	<b>9. Application for determination of tariff (2)</b> 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	<b>9. Application for determination of tariff (2)</b> 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 <b>240 days i.e upto 30<sup>th</sup> November</b> from the date of notification of these	The application may be allowed to be made within a period of 240 days from the date of notification of these Regulations, as the Accounts closing is finalized by September of each year.





		may be, within a period of <b>180 days</b> 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.	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.	
4.	10 (7)/ 36	<b>10. Determination of tariff (7)</b> The difference between the tariff determined in accordance with clauses (3) and ..... ..... 1st April of the respective year of the tariff period, in <b>six equal</b> monthly installments.	<b>10. Determination of tariff (7)</b> The difference between the tariff determined in accordance with clauses (3) and ..... ..... ..... 1st April of the respective year of the tariff period, in <b>Three equal</b> monthly installments.	The difference between the tariff determined should be allowed in <b>Three equal</b> monthly installments as per the existing norms in Tariff regulations 2014.
5.	10 (8)&(9)/ 36	(8) Where the capital cost considered in tariff by the Commission on the basis of projected additional capital expenditure exceeds the actual additional capital expenditure incurred on year to year basis by more than 10%, the generating company or the transmission licensee shall refund to the beneficiaries or the long term transmission customers as the case may be, the tariff	<b>Clarification required.</b>	It is observed that Regulation no. 10(8) & 10(9) are similar to Regulation no. 13(4). Therefore, there is need to clarify the execution of above Regulations with example for proper understanding. Further, as Regulation no. 10(8) & 10(9) are related to Truing Up exercise, these Regulations should be covered/ shifted under Regulation no. 13 as the same.

		<p>recovered corresponding to the additional capital expenditure not incurred, as approved by the Commission, along with interest at <b>1.20 times</b> of the bank rate as prevalent on 1st April of the respective year.</p> <p>(9) Where the capital cost considered in tariff by the Commission on the basis of projected additional capital expenditure falls short of the actual additional capital expenditure incurred by more than 10% on year to year basis, the generating company or the transmission licensee shall recover from the beneficiaries or the long term customers as the case may be, the shortfall in tariff corresponding to difference in additional capital expenditure, as approved by the Commission, along with interest at the bank rate as prevalent on 1st April of the respective year.</p>		
13(4) / 39	4)	<p>After truing up, if the tariff already recovered exceeds or falls short of the tariff approved by the Commission under these regulations, the generating company or the transmission licensee, shall refund to or recover from, the beneficiaries or the long term customers, as the case may be, the excess or the shortfall amount along with simple interest at the rate equal to the bank rate as on 1st April of the respective years of the tariff period in six equal monthly installments.</p>		



6.	13(2) / 38	<b>13. Truing up of tariff for the period 2019-24 (2)</b> The generating company or the transmission licensee as the case may be, shall make an application, as per <b>Annexure-I</b> to these regulations, for carrying out truing up exercise in respect of the generating station or a unit thereof or the transmission system or element thereof by 31.10.2024.	<b>13. Truing up of tariff for the period 2019-24 (2)</b> The generating company or the transmission licensee as the case may be, shall make an application, as per <b>Annexure-I</b> to these regulations, for carrying out truing up exercise in respect of the generating station or a unit thereof or the transmission system or element thereof by 30.11.2024.	The application may be allowed to be made by 30.11.2024, as the Accounts closing is finalized by September of each year.
7	13(4)/ 39	<b>13. Truing up of tariff for the period 2019-24 (4)</b> After truing up, if the tariff already recovered exceeds or falls short of the tariff approved by the Commission under these regulations, the generating company or the transmission licensee, shall refund to or recover from, the beneficiaries or the long term customers, as the case may be, the excess or the shortfall amount along with simple interest at the rate equal to the bank rate as on 1st April of the respective years of the tariff period in six equal monthly installments.	<b>13. Truing up of tariff for the period 2019-24 (4)</b> After truing up, if the tariff already recovered exceeds or falls short of the tariff approved by the Commission under these regulations, the generating company or the transmission licensee, shall refund to or recover from, the beneficiaries or the long term customers, as the case may be, the excess or the shortfall amount along with simple interest at the rate equal to the bank rate as on 1st April of the respective years of the tariff period in <b>Three equal monthly installments.</b>	The difference between the tariff determined should be allowed in <b>Three equal</b> monthly installments as per the existing norms in Tariff regulations 2014.
8	19(2)/ 50	<b>19.Prudence Check of Capital Expenditure (2)</b> The Commission may, for the purpose of vetting of capital cost of hydro-electric projects, appoint an independent agency or an expert body: Provided that the Designated Independent Agency already appointed under the guidelines issued by the Commission under 2009-14 Regulations shall continue till completion of the assigned project.	<b>19.Prudence Check of Capital Expenditure (2)</b> The Commission may, for the purpose of vetting of capital cost of hydro-electric projects, appoint an independent agency or an expert body <b>for the generating companies other than CPSU's.</b> Provided that the Designated Independent Agency already appointed under the guidelines issued by the Commission	The Commission may, for the purpose of vetting of capital cost of hydro-electric projects, appoint an independent agency or an expert body <b>for the generating companies other than owned or controlled by Central Government, because the cost of Govt. owned projects is vetted by the expert agencies like CEA, CWC and Revised Cost Committee of MoP. After vetting by the above agencies, the Investment Approval is</b>

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			<p><b>25(1) (g), {Clause No 14(3)(viii) of Regulation 2014}</b> In case of hydro generating stations, any expenditure which has become necessary on account of damage caused by natural calamities (but not due to flooding of power house attributable to the negligence of the generating company) and due to geological reasons after adjusting the proceeds from any insurance scheme, and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation;</p> <p><b>The following Clause may be added:</b>  <b>25(1) (h)</b> Any expenditure which has become necessary on account of Land and R&amp;R issues.</p>	<p>the performance and require immediate redressal. Many of these can not be envisaged at planning stage. Silting of reservoir, damage to equipment due to chemical composition of water and various other damages due to unforeseeable natural causes are to be rectified if and when they occur. Existing provision therefore needs to be retained to capitalise such expenses.</p> <p>The deletion of Clause No 14(3)(vii) and Clause No 14(3)(viii) of Tariff Regulations 2014 shall adversely impact the add cap expenditure being done in power stations for efficient operation of the plant. Therefore these clauses may not be deleted.</p> <p>The above clauses may be retained at 25(1) (f) &amp; (g).</p> <p>The expenditure on account of Land and R&amp;R issues also become necessary after the original scope and should therefore be included in Additional Capitalisation.</p>
10	30(2)(i) / 65	<p><b>30. Return on Equity:</b> (1) (i) Return on equity in respect of additional capitalization after cut off date within or beyond the original scope shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or the transmission system;</p>	<b>May be deleted.</b>	<p>RoE in case of Hydro Projects may be computed at the base rate in order to encourage the Hydro generating stations which are Capital intensive Projects subjected to risks such as geological surprises and R&amp;R issues etc and having higher gestation period. Therefore additional return provide comfort to project developer which will help to improve the deteriorating share in the total mix in the country.</p>
11	35(2) (a) / 78 & 79	<p><b>35. Operational and Maintenance Expenses (2) Hydro Generating Station:</b> (a) Following operations and</p>	<p><b>35. Operational and Maintenance Expenses (2) Hydro Generating Station:</b></p>	<p><b>2(a)</b> There is mismatch in the figures of O&amp;M in the table vis-à-vis capping of 4%. Even the present O&amp;M expenses allowed by CERC are more</p>





	<p>maintenance expense norms shall be applicable for hydro generating stations which have been operational for three or more years as on 01.04.2019 subject to maximum of 4% of admitted capital cost as on commercial date of the respective year:</p> <p>(b) In case of the hydro generating stations declared under commercial operation on or after 1.4.2019, operation and maintenance expenses of first year shall be fixed at 2.5% of the original project cost (excluding cost of rehabilitation &amp; resettlement works, IDC and IEDC) and, in case of hydro generating station which have not completed a period of three years as on 1.4.2019, operation and maintenance expenses of 2019-20 shall be worked out by applying escalation rate of 4.70% on the applicable operation &amp; maintenance expenses as on 31.3.2019. The operation &amp; maintenance expenses for subsequent years of the tariff period shall be worked out by applying escalation rate of 4.70% per annum.</p>	<p>(a) Following operations and maintenance expense norms shall be applicable for hydro generating stations which have been operational for three or more years as on 01.04.2019: <del>subject to maximum of 4% of admitted capital cost as on commercial date of the respective year:</del></p> <p>(b) In case of the hydro generating stations declared under commercial operation on or after 1.4.2019, operation and maintenance expenses of first year shall be fixed at <b>2.5% and 4% of the original project cost (excluding cost of rehabilitation &amp; resettlement works) for the stations more than 200 MW and less than 200 MW respectively. In case IDC and IEDC is also excluded from the original project cost the above charges may be fixed at 3% and 4.5% respectively</b> and, in case of hydro generating station which have not completed a period of three years as on 1.4.2019, operation and maintenance expenses of 2019-20 shall be worked out by applying escalation rate of <b>6.64%</b> on the applicable operation &amp; maintenance expenses as on 31.3.2019. The operation &amp; maintenance expenses for subsequent years of the tariff period shall be worked out by applying escalation rate of <b>6.64%</b> per annum.</p>	<p>than 4%. The actual O&amp;M expenses are even more than that allowed by CERC. <b>Therefore, the capping of 4% should be removed.</b></p> <p><b>2(b)</b> The O&amp;M Expenses may be allowed according to the size of the project as the percentage of O&amp;M Charges in smaller projects is more than the bigger projects. Further, the reduction of IDC and IEDC from the project cost for the purpose of computing O&amp;M charges is not justified. The O&amp;M expenses of first year may be fixed at 2.5% and 4% of the original project cost (excluding cost of rehabilitation &amp; resettlement works) for the stations more than 200 MW and less than 200 MW respectively. In case IDC and IEDC is also excluded from the original project cost the above charges may be fixed at 3% and 4.5% respectively.</p> <p>Since the O&amp;M Expenses constitutes of 60-65% of employee remuneration, which has annual escalation of approximately 7-8%, therefore, escalation on O&amp;M expenses should be retained as 6.64%.</p>
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12	35(2)(c)/80	<p><b>35. Operational and Maintenance Expenses</b></p> <p><b>(2)(c)</b> The Security Expenses and Capital Spares for hydro generating stations shall be allowed separately after prudence check: Provided further that the generating station shall submit the assessment of the security requirement and estimated expenses at the time, the details of year wise actual capital spares consumed at the time of truing up with appropriate justification.</p>	<p><b>35. Operational and Maintenance Expenses</b></p> <p><b>(2)(c)</b> The Security Expenses, <b>Safety Expenses</b> and Capital Spares for hydro generating stations shall be allowed separately after prudence check: Provided further that the generating station shall submit the assessment of the security requirement and estimated expenses at the time, the details of year wise actual capital spares consumed at the time of truing up with appropriate justification.</p>	<p>Safety Expenses should also be included. The details regarding consideration of Security Expenses, Safety Expenses and Capital Spares should be explained for better understanding. It has been mentioned that the security expenses shall be allowed separately but it is not clear that whether this will be part of AFC or not. The mechanism for consideration of Security Expenses and Capital Spares may be clearly indicated.</p>
13	54(3)/105	<p><b>54. Computation and Payment of Capacity charge and Energy Charge for Hydro Generating Stations (3)</b></p> <p>DC<sub>i</sub>= Declared capacity (in ex-bus MW) for the ith day of the month which the station can deliver for at least three (3) hours, as certified by the nodal load dispatch centre after the day is over.</p>	<p><b>54. Computation and Payment of Capacity charge and Energy Charge for Hydro Generating Stations (3)</b></p> <p>DC<sub>i</sub>= <b>Average</b> Declared capacity (in ex-bus MW) for the ith day of the month which the station can deliver for at least three (3) hours (<b>Peak Hours</b>), as certified by the nodal load dispatch centre after the day is over.</p>	<p>Declared capacity in ex-bus MW (average of peak hours DC) for the ith day of the month which the station can deliver for at least three (3) hours (<b>Peak Hours</b>), as certified by the nodal load dispatch centre after the day is over.</p> <p><b>Rationale:</b>  <i>Hydro Stations with a balancing reservoir are operated based on the inflow from U/s Power Stations and outflow as per Irrigation requirements resulting in the change of Reservoir levels during the day. Due to this DC during peak hours may be non – uniform. Considering this, average DC during peak hours is to be considered as per present practice.</i></p>
14	54(10)/108	<p><b>54(10)</b> In case the energy charge rate (ECR) for a hydro generating station, computed as per clause (5) of this Regulation exceeds ninety paise per kWh, and the actual saleable energy in a year exceeds { DE x ( 100 – AUX ) x ( 100 – FEHS ) / 10000 } MWh, the</p>	<p><b>54(10)</b> In case the energy charge rate (ECR) for a hydro generating station, computed as per clause (5) of this Regulation exceeds ninety paise per kWh, and the actual saleable energy in a year exceeds { DE x ( 100 – AUX ) x ( 100 – FEHS ) /</p>	<p>The Energy Charge Rate in excess of design energy may be billed at "Average Clearing Price" in place of "90 paise."</p>

		Energy charge for the energy in excess of the above shall be billed at ninety paise per kWh only:	10000 } MWh, the Energy charge for the energy in excess of the above shall be billed at <b>Average Clearing Price</b> per kWh only:	
15	60(4)/130	<b>60. Norms of operation for hydro generating stations (4)</b> Based on the above, the Normative annual plant availability factor (NAPAF) of the hydro generating stations already in operation shall be as follows :- THDC Stage-I - 80% KHEP - 68%	<b>60. Norms of operation for hydro generating stations (4)</b> Based on the above, the Normative annual plant availability factor (NAPAF) of the hydro generating stations already in operation shall be as follows :- <b>Tehri HPP - 77%</b> <b>Koteshwar HEP- 67%</b>	<p>(4) The basis for revision of NAPAF of different Hydro Stations have not been outlined in the document. However, the following may be considered for Tehri HPP and KHEP:</p> <p><b>Tehri HPP - 77%</b>  <b>Koteshwar HEP - 67%</b></p> <p>Rationale:            NAPAF and DE of Tehri HPP and KHEP power stations have been approved based on 90% availability year data derived from actual hydrological data of the basin for the period 1964 to 2007. The basis for reviewing the normative parameters using a short period data (say 5 yrs.) appear to be inappropriate as probability of repetition of 90% availability year happen to be once in 10 years. <b>In FY 2010-11 PAF of Tehri HPP was 74.4%.</b></p> <p>In the case of balancing / regulating reservoirs / schemes such as Koteshwar HEP, time and quantum of inflow depends entirely upon the outflow from upstream reservoir / scheme. Further, water is continuously required to be released to meet requirement for irrigation, drinking water and religious snans. In Koteshwar Project one machine is running continuously for 24 Hrs. Only the remaining water is used for peaking. Because of these factors, it becomes difficult to declare capacity equal to what is available / possible on a</p>

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				<p>particular day.</p> <p>In case actual PAF being less than the NAPAF, there will be severe financial implications as it will lead to shortfall in recovery of AFC and there is no compensation mechanism for such shortfall in the regulation.</p> <p><b>Since, there is no change in hydrological data till now, same NAPAF i.e. Tehri HPP – 77% and KHEP-67% may be retained.</b></p>
16	66/138	<b>66. Recovery of Statutory Charges: (1)</b> The generating company shall recover the statutory charges imposed by the State and Central Government such as Electricity duty, water cess by considering normative parameters specified in these regulations. ----- -----	<b>66. Recovery of Statutory Charges: (1)</b> The generating company shall recover the statutory charges imposed by the State and Central Government such as Electricity duty, water cess and <b>Green Energy Cess</b> by considering normative parameters specified in these regulations..... ..... .....	<p>Green Energy Cess may also be added.</p>
17	69/140	<b>Late payment surcharge:</b> In case the payment of any bill for charges payable under these regulations is delayed by a 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.	<b>Late payment surcharge:</b> In case the payment of any bill for charges payable under these regulations is delayed by a 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, <b>compounded quarterly</b> , shall be levied by the generating company or the transmission licensee, as the case may be.	<p>The proposed modification is in line with the Clause no. 4 of Tri-partite Agreement signed amongst Govt. of India, RBI and Govt. of State. Further, compounding is also necessary to avoid delay in LPS payment.</p>
18	70(2) & 72/141 & 143	<b>Sharing of gain due to Auxiliary Consumption and Non-Tariff Income:</b>	<b>Clarification required.</b>	<p>There is need to clarify that in which proportion the gain/ income shall be shared by the beneficiaries of the generating station.</p>



19	Additional Comments	PAYMENT ADJUSTMENT MECHANISM	<p>The payments received from beneficiaries shall be adjusted on FIFO basis (First in First Out) by way of adjusting the LPS (Late Payment Surcharge) and Energy bills in such a way that the oldest bill is adjusted first.</p> <p>In case the dates of bill for principal dues and Late Payment Surcharge are same then outstanding amount of LPS bills shall be adjusted first and after that principal dues of the same date shall be adjusted</p>	<p>It has been experienced in past that most of the beneficiaries are not releasing the payments against LPS bills. Further, in case generating company suo-moto adjust the payments against the LPS bills on FIFO basis, beneficiaries are not ready to reconcile the outstanding dues. Therefore, there is strong need to incorporate this Regulation for adjustment of payment, including Late Payment Surcharge.</p> <p>The payment received from the beneficiaries shall be adjusted against the outstanding bills including Late Payment Surcharge on date-wise FIFO basis.</p>
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