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नॉर्थ ईस्टर्न इलेक्ट्रिक पावर कॉर्पोरेशन लिमिटेड
(भारत सरकार का उद्यम)
NORTH EASTERN ELECTRIC POWER CORPORATION LTD.
(A GOVT. OF INDIA ENTERPRISE)

समन्वयक कार्यालय • Office of the Coordinator
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दिनांक/Dated: 22.01.2019

सं./No. नीपको/NEEPCO/एनडी/ND/एफ/F-84/2018-19/ 746

सेवा में/To,

सचिव/The Secretary

केन्द्रीय विद्युत नियामक आयोग/Central Electricity Regulatory Commission

तीसरी एवं चौथी मंजिल/3rd & 4th Floor,

चंद्रलोक भवन/Chanderlok Building,

36, जनपथ, नई दिल्ली-01/36, Janpath, New Delhi-01.

विषय/ Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 for the tariff period from 01.04.2019 to 31.03.2024

Sub:

संदर्भ/ 1. CERC 's Public Notice no L-1/236/2018/CERC dated 14.12.2018

Ref: 2. CERC 's Public Notice no L-1/236/2018/CERC dated 07.01.2019

महोदय/Sir,

This has reference to the above. Kindly find enclosed 3 (three - one original and two copies), on affidavit, NEEPCO's comments/suggestions on the provisions of the draft Regulation for the tariff period from 01.04.2019 to 31.03.2024.

This is for kind consideration of the Honorable Commission.

धन्यवाद / Thanking You,

संलग्नक / Enclo: यथोक्त/As above

Yours faithfully,

ई.पिरबट

वरि. प्रबंधक(ई)

नीपको लिमिटेड, नई दिल्ली-66.



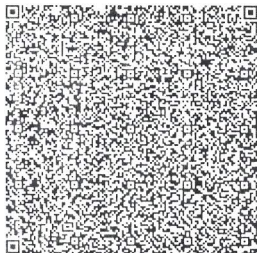
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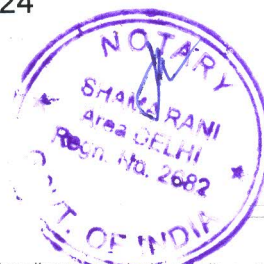
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BEFORE THE CENTRAL ELECTRICITY REGULATORY COMMISSION, NEW DELHI

IN THE MATTER OF:

Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations,
2019 for the tariff period from 01.04.2019 to 31.03.2024
- NEEPCO's suggestions/comments thereof.

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AND

IN THE MATTER OF:

North Eastern Electric Power Corporation Limited
Corporate Office : Brookland Compound
Lower New Colony, Shillong 793 003
Meghalaya

Affidavit verifying the submission of NEEPCO.

I, Elizabeth Pyrbot, daughter of Late J.C. Singh, aged about 46 years presently residing at Alaknanda, New Delhi do solemnly affirm and say as follows:

1. I am Senior Manager (E) of NEEPCO Ltd. and I am duly authorized to make this affidavit.
2. That the contents of the comments /suggestions are based on information available with the petitioner in the normal course of business and believed by the deponent to be true.

Elizabeth Pyrbot
DEPONENT

VERIFICATION:

Verified at New Delhi on this 22nd January, 2019, that the contents of above affidavit are true to the best of my knowledge, no part of it is false and nothing material has been concealed therefrom.

Elizabeth Pyrbot
DEPONENT

ATTESTED

NOTARY PUBLIC INDIA

22 JAN 2019



NEEPCO's COMMENTS ON THE DRAFT CENTRAL ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2019

Regulation No.	Clause No.	Regulation	NEEPCO's observation
2		Scope and extent of application. (1) These regulations shall apply in all cases where tariff for a generating station or a unit thereof and a transmission system or an element thereof is required to be determined by the Commission under section 62 of the Act read with section 79 thereof: 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	1. The provision regarding seeking of fresh consent of beneficiaries may be reviewed. 2. The term " financial closure " needs to be firmly defined in the regulations in order to avoid interpretation in different ways.
10	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 recovered corresponding to the additional capital expenditure not incurred, as approved by the Commission, along with interest at 1.20 times of the bank rate as prevalent on 1st April of the respective year	It is suggested that the threshold may be increased to 25% in place of 10% considering the necessity of adhering to various codal formalities for incurring expenditure by PSUs.
	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.	It is suggested that the threshold may be increased to 25% in place of 10% considering the necessity of adhering to various codal formalities for incurring expenditure by PSUs.
25	(1)	The Capital Expenditure, in respect of existing generating station or the transmission system.....subject to prudence check:	The provisions of Regulations 14 (3) (vii) and (viii) allowing additional expenditure

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NEEPCO's COMMENTS ON THE DRAFT CENTRAL ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2019

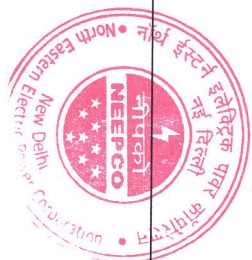
			necessary for successful and efficient operation may also be incorporated in the draft.
30	(2) (i)	Return on Equity in respect of additional capitalization after cut-off date within or beyond the original scope shall be computed at the weighted average rate of interest on actual loan portfolio of the generating station or the transmission system	It is felt that that this provision will be counterproductive as it will deter generating companies from making necessary investments. Therefore, it is suggested that RoE on these expenditures be allowed at the normal base rate.
28		<p>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.</p> <p>(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.</p>	<p>This regulation may be reviewed due to the following reasons:</p> <ol style="list-style-type: none"> 1. R&M proposal is vetted through CEA and approved by CERC. 2. Composite tariff (Capacity charge + Energy charge) payable on schedule generation will cause loss of capacity charge to the generator in the event of non-requisition of declared capacity. 3. Since NEEPCO is dependent on long term fuel supply agreement in the absence of spot gas, RLNG etc. in this region, NEEPCO is likely to incur additional losses in terms of paying against MGQ clause to the gas supplier in the event of under requisition of declared capacity.
35	1 (3)	<p>Open Cycle Gas Turbine/Combined Cycle generating stations: (in Rs Lakh/MW)</p> <p>Year Gas Turbine/ Combined Cycle generating stations other than small gas turbine power generating stations</p> <p>Small gas turbine power generating stations</p>	<p>The O&M expenditure for Gas Based Stations has been reduced in entire period of 2019-24 w.r.t. expenditure allowed in 2018-19.</p> <p>O&M expenses allowed by CERC for the</p>

NEEPCO's COMMENTS ON THE DRAFT CENTRAL ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2019

		<p>Agartala GPS Advance F Class Machines</p> <table> <tr> <td>FY 2019-20</td><td>16.24</td><td>41.00</td><td>25.00</td></tr> <tr> <td>FY 2020-21</td><td>16.76</td><td>42.31</td><td>25.80</td></tr> <tr> <td>FY 2021-22</td><td>17.30</td><td>43.66</td><td>26.63</td></tr> <tr> <td>FY 2022-23</td><td>17.85</td><td>45.06</td><td>27.48</td></tr> <tr> <td>FY 2023-24</td><td>18.42</td><td>46.50</td><td>28.35</td></tr> </table>	FY 2019-20	16.24	41.00	25.00	FY 2020-21	16.76	42.31	25.80	FY 2021-22	17.30	43.66	26.63	FY 2022-23	17.85	45.06	27.48	FY 2023-24	18.42	46.50	28.35	tariff period 2019-24 may be reviewed based on actual expenditure incurred in the current tariff period.
FY 2019-20	16.24	41.00	25.00																				
FY 2020-21	16.76	42.31	25.80																				
FY 2021-22	17.30	43.66	26.63																				
FY 2022-23	17.85	45.06	27.48																				
FY 2023-24	18.42	46.50	28.35																				
35	2 (a)	Hydro Generating Station: (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 subject to maximum of 4% of admitted capital cost as on commercial date of the respective year:	O&M expenses for Kopili-II HEP nad Khandong HEP need to be specified separately.																				
35	2(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 & 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 & maintenance expenses as on 31.3.2019. The operation & maintenance expenses for subsequent years of the tariff period shall be worked out by applying escalation rate of 4.70% per annum.	O&M expenses for all hydro stations may be kept as 4% for the first year as the O&M expenses is independent of the plant capacity ,																				
51	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	Plant Availability Factor (PAF) As per present regulatory framework, the recovery of annual fixed charges is based on cumulative availability during the year so as to achieve the target cumulative availability on annual basis to recover the full annual fixed charges.																				

NEEPCO's COMMENTS ON THE DRAFT CENTRAL ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2019

		Capacity Charge for Off-Peak period of the month	<p>However, the existing norms of annual plant availability recommended by CERC for review for fixed cost recovery from annual cumulative availability basis to a lower periodicity, such as monthly or quarterly or half yearly.</p> <p>In the event of admissibility of such periodicity for PAF for recovery of AFC, power station like AGBP shall be having substantial under recovery in terms of AFC as there is significant seasonal fluctuation of Gas supply by OIL. Regulation in supply of Gas to NEEPCO time to time are done due to preferences given to Fertiliser Industry, Tea Industry in addition to decline in production of Gas by the supplier M/s OIL.</p> <p>However, efforts are always being made by AGBP to improve PAF whenever gas made available by OIL on fall back basis during winter due to low tea production and low drawal by other industries resulting improvement of cumulative PAF.</p> <p>A variation of PAF monthly basis for the FY 2017-18 and 2018-19 in respect of AGBP are shown below:</p>
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Signature


NEEPCO's COMMENTS ON THE DRAFT CENRAL ELECTRICITY REGULATORY COMMISION (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2019

			<p>Month 2017-18 2018-19</p> <p>April 53.49 44.6</p> <p>May 71.57 64.58</p> <p>June 70.40 55.77</p> <p>July 66.38 65.29</p> <p>August 55.73 65.85</p> <p>Sept 60.83 50.79</p> <p>Oct 66.01 71.98</p> <p>Nov 52.16 75.91</p> <p>Dec 55.05</p> <p>Jan 75.21</p> <p>Feb 65.10</p> <p>March 57.12</p> <p>Cumulative 62.43 61.84</p> <p>In case of PAF being considered on monthly or quarterly basis, AGBP may lose the opportunity of recovering AFC through cumulative APAF.</p> <p>Further as the Fixed Cost for a Plant is calculated on Annual basis and not in monthly/ quarterly basis, we may be allowed an opportunity to recover the AFC on Annual Cumulative basis.</p>
51	5	<p>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.</p> <p>Provided that if the cumulative peak period PAF achieved during a quarter is more than the specified NQPAF for peak period and the</p>	<p>The para "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</p>

NEEPCO's COMMENTS ON THE DRAFT CENTRAL ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2019

		cumulative Off-Peak period PAF achieved during the quarter is less than the specified NQPAF for Off-Peak period, the loss in recovery of 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	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" may be reviewed and generator may be allowed to recover the loss during peak period for less PAF. The para "Provided also that carry forward of under-recovery of Capacity Charge shall not be allowed for recovery from one quarter to the subsequent quarter" may be withdrawn
59	B (a)	Normative Quarterly Plant Load Factor (NQPLF) for Incentive: (a) For all thermal generating stations, except those covered under clauses (b), (c) - 85%.	Normative Quarterly Plant Availability Factor (NQPAF) for AGBP has been continued with 72% whereas Normative Quarterly Plant Load Factor (NQPLF) for Incentive has been fixed as 85% which may be reviewed and fixed at 75% .
59	E (C)	Auxiliary Energy Consumption : (c) For Gas Turbine /Combined Cycle generating stations: (i) Combined Cycle : 2.75% (ii) Open Cycle : 1.00%	1. The auxiliary energy consumption of Tripura Gas Based Power Plant (TGBPP) is beyond the normative 2.5% mainly due to motor driven gas booster station and the actual AEC was 4.51% for FY 2015-16, 5.8% for FY 2016-17 and 4.40% for FY 2017-18. Further, the CEA Recommendations also indicate AEC of 4.2 % for TGBPP. 2. The Agartala Gas Turbine Combined

NEEPCO's COMMENTS ON THE DRAFT CENTRAL ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2019

			<p>Cycle Plant (AGTCCP) incorporates Direct Cooling Air Cooled Condensers, due to which the auxiliary energy consumption of this station is in the tune of 3.7% Therefore, additional Auxiliary Energy Consumption of 1% as allowed for coal based plants with Dry Cooling Systems may be extended to AGTCCP.</p> <p>3. In the context of AGTCCP, the methodology adopted as indicated at para 19.5.6 of the Explanatory Memorandum which considers a 5 year average is not appropriate as the station was an open cycle station during the first three years with a much lower AEC. The station was converted to combined cycle during FY 2015-16 and thereafter the AEC increased substantially. T</p>										
 60	(4)	<p>Based on the above, the Normative annual plant availability factor (NAPAF) of the hydro generating stations already in operation shall be as follows:</p> <p>NEEPCO</p> <table><tr><td>Kopili I Storage 4x50</td><td>69</td></tr><tr><td>Khandong Storage 2x25</td><td>67</td></tr><tr><td>Kopili II Storage 1x25</td><td>69</td></tr><tr><td>Doyang Storage 3x25</td><td>70</td></tr><tr><td>Ranganadi Pondage 3x135</td><td>88</td></tr></table>	Kopili I Storage 4x50	69	Khandong Storage 2x25	67	Kopili II Storage 1x25	69	Doyang Storage 3x25	70	Ranganadi Pondage 3x135	88	<p>Request the Hon'ble commission to reduce the NAPAF of RHEP to 85%.</p>
Kopili I Storage 4x50	69												
Khandong Storage 2x25	67												
Kopili II Storage 1x25	69												
Doyang Storage 3x25	70												
Ranganadi Pondage 3x135	88												

NEEPCO's COMMENTS ON THE DRAFT CENTRAL ELECTRICITY REGULATORY COMMISSION (TERMS AND CONDITIONS OF TARIFF) REGULATIONS, 2019

70	<p>Sharing of gains due to variation in norms</p> <p>New add Provided that in case of hydro generating stations, the net gain on account of Actual Auxiliary Energy Consumption being less than the Normative Auxiliary Energy Consumption, shall be computed as per following formulae provided the saleable scheduled generation is more than the saleable design energy and shall be shared in the ratio of 50:50 between generating station and beneficiaries.:</p> <p>(i) When saleable scheduled generation is more than saleable design energy on the basis of normative auxiliary consumption and less than or equal to saleable design energy on the basis of actual auxiliary consumption:</p> <p>Net gain (Million Rupees) = [(Saleable Scheduled generation in MUs) – (Saleable Design energy on the basis of normative auxiliary consumption in MUs)] x 0.90</p> <p>(ii) When saleable scheduled generation is more than saleable design energy on the basis of actual auxiliary consumption:</p> <p>Net gain (Million Rupees) = {Saleable Scheduled generation in MUs- [(Saleable Scheduled Generation in MUs x (100-normative AEC in %)/(100- actual AEC in %))]} x 0.90</p>	Request for review
71	Sharing of saving in interest due to re-financing	Request for review
72	Sharing of Non-Tariff Income	Request for review

