



TEESTA URJA LIMITED

(A Government of Sikkim Enterprise)

No. TUL/CERC-comments/190128

Dated 28.01.2019

To,
The Secretary,
Central Electricity Regulatory Commission,
3rd & 4th Floor, Chanderlok Building,
6, Janpath, New Delhi-11001.

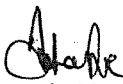
Sub: Comments on "Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019"

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

Sir,

With reference to Hon'ble Commission's Draft Notification under reference above, please find enclosed the comments of Teesta Urja Ltd. on the "Draft CERC (Terms and Conditions of Tariff) Regulations, 2019".

Yours faithfully


(Jaideep Lakhtakia)
General Manager

Enclosures: As above.

Comments on CERC (Terms and Conditions of Tariff) Regulations 2019-24

| S.N. | Regulation | Related to | Comments/ Suggestions |
|------|------------------------|---|---|
| 1. | 3(79) | Useful Life of hydro | <p>Though useful life of hydro has been increased to 40 years against earlier envisaged 35 years for rationalizing the tariff, present Implementation Agreement (IA) of TUL with Govt. of Sikkim for 1200 MW Teesta III HEP is for 35 years after which the Project is to be transferred to the Govt. free of cost. This will result in non-recovery of Capital Cost of 5 years.</p> <p>Therefore, it is suggested: In case implementation agreement provides for transfer of the project to the State Govt. on a date lower than 40 years than the remaining depreciable value after a period of 12 years shall be spread over balance period till handing over of the project.</p> |
| 2. | 76 | Deviation from ceiling tariff | <ul style="list-style-type: none"> ▪ Tariff Regulations 2014-19 provided for deviation from norms subject to ceiling of levelized tariff. Such methodology was feasible as it resulted in recovery of entire cost within the useful life of the project. ▪ Above provision has been omitted in the draft Tariff regulation 2019-24. ▪ Current draft regulations provide tariff computed based on norms as ceiling tariff with a condition for a period not exceeding one year at a time. With this provision, loan repayment must be made in 12 years only. Flexibility to spread the loan repayment for longer period (say 25 years) will not be there due to this provision so, the tariff would remain front loaded only. <p>Therefore, Existing Regulations of 2014-19 to be retained.</p> |
| 3. | 25 | Additional Capitalization beyond the original scope | <ul style="list-style-type: none"> ▪ Following Provision is existing in Tariff Regulation 2014-19: "In case of hydro projects, expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation should form part of additional capitalization." <p>It is requested to retain the said provisions in 2019-24 Tariff Regulations.</p> |
| 4. | Third proviso to 33(3) | Depreciation | <ul style="list-style-type: none"> ▪ It is submitted that all the components of tariff are computed based on Capital Cost of the entire Project irrespective of the percentage of tie-up under long term. As such, while billing, the ratio is arrived based on tied-up capacity, thereby resulting in recovery of tariff corresponding to tied-up capacity only. Accordingly, computing depreciation based on tied-up capacity is not required. In case such computation is done, it will result in double deduction of depreciation at the time of billing. ▪ Therefore, this para may be deleted. |
| 5. | 70(2) | Sharing of gains due to variation in norms | <ul style="list-style-type: none"> ▪ Reason: <ul style="list-style-type: none"> - For the purpose of secondary energy, design energy is considered on annual basis i.e. once the share of design energy is scheduled to the beneficiaries, every unit of energy scheduled beyond such design energy share is charged at 90 paise/unit. - There could be a situation when few months in a year are generating beyond proportionate monthly design energy share and overall generation is less than / equal to the design energy. <p>Therefore, it is requested that any gain on account of efficient operation of plant by generator in the form of auxiliary consumption shall also be considered on annual basis and not on monthly basis with annual reconciliation.</p> |

