

Vineet Sarawagi

(MBA, LLB)

199/4, Vaishali, Ghaziabad, Uttar Pradesh -201010

Mobile: +91 9953130029

Email: vkSarawagi@hotmail.com

VS/2018-19/202

15th January 2019

To,

HON'BLE SECRETARY

CENTRAL ELECTRICITY REGULATORY COMMISSION (CERC)

3rd & 4th Floor, Chanderlok Building,

36, Janpath, New Delhi -110 001

Tele No.: 011-23353503/23753918, Fax: 011-23753923

Email-Id: tariff.regulation@cercind.gov.in

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

Reference: Draft "**Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019**" notified on 14th December 2018

Hon'ble Sir,

This is with respect to the Regulation notified by your good office on 14th December 2018 on **Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019**, kindly find comments/suggestion based on my discussion with few experts from the Industry (Developers as well as from the Financial Institutions) as under:

- 1) Tariff Determination for Thermal Power Plants ("**TPP**") is normally done in the final year of CoD, i.e. after occurring of events like Financial Closure, investment of approx. 75% (in general cases), etc. and the tariff is awarded only for next 5 years, with provisions of True-up on yearly basis. It means that, Financial Closure ("**FC**") is done without having any Tariff approval by the Electricity Regulatory Commission ("**ERC**"). Any deviation in Tariff Approval by the concerned ERC will lead to change in complete financial projections and the project may get at Toss.

Further, in the similar type of regulations by this Hon'ble Commission (i.e. CERC) and other State Electricity Regulatory Commissions ("**SERC**") in the case of Municipal Solid Waste Management Sector ("**MSW**"), Electricity Tariff for power supply to DISCOM is awarded for complete useful life of the project ab-initio, i.e. before FC of the project itself. This leads to higher clarity regarding revenue realization to the financial institutions and helps in FC.

Therefore, it is suggested to award tariff for any TPP at an ab-initio stage itself, i.e. before achieving of FC and/or signing of PPA. Wherein, there may be some provisions for maximum corrections of 10% on either side (which may lead to higher/lower tariff with allowance of some additional expenditure-if applicable) on annual basis. Hon'ble Commission may take reference of its own regulation

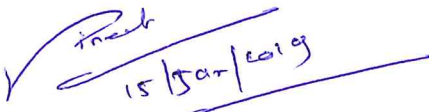
notification of MSW Sector along with similar type of regulations/notifications by other SERC.

- 2) There are few states, wherein, PPAs were signed with the State DISCOMs by Independent Power Producers (IPPs) of Thermal Power Plants (e.g. Odisha, Jharkhand, Chhattisgarh, etc.), wherein, IPPs had no option but to offer free power (i.e. power supply only at variable cost) to the home State considering the several reasonings like Coal Mine in the home State, etc. (based on the initial MoU signed with the State Government for setting up Power Plant). It is suggested in these cases that, **the Fixed Cost recovery for the power supplied only at variable power to the State DISCOM by IPP, should be allowed for compensation from the remaining power supply (till Normative Availability)**. Hon'ble Commission will appreciate the fact that few State Regulatory Commissions have understood the genuine concern and have allowed such compensations, e.g. for Thermal Power Plant of Adhunik Power and & Natural Resources in Jharkhand by Jharkhand State Electricity Regulatory Commission, etc.
- 3) **Treatment of Mismatch of CoD with liability towards payment of Transmission Charges & Water Charges:** any such amount payable till CoD (i.e. scenario, wherein IPP cannot invoice the same to power procurer), **should be allowed to capitalized as part of Project Cost** and treatment of the same to be dependent on explicit funding of the same, i.e. to be treated standalone at Equity or as a mixture of Debt & Equity.
- 4) Recently, Income Tax India have inserted new section as Article 35 AD. Please confirm, impact of the same for Depreciation calculations

It is requested and prayed that Hon'ble UPERC will ensure the interest of the Waste to Energy Power Developers and the entire Municipal Solid Waste Sector.

Thanking You

Your Faithfully


15/5ar/2019
Vineet Sarawagi