

Ref:MSEDCL/PP/CERC/ **No - 2921**

Date:- **28 JAN 2019**

To,

Shri. Sanoj Kumar Jha,

The Secretary,

Central Electricity Regulatory Commission

3 rd & 4 th Floor, Chanderlok Building,

36, Janpath, New Delhi- 110001

Sub: - Comment on Draft CERC (Terms and Conditions of Tariff) Regulations, 2019 for the tariff period from 1.4.2019 to 31.3.2024.

Ref: -

1. Consultation Paper issued on 24th May 2018 on terms and conditions of tariff regulations for tariff period 1.4.2019 TO 31.3.2024.
2. MSEDCL Comments on consultation paper vide Ref. No. MSEDCL/Comments/CERC/Tariff/018283 dated 30th July 2018
3. CERC public notice vide no. L-1/236/2018/CERC dated 14th December 2018 and 7th January 2019.

Dear Sir,

This is with reference to CERC's public notice under reference with regard to seeking comments and suggestions of stakeholders on "Draft Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (CERC Tariff Regulations 2019) commencing from 1st April 2019. MSEDCL welcomes Hon'ble CERC's steps with positive gestures for involving Discoms which is major stakeholder in the process of tariff determination.

However, while framing regulations, there is a need to consider the factors such as transparency, availability of past data with actual operational parameter, expected capacity addition (w.r.t thermal and renewable), efficiency parameter and impact of same on DISCOM and Generator. Considering the significance of certain key points of the proposed Regulations, MSEDCL thought to brief here in order to ensure addressing of the same in final CERC Tariff Regulations 2019.

1. **Operational Parameter:**

MSEDCL submits that usually the Norms should be progressive in nature to make the generator more efficient in order to make the prices more competitive. Even the

progressive norms has been provided for distribution function with respect to their distribution loss and DISCOMs are binding to reduce T&D losses over the period of time, hence similar progressive norms of operation should be applicable for generator. However, it has been observed that in certain operational norm as provided for Generator, the more relaxation has been provided in the efficiency which may result in higher cost for DISCOM and additional income to Generator as compare to earlier tariff regime. The same is highlighted as below:

a. Transit and Handling Loss:

- The norms of the transit loss has been increased from 0.8% to 1.2% (allowing increase of 50% inefficiency) for the non-pit head power plant getting coal from the distance above 1000 km. The loss for imported coal is linked with non-pit head coal whereby the transit loss will be increased from 0.2% to 1.2% (increased by 6 times). However in Statement of Reasons, it has been stated that for imported coal, the loss related to pit-head i.e. 0.20% will be applied. So the Regulations and Statement of Reasons are contradictory in nature.
- However, it is submitted that mere increase in distance in transportation of coal, may not results in to increase in transit and handling loss. Also, the contracts in relation to imported coal are usually on delivery basis and therefore no transit and handling loss shall be allowed. Also, any issue of transportation loss through rail can be solved out with Railway Authorities. As it is an independent contract by the Generating Company with CIL / Railway / Transport Company and therefore, contractually both the parties to take care of such loss under their respective contract and shall not be pass on to the Beneficiary.
- Therefore, considering the norms to be in progressive in nature, the transit and handling loss need to be reduced over the period of time instead of increasing the same. Hence the increase of transit and handling loss may be reviewed and need to be revised accordingly.

b. Normative Quarterly Availability Factor

- It has been proposed in Draft CERC Regulation 2019 that Normative Quarterly Plant Availability Factor (NQPAF) will be 83% and annual scheduled plant maintenance period shall not be considered for the computation of Normative Quarterly Plant Availability Factor, as compared to Normative Annual Plant Availability Factor of 85% considering annual scheduled plant maintenance period in previous CERC Tariff Regulations.
- Since annual scheduled plant maintenance period will not considered for the computation of Normative Quarterly Plant Availability Factor as per Draft Regulations 2019, PAF limit should have been increased to 93%, as in previous regulation 85% PAF limit were applicable considering the annual scheduled plant maintenance period. Thus MSEDCL submits that, PAF may be kept at 93% keeping annual scheduled plant maintenance period out of PAF

may be kept at 85% by considering annual scheduled plant maintenance period. Else Generator will be able to recover its full capacity charge by just achieving 83% PAF against 93% PAF level (which ideally it should be to recover full capacity charges)

- Also, as provided in the Statement of Reasons, it is clearly stated as follows:
*.....the average availability during FY 2012-13 to FY 2016-17 for most of the station of NTPC was above 90%, with few stations in the range of 85% to 90% and only 1 station i.e. Farakka with less than 85%.
For 29 NTPC Coal based plants (excluding Mauda STPS Stage I), the average availability factor works out to 91.63% and the median works out to 91.57% with standard deviation of 4.81% which means availability factor of the plant varies from 96.39% and 86.75%.*
- Since it has been clearly observed that NTPC is able to achieve the normative availability of 85% for maximum of their Station and hence there is no need required for relaxation of PAF norm from 85% to 83%. This additional relaxation in PAF provided to Central Generating Station will provide an additional buffer in recovering fixed cost by Rs. 547 Crs and hit for MSEDCL to the extent of Rs. 80 Crs.

Particulars	NTPC Fixed Cost	MSEDCL burden of Fixed cost ^{\$}	Decrease in Availability	Buffer to NTPC	Burden on MSEDCL
	Rs. Crs	Rs. Crs	%	Rs. Crs	Rs. Crs
Fixed Cost	23,240*	3405	2%	547	80

* - for ease, fixed cost of FY 2017-18 as per annual report has been considered of NTPC
\$ - Fixed Cost burden on MSEDCL for FY 2017-18 from NTPC Power Plant

c. Aux. Consumption:

- The Auxiliary Consumption has been increased from 5.25% to 5.75% for 300/330/350/500 MW and above (Steam driven boiler feed pump). As stated, the norms needs to be progressive in nature and any relaxation in such norms results in encouragement of inefficiencies and additional burden on beneficiaries.

d. Gross Calorific Value:

- The energy charges determination as per Regulations is on the GCV Received basis with an additional 85kCal/kg loss allowed on account of variation during storage at generating station.
- Allowance of additional 85 Kcal/Kg loss on account of variation during storage at generating station will result in additional burden on the beneficiaries / DISCOM which actual needs to be borne by Generator.

e. Financial impact on account of change in norms

- Based on various norms of operations proposed in Draft CERC Regulations 2019, MSEDCL has worked out the financial impact on the MSEDCL

(procuring 28500 MUs) and benefit to NTPC (Generating overall 252360 MUs) as major Generator which is under:-

Change in Parameter	Impact	Impact on MSEDCL	Gain for NTPC	Assumption
	Ps./Unit	Rs. Crs	Rs. Crs	
Transit Loss increase from 0.8% to 1.2%	1	11	101	40% from non-pithead with distance above 1000 km.
Transit Loss increase from 0.2% to 1.2% (imported Coal)	2	9	76	15% from imported coal
Additional in GCV by 85 KCal	5	143	1,262	
Increase in Aux. consumption	1	23	202	80% of NTPC Power station in the same unit configuration
Improvement in SHR for unit size below 250 MW	-3	-26	-227	30% of NTPC Power station in the same unit configuration
Total Impact	6	160	1413	

2. Consent from Beneficiaries:

- Thermal generating station which have completed their useful life of 25 years may not be considered for closure unless the consent of the Beneficiaries is provided. Till the completion of 25 years, major cost of the plant has been recovered through depreciation and debt repayment claimed, hence the life of the plant may be extended for further period by carrying out only R&M activities and no fixed cost will required to pay after extension. Hence such plant has edge over other running plants in terms of variable cost rate. Therefore such plant should be continued in operation to bring down overall cost of the beneficiary and ultimately reduce the tariff to the customer.

3. Charging of Lower Tariff:

- As per Draft CERC Regulation 2019, Tariff determined is as per norms will be ceiling tariff with flexibility to Generator and beneficiary to agree for lower rate on mutual agreement. However, post mutually agreed tariff, no incremental cost need to be allowed under true-up mechanism or else the entire objective for providing power at lower rate for being more competitive will get defeated.

4. Non-Tariff Income:

- MSEDCL welcomes the provisions of sharing the Non-Tariff Income equally with beneficiaries. However, the Regulations needs to be clear with the proviso that any cost incurred for such Non-Tariff Income resulting in net loss shall not be shared with the beneficiaries.

MSEDCL further submit that following comment proposed by MSEDCL in the consultative paper has not been addressed in the Draft Regulations and request to re-look into the matter so as to provide the efficient tariff to the end consumers:

1. Transmission Losses –

It is the prime responsibility of transmission companies to improve the network infrastructure and curb inefficiencies. Any form of incentivisation has a cost bearing which ultimately gets passed to discoms and thereby burdening the consumers through higher tariff. Therefore, stringent norms should be set with regards to curbing the transmission losses over the control period and penalties should be imposed for non-adherence to the set target within the specified timelines.

2. Treatment for unutilized capacity –

MSEDCL proposes surrendering of unutilized capacities on monthly basis which would be declared for the entire year in advance. Also Discoms should have the right of recalling the foregone capacity after 3 months from the declaring with prior notice of one month.

Considering points discussed in foregoing paragraphs and its financial impact on MSEDCL and NTPC as major generator, the detailed comments are enclosed in **Annexure A**. It is kindly requested that the same may please be taken on record and to be considered while deciding the principle and methodology to be adopted for tariff determination during next tariff period commencing from 01.04.2019.

Thanking You,

Yours Faithfully



Satish Chavan

Director (Commercial), MSEDCL.

Encl: Annexure-A (72 pages)

Copy S.W.R.To,
Chairman and Managing Director, MSEDCL