Views of GRIDCO
on
Consultation Paper on
Terms and Conditions of Tariff
for Tariff Period 2019-24

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Gross Calorific Value (GCV)

- Should there be any loss in GCV during transportation?
- CEA's opinion on 'as billed GCV' and 'as received GCV'.
- Loss of GCV during transportation: Risk allocation between Coal Company, Railways and the Generating Company,
- What should be the Sampling Procedure and Sampling Point? Role of CEA & CIMFR

Gross Calorific Value (GCV)

GRIDCO's Opinions:

- Cl.22.2: Measurement of GCV of Coal used needs to be as accurate as the true representative of the Coal Consumption.
- Cl.22.8(a): The GCV measured for determination of Rate of Coal at Mines end is to be considered for computation of ECR.
- Cl.22.8(b):

  (i) Coal Supplier is benefited due to improper sampling from Wagon Top.

Gross Calorific Value (GCV)

- Cl.22.8(b):

  (ii) Loss in GCV has already been taken care of in determination of SHR.

  (iii) The reduction in GCV during handling inside Power Plant is insignificant.

Gross Calorific Value (GCV)

- Cl.22.8(c): Review Petition No. – 14/RP/2017

  "Even otherwise, there would not be any difference between 'as billed' and 'as received' GCV of coal, as the generating station is a pit head station."

- ➢ Point of sampling of Coal and its GCV determination should be (i) uniform and transparent, (ii) mutually agreed between Generator and Coal Supplier to ensure that the Despatch GCV at Mines end should be same as 'As received GCV' at Generating Station end.
- ➢ Any cost of slippage in grade of Coal between the loading point and site of the Generating Station is to be settled in terms of risk allocation between the Coal Company, Railways and the Generating station.

Gross Calorific Value (GCV)

- Cl. No. 9.4.2 of National Electricity Plan (Volume – I, Generation):*"It has been decided that CIMFR will undertake the work of third party sampling at unloading point, i.e. at the Power Plant end. Therefore, with sampling of Coal at loading and unloading point will address the issue of quality and grade slippage of the Coal supplied to Power Utilities in their Power Plants."*
- GCV mentioned anywhere for any purpose inside the Tariff regulation is to be mentioned along with the method of calculation i.e. GCV_{TM} ,GCV_{EM} ,$GCV_{DA,}$ GCV_{D} etc. as per relevant IS.

Gross Calorific Value (GCV)

- Monthly reconciliation between the generator and coal supplier towards payment of charges of coal to the coal supplier by the generator.
- Constitution of a regulating body to guide the process of swapping of transport of coal, so that the volume transport to a distance place can be reduced thus reducing landed cost of coal.

Capital Cost/Benchmark Cost

- Budgetary Price offer and the Past Cost Data for construction of existing Generating Stations/ Transmission System to be utilised for benchmarking.
- Different Benchmark Prices for different Technology and Unit Size & Normalized Land Cost for benchmarking.
- Benchmarking at project estimation stage for getting competitive price at tendering stage.
- 'Benchmark Cost' to be the Ceiling Price for Tariff Offer to the Beneficiaries by the Generator/Transmission Licensee.
- Provision of Pilot Project for Alternative Normative Tariff Fixing Mechanism.

Principles of Cost Recovery– Approach towards Multi Part Tariff

- Peak period should be 8 months instead of 4 months for achieving 95% PAF towards recovery of 20% of the AFC.
- Price should be same for both off-peak and peak periods.

Interest on Working Capital

- Truing up of Interest on Working Capital against actual coal stock based on declaration by the Generator.

Three Part Tariff Structure for Thermal Generating Stations

- Interest on working capital regarding recovery of fixed charge may be clarified.
- Normative Target Availability for recovery of fixed charges should be enhanced from 85% to 90% for sub critical units and to 95% for super critical units.
- Guaranteed return:

  New Generating Station - percentage of return in Govt. of India long term security bond

  Existing generating stations - actual dispatch of the plant rather than to link with it on availability.
- Clarification regarding the linking of variable cost to the difference between availability and dispatch

Thermal Generating Stations (Older than 25 Years)

- Out-performing Thermal Generating Units are to be subjected to R&M with life extension.
- For other old Generating Stations: Replacement with Super-Critical Unit or R&M with life extension after prudent cost-benefit analysis only.
- Replacement or R&M for old plants to be caried out with consent of Beneficiary(ies) along with the first right of refusal.

Station Heat Rate

- To be determined basing on Turbine Heat Rate, Boiler Efficiency and related heat losses.
- Determination of SHR, basing on historical data, furnished by Generators, to be compared with historical data and lower value should be taken as input for calculation of ECR.
- Determination of SHR basing on consumption of Coal has got major impact on Tariff.

Depreciation

- The useful life of Hydro Generating Stations and Transmission Assets should be increased to 50 years instead of prevailing 35 years. Correspondingly, the loan repayment period should be increased upto 18-20 years from prevailing 10-12 years.
- Useful life of Thermal Generating Station should be increased to 35 years instead of prevailing 25 years. Correspondingly, the loan repayment period should be increased upto 18-20 years from prevailing 12 years.

Renovation and Modernisation

- R&M expenses to be approved along with period of life extension beyond designated useful life of the Generating Station.
- No provisions in the Tariff Regulations to be there for 'Special Allowance' for incurring the expenditure towards R&M.

Compensation Allowance

- Compensation Allowance is the R&M Expenses in disguise without any life extension, thereby no benefit is derived by the Beneficiary(ies)/ Consumers. Such type of expenditure should be covered under Additional Capitalisation after prudence check by the Commission.

Rate of Return on Equity (ROE)

- ROE need to address both incentive/ disincentives for timely/delay in completion of projects (be it thermal, hydro, transmission projects) and flat rate may be stipulated.
- There has been instances wherein if additional 0.5% of incentives have not been availed by the project developer for timely completion of the project, time/cost overrun have been allowed in the tariff orders.
- Rate of Return on Equity should be reduced keeping in view the downward trends in Debt markets. Reduction of Rate of Return may be linked to MCLR of SBI.

Debt:Equity Ratio should be modified to 80:20 from the existing 70:30 in order reduce the burden of Return on Equity on the Consumers

Deviation from Norms: As there is no embargo on the Generating Stations or the Transmission Licensee to charge lower tariff this provides a scope for creating some competition.

Electricity Duty: The Electricity Duty (ED) Act of the concerned state is to be adhered for payment of Electricity Duty.

Optimum utilization of Capacity of Coal based Thermal Generation

Clarification is required on the followings:

- In case of surrender of contracted capacity by the beneficiary on annual basis whether the fixed cost liability will be relieved from the beneficiary.
- Detailed Methodology regarding the bidding out of Surrendered Power and reallocation thereof.
- Will there be any ceiling price for such bidding price.
- What will happen if discovered price is less than the Variable Cost.
- What will happen if discovered price is less than the Tariff.

Hydro Generation

- GRIDCO does not agree to the proposal of delinking the Hydro power Generation, as the Hydro Projects are multi-purpose project.

Cost of Debt

- Cost of Debt towards actual loan part may be determined on the basis of actual interest rates.
- As regards the Notional Debt part, MCLR Rate of SBI may be applied for calculation of Cost of Debt.

Transmission System-Transmission Losses

- GRIDCO agrees to the recommendation to introduce the norms for Inter-state Transmission losses, based on factors within control and international benchmarks.

Incentive

- The incentive for generating more than the normative PLF needs to be discontinued as India is surging towards green energy Regime.

Pay by Date for availing 2% rebate:

- GRIDCO proposes for 7days time period for the date of presentation of bill for availing 2% rebate.

ISTS - Tariff Structure

- **Cl.7.5.4** GRIDCO agrees on segregation of Transmission tariff into two part tariff structure whereby transmission access & transmission service are recognized as separate transmission products.
- **Cl.7.5.5** GRIDCO agrees with the options of (i) fixed components consisting of annual fixed cost of the evacuation transmission system & (ii) variable components consisting of common transmission system excluding evacuation transmission system.
- More clarification needed on methodology for selection of fixed transmission system designated for access & Past data of ISTS component wise as percentage of total AFC.
- GRIDCO agrees to link the fixed component with Transmission Access Charge & variable component with Transmission Service Charge. The recovery of variable component should be linked with actual flow only.

Reduction in the Rate of Late Payment Surcharge

- GRIDCO proposes to decide the LPS at one year MCLR of SBI as on 1st Aprl'2019 plus 300 basis points.

Interest during Construction (IDC)

- GRIDCO proposes to keep provision for prudence verification of due diligence followed in arranging finance at a best competitive rate of interest.

Determination of Energy Charges (Decimal point)

- GRIDCO proposes to clearly spell out whether to round up/round down/round to three decimal place or to leave out all digits beyond third decimal place.

Commercial Operation Date (COD)

- All expenditure up to the cut-off date, as per Project Approval for new generating station is to be considered towards capital cost. No additional capitalization is to be allowed up to the cut-off date, during this period de-capitalization if any is to be allowed.
- Trial run in case of a generating station can be considered for a generating unit only but not for the whole generating station. Accordingly, the clauses need to be modified.

- **<u>Force Majeure Condition</u>**: To be re-defined as it is ambiguous due to the fact that as per Regulation – 3(25) of CERC Tariff Regulations, 2014 the general statement is 'beyond the control of the Generating Company or Transmission Licensee' including the Acts of God & others.
- **<u>Sharing of Gains in case of Controllable Parameters</u>**: When the Generators are compensated as per the 4th Amendment to IEGC Regulations, 2014, there is no justification in passing on any benefit to the Generators, which should be fully passed on to the Consumers.

Transparency in Billing and Accounting of Fuel

- GRIDCO proposes for the Monthly Energy Bills to be supported by the following documents:

  -Coal Company Bill for each consignment,

  -Debit/Credit Bill,

  -Coal Test Reports for GCV & moisture for each consignment,

  -Certified by third party (CIMFR).

  -Transportation Bill,

  -Credit Bill for excess moisture and stone.

Tariff Mechanism for pollution control system (New Norms for Thermal Power Plants)

- Without ascertaining the level of pollution at an average PLF of 60%, it would not be prudent to install the Emission Control Systems, which will burden the consumers financially.
- For TPPs having higher pollution level, the Emission Control Systems with proven technology and performance be procured through competitive bidding.
- The cost of the Emission Control Systems should be met from Power System Development Fund (PSDF)) and Clean Energy Fund.

GRIDCO

THANK YOU