

Views on Consultation Paper in the matter of Terms and Conditions of Tariff Regulations (2019-2024)

WBSEDCL



Share of Generation at CERC determined Tariff on WBSEDCL

Power Purchase Basket (2017-18)		
Sources	MU	Percentage (%)
Power Purchase of WBSEDCL at CERC determined Tariff (Sec 62)	8523	21.94
Power Purchase of WBSEDCL at SERC determined Tariff (Sec 62)	21135	54.41
Power Purchase of WBSEDCL at others Tariff	4303	11.08
Power Purchase of WBSEDCL through market (Sec 63)	4884	12.57
Total	38845	100.00



Issue: Thermal Generating Stations –Tariff

Structure[Clause:7.2.1 to 7.2.6 page-23]

- **Proposal for such three part tariff structure appears to be beneficial to end users since it will lead to reduction in cost**
 - **However, inclusion of variable cost with energy cost may be considered for merit order dispatch mechanism.**



Issue: Thermal Generating Stations –Older than 25 Years [Clause:7.3.1 to 7.3.4 page-24]

- Phasing out/ Renovation & Modernization/ Extension of Life programme of such plants may be dealt with case to case basis after detailed cost-benefit analysis so that consumer burden does not increase**
- In case of phasing out programme as proposed, modus operandi for existing PPAs with such older plants should be devised beforehand in consultation with existing beneficiaries**



Issue: Hydro Generating Stations – Tariff

Structure[Clause:7.4.1 to 7.4.2 page-24]

- **Proposed option of Two-part Tariff appears to increase financial burden to end user and hence the proposal is not in the benefit of consumers.**
 - **Presently, as per state Regulation Hydro power purchase does not fall under Merit Order principle (Must Run)**
- **However, if the option of two-part tariff as proposed is kept, minimum dispatch value based on design energy should be linked with fixed component**

Issue: Inter-State Transmission System – Tariff



Structure[Clause:7.5.1 to 7.5.6 page-25]

- Issues related to Slab Rate in PoC Mechanism and Reliability Charge are under challenge before Delhi High Court which should be taken care of**
- Region-wise pricing methodology may be introduced for the ‘Common system’ as proposed in part (b) of 7.5.5 because as a beneficiary, WBSEDCL should not pay any charge like HVDC, which does not exist in its region**

Issue: Inter-State Transmission System – Tariff



Structure[Clause:7.5.1 to 7.5.6 page-25]

- In case regional pricing methodology is considered, options at (i) & (ii) under the sub-clause (a) of clause 7.5.5 appears to be beneficial to the end users in case the litigation in the Court of Law is resolved**
- Under clause 18 of CERC's Grant of Connectivity Regulations 2009, the provision of relinquishment of access right on a stranded capacity is required to be addressed accordingly**



Issue: Renewable Energy Generation –

Tariff Structure [Clause:7.6.1 to 7.6.4 page-26]

- Presently, for RPO fulfilment as per State Regulation, distribution licensees are purchasing RE power through competitive bidding route at DISCOM bus to minimise the power purchase cost**
- Proposed Tariff determination under sec 62 of the Act seems not beneficial to end users**
- Scheduling of RE power should be separated from thermal power generation in case of bundled power mode as proposed**



Issue: Capital Cost [Clause:11 page-30]

- Option 11.9 for Regulatory Framework seems to be acceptable subject to cost overrun due to uncontrollable factor, which should be shared amongst Generators/Transmission Utility and beneficiaries**
 - Provided relevant CERC/CEA project guideline/Norms is adhered and consent on cost overrun taken from respective beneficiaries**
- In a business, risk and return are to be shared between the parties in a transaction. Risk of cost overrun due to uncontrollable factor may be shared in the same principle to place the Generators/Transmission Utility and consumers on the same risk footing**



Issue: Depreciation [Clause:14.6 page-34]

- **Options A) , D) & E) is acceptable for setting up of Regulatory Framework for Depreciation**
 - As extension of life has been considered through reassessment procedure

Issue: Gross Fixed Asset (GFA) & ROE



[Clause:15.1 & 17 page-37 & 38]

- Option at 15.2 modified Gross Fixed Asset arrived at by reducing the balance depreciation after repayment of loan in respect of original project cost shall be beneficial to end users and should be adopted
- **ROE** instead of **ROCE** approach seems reasonable in view of options suggested in respect of 14.6 & 15.2 above



Issue: Debt: Equity Ratio [Clause:16 page-37]

- **Option at 16.4 shall be beneficial to end users and should be adopted**
 - **It shall rationalize the interest component**



Issue: Rate of ROE [Clause:18 page-39]

- Risk free return should be at par with Govt. Bond (G-Sec)
- Premium return should be linked with prevailing market with some weightage according to following observation
- For Generation segment, ROE should be higher than Transmission segment
 - Since there is more risk factor in Generation
 - Furthermore, in respect of Generation segment, Hydro option 18.7 (C) seems reasonable considering peak support
 - In no case existing ROE should increase



Issue: Cost of Debt [Clause:19 page-41]

- Options elaborated in 19.5 (C) seems acceptable as it will lead to reduction in cost of debt for the end users



Issue: Interest on Working Capital

[Clause:20 page-43]

- Those spares which may take long time to consume (Runner, Motor, Spares for Governor etc.) should be excluded from the Working Capital [Option 20.3 seems acceptable]**
- However, it is proposed to charge the beneficiaries, on normative or actual basis, whichever is lower, in the interest of the consumer**



Issue: O&M Norms [Clause:21 page-45]

- The options may lead to increase in O&M Cost and subsequent burden on end users**
- However, it is proposed to charge O&M expense to the beneficiaries, on normative or actual basis, whichever is lower, in the interest of the consumer**

Issue: Grade slippage and loss of calorific value



[Clause 22, Page 46]

- **As per fuel supply agreement (FSA) of generation station with coal supplier**, ownership of the coal get transferred at coal mines end. Therefore, it is the responsibility of the generating company to take preventive measures so that grade slippage issue which leads to drop in GCV around 800-1000 Kcal/kg can be addressed.
 - Impact: Reduction of energy charge to the tune of ₹ 0.60/ KWH



Issue: Grade slippage and loss of calorific value- Contd..[Clause 22, Page 46]

- **Excerpts of CEA report: Loss in GCV has been quantified between wagon top at unloading point and the point of firing of coal in boiler**
 - **Observation:**
 - **CEA report on loss of GCV value of coal is very partial in nature as the report is not analyzing the GCV of the coal at different point of journey of the coal upto the boiler. Therefore GCV loss cannot be addressed properly.**
 - **Blanket GCV compensation of around 70-80 kcal/kg for all season is not acceptable**
- **Therefore, there is a drop of GCV--between coal mines to Wagon Top unloading point between Wagon Top unloading point to 'as fired' during the storage of the coal.**



Issue: Grade slippage and loss of calorific value-Contd.....[Clause 22, Page 46]

- **Option for Regulatory framework:-**
- Insert the definition of the following:-
 - ‘as received at coalmines end’
 - ‘as received at power station end’
 - ‘as fired’
- Drop in GCV at mines end (‘as received at coalmines end’) and power station end (‘as received at power station end’) should be quantified on percentage basis and generator should be directed to reduce the GCV loss in phased manner and it should be the parameters of performance of generating companies similar in line with distribution loss in case of DISCOM.



Issue: Landed Cost [Clause 24.1 to 24.5, Page 49 & 50]

- **Lack of transparency**

- Linkup between the invoice claimed by coal companies, transportation charge claimed by the transporter, quality of the coal, quantum of the coal and the price of the coal claimed by coal companies reflected in the Form 15 (which is customized by the generator) should be transparent to the beneficiaries.

Issue: Sharing of Gain in case of

Controllable Parameters[Clause 29.1 to 29.3,

Page 58]



- Proposed mechanism on PLF linked merit order operation needs elaboration.**
- Gain sharing ratio may be considered as 40:60 i.e 40% for Generator & 60% for beneficiaries**
- Quarterly reconciliation is preferable to accommodate the requirements of quarterly accounts compilation as per statute**

Issue: Principles of Cost of Recovery [Clause 37.18

Page 58]



- The new approach of AFC based on peak & off-peak period consideration is recommended which may improve efficient operation of Generators and shall also be beneficial to end users



Issue: Late Payment Surcharge and Rebate

[Clause: 30 Page-59]

- MCLR based LPSC option seems preferable in view of its linkage with the existing debt market**
- Definition of Two days for 2% rebate on presentation should consider two working days**