

CERC (Terms and Conditions of Tariff) Regulations, 2009

Statement of Objects and Reasons

1. Introduction

1.1 The Electricity Act, 2003 (hereinafter referred to as “the Act”) assigns the following functions to the Central Electricity Regulatory Commission (hereinafter referred to as the “Commission”), among others:

- a) to regulate the tariff of generating companies owned or controlled by the Central Government;
- b) to regulate the tariff of generating companies other than those owned or controlled by the Central Government specified in Clause(a), if such generating companies enter into or otherwise have a composite scheme for generation and sale of electricity in more than one state;
- c) to regulate the inter-state transmission of electricity;
- d) to determine tariff for inter-state transmission of electricity;

Section 61 of the Act empowers the Commission to specify, by regulations, the terms and conditions for the determination of tariff in accordance with the provisions of the said section and the National Electricity Policy and Tariff Policy. In terms of clause (s) of sub-section (2) of section 178 of the Act, the Commission has been vested with the powers to make regulations, by notification, on the terms and conditions of tariff under section 61. As per section 178(3) of the Act, the Commission is required to make previous publication before finalizing any regulation under the Act. Thus as per the provisions of the Act, the Central Commission is mandated to specify, through notification, the terms and conditions of tariff of the generating companies and inter-State transmission systems covered under clauses (a) ,(b) and (c) of sub-section (1) of section 79 of the Act after previous publication.

(b) In respect of NTPC stations namely Tanda TPS and Talcher TPS, it is felt that there is further scope of reduction of heat rate norm by about 25 kCal/kWh having regard to their actual heat rate data for the period 2004-05 to 2007-08. In respect of Gandhar GPS, NTPC has sought for relaxation of norm to 2080 kCal/kWh due to water injection to control NO_x. However, considering actual performance we feel that a norm of 2040 kCal/kWh would be sufficient. Similarly, in case of Assam GPS due to non availability of gas, we are relaxing the SHR norm to 2400 kCal/kWh as provide in the draft regulations based on actual performance data as it is not possible for the NEEPCO in NE region to arrange gas from any other alternate source. In respect of Agartala GPS, we are providing for tightening of SHR norm to 3500 kCal/kWh from the present 3580 kCal/kWh considering its actual performance. With regard to DVC existing stations as provide in the draft regulation, we are specifying same norms as applicable in 2008-09 as these stations are yet to achieve norms specified for 2008-09. However, Commission would be taking stock of the actual performance of these stations and would review the DVC norms as and when considered necessary.

(c) In respect of new coal/lignite based thermal generating units, Commission is of the view that the SHR norms could not be set based on the actual performance of high performing units leaving them no scope for operational flexibility. As such, Commission is providing for a 0.5% additional margin over the design heat rate and accordingly, providing for a margin of 6.5% above the design heat rate as the SHR norm for the new coal/lignite based stations. Further, to safeguard against the misquoting of design heat rate, as suggested by CEA we are providing that the design heat rate should not exceed the following values in respect of units depending upon their temperature and pressure ratings: