

Comments and suggestions on the Draft Procedure for mechanism of compensation for degradation of heat rate, auxiliary consumption, and secondary fuel oil consumption due to part load operation and multiple start/stop of units

Prayas (Energy Group)

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Central Electricity Regulatory Commission (CERC or the Commission) directed the National Load Despatch Centre (NLDC) to prepare a procedure on the mechanism to work out compensation for degradation of station heat rate (SHR), auxiliary energy consumption (AEC), and secondary fuel oil consumption (SFOC) due to part load operation and multiple start/stop of units. The NLDC notified the requisite draft procedure on 30th September 2024, and invited public comments.

Towards ensuring clarity of process, accountability in operations, and safeguarding consumer interests, Prayas (Energy Group) has the following inputs:

1. Ensure targeted applicability of the compensation mechanism

The compensation for part load operations, computed as per the proposed mechanism, will impact the beneficiary's energy charges. Given this, it should be clearly specified that the procedure proposed in the draft document is applicable only for the determination of $Comp_n(F)$, the reconciled final compensation to be received by the generators – and that it will have no bearing on any other aspects of energy charge computation, which will remain as specified in the applicable CERC Tariff Regulations.

Further, while generators may be compensated for part load operation, it is crucial to ensure accountable and prudent working. Towards this, it must be clearly stipulated that no compensation for degradation in SHR, AEC or SFOC shall be payable if the average unit loading for the computation period is more than or equal to 85%. It should also be stipulated that no compensation shall be applicable if the actual SHR and AEC are lower than the normative SHR and AEC applicable to the unit/generating station, for the computation period (monthly and after annual reconciliation).

Stating clear conditions of applicability will allow for balancing generator concerns with ensuring accountability and prudence in their operations, and thus safeguard consumer interests.

2. Consider benefit sharing in line with CERC Regulations

Reg 81 of the CERC (Terms and Conditions of Tariff) Regulations, 2024 stipulates that the financial gains on account of controllable parameters such as SHR, AEC and SFOC shall be shared between the generating company and the beneficiaries in the ratio of 1:1. Similarly, para 10.4 (G)(7) of the draft CERC (Terms and Conditions of Tariff) (First Amendment) Regulations, 2024, states that the financial gains computed after taking into account compensation shall be shared between the generating company and the beneficiaries in the ratio of 1:1.

However, the draft document in para 2.1) (viii)(a) proposes that the gain be shared between the generating company and the beneficiaries in the ratio of 60:40. Towards consistent treatment and regulatory clarity, the proposed mechanism should also ensure that gains are shared in the ratio 1:1.

3. Specify formulas and abbreviations included in the mechanism

In para 2.1) (iii) and (iv), the draft document states that ECR(SE) and ECR(DC) shall be calculated using the formula specified in the Tariff Regulations of the Commission. While para 1.1 (xiii), clarifies that Tariff Regulations means the “CERC (Terms and Conditions of Tariff) Regulations, 2024, as amended from time to time or any subsequent enactment thereof” – it is not specified which formula or regulatory clause such ECR computation is to follow.

Further, para 2.1) (vi) introduces the abbreviations $ECR_n(A)$ and $ECR_n(N)$, calculated based on actual SHR and AEC and normative SHR and AEC, respectively. However, it is not clear which formula will be applicable for such calculation, and how it will vary from the computation of ECR(SE) and ECR(DC).

Towards avoiding regulatory ambiguity and litigious delays, the procedure should clearly specify which formulas and regulatory clauses are applicable for computation of parameters in the proposed mechanism. It should also include definitions and computational parameters of $ECR_n(A)$ and $ECR_n(N)$ in para 1.1 of the procedure.

4. Ensure applicability to Section 63 plants

With the changing role of thermal power plants, ensuring clarity in cost and operational impacts of part load operations is an important measure. While this draft document addresses such impact on Section 62 plants, the same for Section 63 plants has not been addressed. Towards ensuring uniform treatment and system level benefits, the applicability of the proposed mechanism to Section 63 TPPs must also be clarified, in keeping with the terms and conditions of their respective Power Purchase Agreements.

Prayas (Energy Group)

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