IWPA's suggestions / comments on the TNERC's consultative paper on Wind Energy Tariff and allied issues

Sl. No.	Description	TNERC's proposed parameters / determinants / procedures in its Consultative paper: 6.1 Tariff Components – Tariff Components	Values	Item-wise comments / suggestions by IWPA: Tariff Components – Tariff Components	Values
1	Tariff Parameters	*Capital cost*	Rs.5.25Crores / MW	*Capital cost*	Rs. 6.50 Crores / MW
		CUF	29.15%	*CUF*	27.15%
		Operation and maintenance expenses	1.1% on 85% of Capital investment and 0.22% on 15% of the Capital investment with an escalation of 5%	*Operation and maintenance expenses*	2.17% on 85% of Capital investment and 0.22% on 15% of the Capital investment with an escalation of 5%
		Insurance	0.75% on 85% of the Capital Cost for the first year and to be reduced by 0.5% every year	*Insurance*	0.90% on 85% of the Capital Cost for the first year and to be reduced by 0.5% every year
		Debt-Equity ratio	70:30	*Debt-Equity ratio*	70:30
		Life of plant and machinery	25 years	*Life of plant and machinery*	25 years
		Return on Equity	17.56%(pre-tax)	*Return on Equity*	17.56%(pre-tax)
		Term of Loan	10 years with 1 year moratorium period	*Term of Loan*	10 years with 1 year moratorium period
		Interest on loan	9.95%	*Interest on loan*	12%
		Depreciation	3.6% p.a.	*Depreciation*	3.6% p.a.
		Working Capital components	One month O&M cost and two months receivables	*Working Capital components*	One month O&M cost and two months receivables
		Interest on working capital	10.95%	*Interest on working capital*	13%
		Discount factor	8.75%	*Discount factor*	10.81%

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Sl. No.	Description	TNERC's proposed parameters / determinants / procedures in its Consultative paper	Item-wise comments / suggestions by IWPA
			1.Capital cost

1.Capital cost

Since the present trend of wind power purchase by distribution licensee is through competitive bidding process, this FIT to be determined will be applicable only to small WEGs whose total capacity is less than 25 MW in the State. The prevailing total cost of such machines works out to Rs.6.5 to 7.00 Crores per MW. Even the cost of the higher capacities machines ordered with the manufacturers in large capacities of 100 to 200 MW works out to Rs.6.5 Crores. This includesthe IDC cost of 7-8% of project cost for the erection and the commissioning period of at least one year. Therefore, Rs.6.5 Crores is the lowest possible Capital cost per MW.

Further a Comparative Table of Capital cost, CUF and Tariff rates adopted by different SERCs is depicted below.

State	Capital Cost (Rs. Lakh / MW)	CUF (%)	Tariff (Rs. / Unit)
Rajasthan	525.00	21 % for Jaisalmer, Jodhpur and Barmer. 20 % for rest of the State	5.26 for Jaisalmer, Jodhpur and Barmer. 5.52 for rest of the State
Maharashtra	594.41	22 %, 25 %, 30 % and 32 % (4 Zones)	3.71, 3.96, 4.75 and 5.40 (4 Zones)
Karnataka	620.00	28 %	3.74
Andhra Pradesh	586.37	23.5 %	4.76

Maharashtra CUF

Wind Zone	*Annual Mean Wind Power Density (W/m2)*	*CUF*
Zone 1	*<=250*	*22%*
Zone 2	*>250 - <=300*	*25%*
Zone 3	*>300 - <=400*	*30%*
Zone 4	*>400*	*32%*

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Sl. No.	Description	TNERC's proposed parameters / determinants / procedures in its Consultative paper	Item-wise comments / suggestions by IWPA

Maharashtra Tariff

Tariff for Wind Energy Projects for FY 2017-18 Wind Energy	Tariff Period	Levelised Tariff from 1 April, 2017 to 31 March, 2018	Benefits of Tax and Additional Depreciation (if availed)	Net Levelised Tariff, adjusting for Tax and Additional Depreciation Benefit) (if availed)
	Rs/kWh		Rs/kWh	Rs/kWh
Wind Zone-1	13	5.40	0.48	4.92
Wind Zone-2	13	4.75	0.42	4.33
Wind Zone-3	13	3.96	0.35	3.61
Wind Zone-4	13	3.71	0.33	3.38

As can be observed from the above table, in Maharashtra, although the CAPEX has been considered at Rs 5.94 crores the tariff varies with the wind zone. It can be noticed that the tariff for the best wind zone with 32% CUF is Rs 3.71 and for 30% CUF it is 3.96. Whereas in our state the CUF is not over 27% for the new technology machines which cost Rs 6.5 crore per MW.

Similarly, in Karnataka the CAPEX has been considered at Rs 6.20 crores per MW and a CUF of 28% and the tariff is Rs 3.74 as determined in September 2017.

In AP the tariff is Rs 4.76. In Rajasthan , though the CAPEX is considered at Rs 5.25 crores per MW, a lower CUF only has been considered. The tariff in Rajasthan has been determined as Rs. 5.26 with 21 % CUF and Rs. 5.52 with 20 % CUF.
The CUF varies with wind power density and the technical features of the machine like hub height , rotor dia etc. Higher CUF can be achieved with higher hub height and Rotor dia where the capital cost would be much higher.

Further in view of the fact that the transmission lines need to be erected for longer distances for evacuation of power, this also adds to the capital cost.
Except in Rajasthan, the CAPEX considered in all other States is much higher than what has been proposed by the Commission. But in Rajasthan, CUF has been correspondingly

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			considered lower at 20%. With the result, tariff is Rs.5.26/unit. Hence we submit that the CAPEX cost considered by the Commission for the CUF proposed is very unrealistic and to consider our submission of Capital Cost as Rs. 6.5 Crores per MW and other submissions on various components of tariff while determining the tariff. **<u>2. CUF</u>** Small WEGs as discussed hereinbefore will generally be installed at 80 metres height and its CUF will be around 27%. Further, the WEG installations are possible only in low wind zones as most of the high wind zones have already been exploited. CUF in low wind zones are low and hence the Hon'ble Commission may retain the CUF of 27.15% as adopted in the earlier orders. The average CUF of wind installation created in last three years has been around 25% only. **<u>3. O&M Cost</u>** The Commission has proposed O&M cost of 1.1% on 85% of Capital investment and 0.22% on 15% of the Capital investments. The present O&M rate is aminimum of Rs. 12 Lakhs per MW. This works out to O&M cost of 2.17% on 85% of Capital investment(of Rs. 6.5 Crores) and 0.22% on 15% of the Capital investment with an escalation of 5% on every year. **<u>4. Insurance charges</u>** The prevailing insurance charges works out to 0.90% instead of 0.75% as proposed by the Commission on 85% of the Capital Cost for the first year and to be reduced by 0.5% every year. **<u>5. Interest rate</u>** The Commission's proposed interest of 9.95% is based on MCLR rate of SBI as applicable for one year borrowing only. For Wind Projects, the loan tenure is 10 years. Hence, the MCLR rate cannot be applied for the entire tenure. Considering this tariff determination for projects less than 25 MW, which will be established only by MSMEs, it is difficult for them to get very low interest rates like highly rated large corporate. In case of 10-years or above borrowing, the rate quoted by SBI or any other bank / financial institutions are different. Additionally, the term loan for the project funding always carries a higher rate of interest and the same presently is not less than **12% per annum** for SME segment Industry/Entrepreneur. Therefore, it would be appropriate to consider 12% as rate of interest. **<u>6. Interest on working capital</u>** Interest on working capital is always higher than that of the long term loan and it is presently around 13 – 13.5%. It is prudent to consider 13% interest on working capital.

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			7. Discount Factor: Commission has proposed a discount factor of 8.75% considering 9.95% interest for term loan and 14% post tax ROE. The commission while grossing up the ROE has only considered MAT of 21.34%. The same principle of adopting MAT rates has to be followed for the term loan component also while determining the discount factor. However, instead of adopting the MAT rates, the commission has adopted normative income tax rate of 34.61 % for term loan component which is inconsistent. Considering 12% interest rate on term loan and 14% post tax ROE, the discount factor works out to 10.81%.Hence, a discount factor of 10.81% may be considered.
2	Wind Energy Tariff	7.1 The tariff works out to Rs. 2.86 per unit without accelerated depreciation and Rs.2.80 per unit with Accelerated Depreciation (AD).	Taking into account the above tariff components, the tariff works out to Rs. 4.50 per unit without AD.
3	Quantum of Purchase by Distribution Licensee.	8.1.1 The distribution licensee can purchase wind energy at the rate determined by the Commission from the WEGs to meet the Renewable Power purchase Obligations (RPO) requirement on "first come first served basis". It is open to the Distribution licensee to procure the same through competitive bidding route following the guidelines of Government of India if it can realize a more competitive rate than the one determined by Commission's order. For any procurement in excess of RPO, specific approval shall be obtained from the Commission.	The bidding guidelines issued by the government of India for wind power prescribes a minimum individual size of 5 MW and above at one site with minimum bid capacity of 25 MW for intra state bidding. Therefore, the TANGEDCO shall procure at FIT, under section 62, on priority basis from such small WEGs whose total capacity is less than 25 MW in the State before the TANGEDCO procuring wind power through bidding process under section 63. A direction to TANGEDCO to this effect has to be included in Para 8.1.1.
4	Banking Period and charges	9.1.13 Commission proposes the following alternatives: i) To dispense the facility of banking of wind energy but with deemed purchase of excess generation. (OR) ii) Banking facility of one month with time block wise adjustments on implementation of DSM regulations and purchase of unutilized energy at the end of each month.	**Banking to continue Status Quo as at present** In connection with banking of wind energy, the Hon'ble APTEL has already held that the banking **is contractually and judicially recognised and hence the TNEB cannot be allowed to deny the benefit of banking.** The relevant part of the order in Appeal No. 53 of 2010 is reproduced below. *"25. It is also to be pointed out that it is only because promises made by the Government and the Electricity Board in respect of wind power generation which included the concept of banking, the generators set up the facilities by incurring heavy expenditure. Therefore, the Board is estopped from making claims contrary to the said promises. The Electricity Board is one of the*

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		(OR) iii) Banking facility for 12 months from January to December with time block wise adjustments on implementation of DSM regulations and banking charges of 14% in kind and purchase of unutilized energy at the end of the year. (OR) iv) Banking facility for 12 months from April to March with time block wise adjustments on implementation of DSM regulations and banking charges of 14% in kind and purchase of unutilized energy at the end of the year.	*pioneers in developing regime for wind energy. It has introduced the concept of banking. It was on the basis of the said policy initiative that substantial investments came to be made in the wind sector. After permitting the same for more than 25 years, the Electricity Board now is seeking to take such a different stand.* *26. Therefore, the Electricity Board cannot be allowed to deny the benefit of banking which has been contractually and judicially recognised. The tariff orders were also passed recognising the same. The concept of banking is contained in the tariff order applicable to wind energy generators. This order has already been upheld by this Tribunal in Appeal No.98 of 2010. Hence, the grounds of this Appeal have no basis.* *27. Summary of findings:* *(d) The concept of "banking" was evolved by the State Commission which is in line with the provisions of the Act, 2003, National Electricity Policy and the National Tariff Policy. Therefore, the impugned order promotes the object of the Act/Rules and the purpose it serves. It would be impossible to set-up the Wind Energy Units without the banking facilities due to the very characteristics of wind power generation.* ***It was only because of the promises made by the Government and the Appellant in respect of Wind Power Generation which included the concept of banking, the wind generators set-up their facilities by incurring heavy expenditure. Therefore, the Appellant is estopped from making claims contrary thereto.*** This order of the APTEL has not only directed to continue the banking but also **explained in detail the reason for upholding the banking provision.** Therefore, any proposal of TNERC to withdraw or modify the existing banking provision **is a gross violation of said APTEL order.** Hence, the first three proposals of the Commission are against the Honourable APTEL's order and may be deleted from the draft consultative paper. Further, the main grievance of the TANGEDCO for opposing the banking provision **is their wrong presumption that providing banking to wind power causes financial losses to them.** Firstly, it can be proved beyond doubt that the TANGEDCO is only making profit by providing Banking which will be discussed in detail hereinafter. Secondly, assuming without admitting that there is any loss in providing banking, it is a known fact that it has to be made good by the Commission while approving the ARR. It is a legal and logical fact which cannot be denied by anyone. In fact, the TANGEDCO itself accepted this fact in its Appeal No. 380 & 381 of 2017 filed with APTEL that the Commission allows these banking charges as pass through

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<tr><th>Sl. No.</th><th>Description</th><th>TNERC's proposed parameters / determinants / procedures in its Consultative paper</th><th>Item-wise comments / suggestions by IWPA</th></tr>
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expenditure in the ARR. Then the question of loss to TANGEDCO by providing banking to WEGs does not arise.
Be that as it may, it is our duty to prove scientifically that there is no loss to TANGEDCO in providing banking to wind power. It is pertinent to state that as per the ARR approved by the Commission in its latest Tarff Order dated 11.08.2017, the average realization of TANGEDCO works out to Rs. 5.70 per unit. Wind generators having open access are paying all the open access charges for the banked energy, including the line losses, as approved by TNERC. Therefore, the net gain to TANGEDCO is the difference between the Average Realization ("AR") and the Average Power Purchase Cost ("APPC") of the TANGEDCO as approved in the respective Commission's order. Additionally, the WEG's are also paying Banking Charges of 12% to TANGEDCO. Therefore, the total profit of TANGEDCO for the year 2016-17 is as follows:
<table>
<tr><th>Banked and consumed energy in MUs</th><th>Per Unit Rate realized by Tangedco Rs.</th><th>Per Unit rate realized including Banking Charges in Rs.</th><th>Average Per unit power purchase cost of Tangedco in Rs.</th><th>Per unit gain for Tangedco in Rs.</th><th>Total gain to Tangedco in Crore of Rs.</th></tr>
<tr><td>1672</td><td>5.70</td><td>6.38</td><td>4.28</td><td>2.10</td><td>351</td></tr>
</table>
It is further submitted that out of the total banked units, for the quantum of units which are consumed by the open access consumers, the line loss is the same that of considered while returning the units by the TANGEDCO which have already been deducted by the TANGEDCO from the concerned OA consumer. However, for the lapsed units at the end of the year, the TANGEDCO have directly sold it to their consumers. The TANGEDCO is only paying 75% of applicable feed in tariff/APPC tariff determined by the Commission for the lapsed units. Therefore, for the lapsed banked units, the average rate paid by the TANGEDCO as specified by the Commission is deducted from the ABR to arrive at the net profit for the year 2016-17, which is set out below:
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Sl. No.	Description	TNERC's proposed parameters / determinants / procedures in its Consultative paper	Item-wise comments / suggestions by IWPA

Lapsed units sold to Tangedco in MUs	Per Unit Rate realized by Tangedco Rs.	Per unit cost of power paid by Tangedco to WEGs for lapsed units Rs.	Per unit gain for Tangedco in Rs	Total gain to TANGEDCO in Crore of Rs.
334	**6.38**	**2.31**	**4.07**	**136**

Hence, the total profits earned by the TANGEDCO from banking of wind energy, for the period 2016-17 are arrived at as Rs.487 Crores. Therefore, providing banking to WEGs only results in profits to the TANGEDCO, contrary to the misconception of the TANGEDCO that they are incurring losses.

It is further submitted that as calculated above, the 12% banking charges fixed by the Commission in the earlier order itself unduly enrich the TANGEDCO. Hence, increasing the banking charges from 12% to 14% in this concept paper has not been legally and logically justified.

The above discussion and details leads to the following conclusions:

i. Hon'ble APTEL in its order in Appeal No. 53 of 2010 has held that the banking **is contractually and judicially recognised and hence, the TNEB cannot be allowed to deny the benefit of banking**. Large investments by WEGs were made based on then prevailing policies which includes banking facility on financial year basis. Therefore, banking had become the part and parcel of the contract and also upheld by APTEL on grounds of promissory estoppel and it cannot be interfered with now. In light of the above, the Commission's proposal to change the banking policy cannot be applied to existing projects. If at all should it be considered, it may be considered for the new wind mills to be installed in future. Hence, withdrawing or modifying banking provision for the existing WEGs is not only a gross violation of APTEL order but it will also lead to the risk of millions of workers becoming unemployed and 1.5 Lakh Crores worth of goods exports by Tamil Nadu lose its competitiveness which may have a serious social implication.

ii. Further, the Commission while safeguarding the interest of TANGEDCO should also take care of the interest of the Consumers including the captive consumers. The above calculation clearly proves that the TANGEDCO is only making profit in providing banking to WEGs.Therefore, providing banking in the existing format is a "win-win" situation to both the WEGs and the TANGEDCO. On the other hand if banking is not provided to WEGs, the very purpose of the Electricity Act, 2003 and Electricity Policies which provide

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			specifically encouragements and promotional measures to the wind power developers shall stand defeated. In as much as the TANGEDCO is earning profit by providing banking to WEGs, the banking facility in the existing format may be continued for all the future WEGs also. iii. Further, it is mentioned in the consultative paper that TANGEDCO has often stated that banking is detrimental to them and has caused heavy losses due to power purchase cost in non wind season. We wish to submit our comments on this issue as under: Commission approved short term power purchase for the period between Feb.2017 and May 2017 at a rate varying between Rs.2.92 and Rs.3.95. Similarly, on 31.01.2018, Commission approved short term power purchase for March 2018 and April 2018 at a ceiling price of Rs.4 per unit. The short term power purchase cost during the last two years, as approved by the Commission, is less than the Average Power Purchase Cost of Rs.4.28 per unit. Hence, the statement of TANGEDCO that they incur losses on account of power purchases at higher rates during non wind season is factually incorrect. We have already presented a calculation that the TANGEDCO is earning profit by providing the banking to WEGs considering the Average Power Purchase Cost. Since, the short term power purchase rate is less than the Avg. Power Purchase cost of TANGEDCO, in fact the TANGEDCO is earning more profit in the last two years than the amount of profit we submitted hereinbefore. Besides, TANGEDCO has a swapping arrangement with other States wherein they give power during the peak wind season and the power is being returned during the lean wind season starting from Jan extending upto April. This is in line with the banking of wind energy concept and coincides exactly with the banking period extended to captive users. Therefore, there is no loss or gain in swapping the power except the transmission losses which will be more than compensated through banking charges by WEGs.
5	Banking to third party sale	9.1.14 There shall be no facility of banking of energy for third party power purchase.	**Banking to continue for Third Party Power Purchase also.** The differences between captive and third party seller/purchaser are only payment of cross subsidy surcharge and additional surcharges if any. Except these charges, the Act and the Regulations made thereon treat both the captive and third party open access customers in the same manner. The Act provides promotional measures to the Renewable Power and it does not restrict it only to captive renewable power. Therefore, discriminating the third party RE power seller/buyer in providing banking by the Commission is illegal and hence the relevant Para of the consultative paper may be deleted. Further, Honourable APTEL in its order in Appeal No.53 of 2010 dated 21.09.2011 has observed as below:

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			"***27. Summary of findings***: *(d) The concept of "banking" was evolved by the State Commission which is in line with the provisions of the Act, 2003, National Electricity Policy and the National Tariff Policy. Therefore, the impugned order promotes the object of the Act/Rules and the purpose it serves.* ***<u>It would be impossible to set-up the Wind Energy Units without the banking facilities due to the very characteristics of wind power generation.</u>*** *It was only because of the promises made by the Government and the Appellant in respect of Wind Power Generation which included the concept of banking, the wind generators set-up their facilities by incurring heavy expenditure. Therefore, the Appellant is estopped from making claims contrary thereto".* Therefore, banking is provided due to its very characteristics of wind power and not based on whether it is used for captive or third party use. Wind power characteristics remain the same in both the cases and hence banking facility shall be extended to third party use also.
6	Transmission, Wheeling and Scheduling and system operation charges.	9.2.4 Wind energy is in a position to compete with conventional power sources and thus can be treated in the manner related to conventional power. Commission proposes the transmission, wheeling and scheduling and system operation charges at 50% of that applicable for conventional power as notified by the Commission from time to time. In respect of the WEGs availing Renewable Energy Certificates (REC), 100% of the respective charges as specified in the relevant orders shall apply.	First of all, it is to be understood that the wind energy is in a position to compete with conventional energy only in terms of generation cost and not in terms of Transmission, Wheeling and Scheduling and System operation charges. Only if the CUF of WEGs increases drastically it's per unit transmission cost will come down. Hence, it is meaningless to change the concessional percentage for the said charges. Secondly, the concession in Transmission, Wheeling and Scheduling and system operation charges were provided by the Commission in accordance with the promotional measures for RE power as provided in its Preamble, Section 61(h) and other provision of the Electricity Act 2003 and the Policies and Regulations made thereon. In the previous orders, the Commission decided to fix 40% of the transmission charges and 40% of the wheeling charges as applicable to the conventional power to the Wind power. In as much as such provisions of the Act, Policies and Regulations are not resented / modified till date, there is no valid legal requirement to change the percentage of concession. Changing the said percentage is purely arbitrary. **Further, the levy of 40% of Transmission, Wheeling and scheduling charges itself is higher in terms of cost per unit compared to the conventional sources of power in view of its low PLF**. Hence, if it is increased further, it would not only place non-conventional sources at a disadvantageous position but will also contravene the provisions of Sections61(h), 86(1)(e) of the Electricity Act, 2003, which require promotion of renewable energy sources. Therefore, the 60% of concession in transmission and wheeling charges may be retained in this order also. It is also submitted that TANGEDCO is collecting Rs. 2.25 lakhs per MW per year from WEGs towards substation O & M charges with an annual escalation of 5%. TANGEDCO's ARR and wheeling charges are determined including these expenses. Therefore, WEGs are paying two different charges for the same purpose which needs to be corrected by exempting Captive

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			WEGs from payment of O & M charges for sub stations. In case of Scheduling and system operation charges (SSOC), the Commission defined a very logical formula for fixing the SSOC in its wind tariff Order No. 6 of 2012 dated 31- 07- 2012 as below: ***8.9 Scheduling and system operation charges – One Schedule is only given for the entire wind installation in the State so that scheduling charges can be equally divided among all wind generator in TN. System operation can continue to be levied on per MW basis at the present rate.*** *In Tariff Order No. 2 of 2012, Commission has considered Scheduling and system operation charges of Rs.2,000 per day for conventional power. To fix this charge for WEGs, the Commission took into account the fact that the capacity utilization factor in wind energy generators is about 27% as against the average of 85% in conventional power plants and that in actuality large size wind mills are generally available in capacities of around 2 MW. Accordingly, if the generator capacity is 2 MW and above, a scheduling and system operation charge of Rs.600/- per day would apply. If the generator capacity is less than 2 MW, the charges shall be proportionate.* Changing this logic is not legally tenable. Further, SLDC is not scheduling the power from each WEG and presently the scheduling of wind energy is being done only at the state level. Hence, the scheduling charges shall be collected considering the entire installation of WEGs in the state as a single plant for the purposes of scheduling. Further, there is no fundamental difference between scheduling REC and non-REC WEGs. As per TNERC RPO regulations, normative charges are applicable to REC WEGs only in respect of transmission and wheeling. Therefore, imposing 100% SOSC charges for REC WEGs is not legally tenable.
7	Cross subsidy surcharges.	9.3.1 The Commission in its tariff orders related to different renewable power, has ordered to levy 50% of the cross subsidy surcharge for third party open access consumers. Wind energy being in a position to compete with conventional power sources, Commission proposes levy of 60% of cross subsidy surcharge of that applicable to conventional power.	<u>50% concessional charge for wind to continue</u> As explained hereinbefore, it is to be understood that the wind energy is in a position to compete with conventional energy only in terms of generation cost and not in terms of cross subsidy surcharges. Hence it is meaningless to change the existing concessional percentage for the cross subsidy surcharges. Any change in the number is only arbitrary and not legally tenable. The existing concessional rate of 50% may be retained.

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8. Other issues of Consultative Paper

9.1.10 Restriction on Captive Installations:

The Hon'ble Commission has specified that Captive Wind Power Generator shall restrict their installed capacity within their annual average consumption. This grossly violates Section 42 of the Electricity Act, 2003, which provides non-discriminatory open access. Hence, we request the Commission to delete the said para 9.1.10.

9.8 Security Deposit:

Interest shall be payable to Open Access customer, i.e., generator for the quantum ofsecurity deposit at MCLR rate of State Bank of India.

9.11 Connectivity and Power Evacuation:

In the event of forced back down of WEGs by the utility, deemed generation to the extentof CUF as adopted for determination of preferential tariff shall be compensated. This is crucial considering that the investors would have a severe adverse financial impact if they are not compensated at the applicable tariff (FIT/HT tariff depending upon EPA/EWA) for the energy lost due to grid backing down. An appropriate clause to this effect may be included in the final tariff order.

9.12: Harmonics

TNEB has framed a committee to go into the aspects of measuring and analysis of Harmonics generated from wind mills. As per the provisions in the CEA regulations 2013, the generators and the utility shall discuss and mutually agree about the implementation. On receipt of committee's report IWPA shall submit comments to the TNERC on adopting the TANGEDCO methodology for measuring harmonics in wind mills which the commission can approve.

The Hon'ble Commission in this present proposal is suggesting that the new machines which injects harmonics beyond the stipulated limit, shall pay a compensation at 15% of applicable generation tariff rate. The period to pay the compensation charges is suggested as 15 days.

We submit that as provided in the earlier Order, the TANGEDCO should give three months clear notice after the measurement is taken and thereafter they can measure and if still there seems to be any deviation in the harmonics standards, the compensation may be levied by giving 15 days' notice period.

10.1. Applicability of the proposed order:

All financial implications shall have to take effective from date of release of the order.

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9. Other issues not covered by the consultative Paper:

(i) Applicable APPC Rate for PPAs under APPC with REC

The Hon'ble Commission amended the RPO Regulation in 2013 by capping the applicable APPC rate payable by the Distribution Licensee to 75% of the preferential tariff fixed by the Commission. Now, since there is uncertainty in determination of preferential tariff, a cap of 75% on the preferential tariff would very much affect the viability of the projects already commissioned under APPC. Hence, we suggest that the Regulations be amended to restore the original position as existed before the amendment was made in 2013 to enable the RE Generators having PPA under APPC to realise the actual APPC rate in full. Already, the REC floor prices have been reduced by 50 paisa and the RE Generators have been affected because of the same. Alternatively, the tariff for APPC generator could be APPC rate or preferential tariff prevailing on the date of commissioning, whichever is lower.

(ii) Cost of forecasting incurred by WEGs to be considered for determining the tariff

In the tariff fixation exercise, the cost incurred for forecasting and scheduling is not considered by the Hon'ble Commission.

As per the CERC regulations, generators who meet the criteria stipulated for forecasting and scheduling the wind energy are required to do the same and incur additional cost in doing that. This works out to approximately Rs.2 Lakh per MW and the same shall be considered while determining the tariff.

(iii) No O & M charges levied by TANGEDCO:

While TANGEDCO and TANTRANSCO have been including all the costs incurred by them for maintaining the substations which is already included in the ARR for determination of respective tariff, it is not correct to levy O and M charges on WEGs alone by TANGEDCO contravening the Regulations of the Hon'ble Commission. This is being levied on the installations of both Sale to Board category and Captive generator. Hon'ble Commission should hence give a direction to TANGEDCO not to recover the O and M charges from WEGs as Hon'ble Commission has not approved such a levy. Presently, this is being recovered at Rs. 1,85,220 per MW per annum. It is also submitted that the Hon'ble Commission has not considered this as a cost while determining the preferential tariff nor has it considered this recovery while fixing tariff for transmission and wheeling charges for WEGs. Hence, it is very clear that this recovery is not made with the approval of the Hon'ble Commission and TANGEDCO should be directed not to recover this.

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