

CENTRAL ELECTRICITY REGULATORY COMMISSION

NEW DELHI

Dated : 1st June, 2020

NOTIFICATION (DRAFT)

No.L-1/236/2018/CERC: In exercise of powers conferred under section 178 of the Electricity Act, 2003 (36 of 2003) read with Section 61 thereof and all other powers enabling it in this behalf, and after previous publication, the Central Electricity Regulatory Commission hereby makes the following regulations, to amend the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 (hereinafter referred to as “the Principal Regulations”), namely.-

1. Short Title and Commencement: (1) These regulations may be called the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (Second Amendment) Regulations, 2020.

(2) These regulations shall come into force from 1st April, 2019 except amendment to Regulation 6 and Regulation 59 of the Principal Regulations.

(3) The amendment to Regulation 6 and Regulation 59 shall be effective from the date of notification of these Regulations in official gazette.

2. Amendment to Clause (2) of Regulation 2 of the Principal Regulations.

2.1 New Clause (1a) shall be added after Clause (1) of Regulation 2 of the Principal Regulations as under:-

“(1a) These regulations shall apply in all cases where a generating company has the arrangement for supply of coal or lignite from the integrated mine(s)

allocated to it, for one or more of its specified end use generating stations, whose tariff is required to be determined by the Commission under section 62 of the Act read with section 79 thereof.”

3. Amendment to Regulation 3 of the Principal Regulations.

3.1 A new clause, namely Clause (4a) shall be inserted after Clause (4) to the Regulation 3 of the Principal Regulations, as under:

“(4a) **‘Annual Target Quantity’** or **‘ATQ’** in respect of an integrated mine means the quantity of coal or lignite to be extracted during a year from such integrated mine as specified in the Mining Plan;”

3.2 In Clause (5) to the Regulation 3 of the Principal Regulations, the words “and integrated coal mine” at the end part of the first proviso, shall be substituted by the words “and integrated mine”;

3.3 Clause (9) of Regulation 3 of the Principal Regulations shall be substituted as under:-

“(9)‘Capital Cost’ means the capital cost as determined in accordance with Regulation 19 of these regulations in respect of generating station or transmission system and Regulation 36D of these regulations in respect of integrated mine, as the case may be.”

3.4 At the end of Clause (14) of Regulation 3 of the Principal Regulations, the words “except in case of integrated mine” shall be added.

3.5 The semicolon (;) at the end of Clause (15) shall be read as colon (:) and a new proviso shall be added under Clause (15) of Regulation 3 of the Principal Regulations, as under:-

“Provided that date of commercial operation of an integrated mine shall have the same meaning as specified in Regulation 5 of these regulations;”

3.6 A new Clause, namely Clause (15b) shall be inserted after Clause (15a)¹ of Regulation 3 of the Principal Regulations as under:-

“(15b) ‘Date of Commencement of Production’ in respect of an integrated mine means the date of touching of coal or lignite, as the case may be, as per the Mining Plan;”

3.7 A new Clause, namely Clause (20b) shall be inserted after Clause (20a)² of Regulation 3 of the Principal Regulations as under:-

“(20b) ‘Escrow account’ in the context of integrated mines means the account specified by the Coal Controller, Ministry of Coal, Government of India, for deposit and withdrawal of mine closure expenses;”

3.8 Clause (21) of Regulation 3 of the Principal Regulations shall be substituted as under:-

“(21) ‘Existing Project’ means the generating station or unit thereof and the

¹Proposed to be inserted vide the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (First Amendment) Regulations, 2020

²Proposed to be inserted vide the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (First Amendment) Regulations, 2020

transmission system or element thereof which has been declared under commercial operation on a date prior to 1.4.2019;”

3.9 In Clause (36) of the Regulation 3 of the Principal Regulations, the word “lignite” in the first line shall be substituted with the words “price of lignite (including transfer price in respect of existing lignite mines)” and the word “determined” in the last line shall be substituted with the word “computed”.

3.10 A new proviso shall be added after first proviso of Clause (40) of Regulation 3 of Principal Regulations as under:-

“Provided further that in respect of the integrated mines, funding and timeline for implementation shall be indicated separately and distinctly in the Investment Approval.”

3.11 A new clause, namely Clause (41a) shall be inserted after Clause (41) of Regulation 3 of the Principal Regulations as under:

“(41a) ‘**Loading Point**’ in respect of an integrated mine means the location of railway siding or silo for storage of coal or the coal handling plant, whichever is nearest to the mine;”

3.12 Two new clauses, namely Clause (43a) and Clause (43b) shall be inserted after Clause (43) of Regulation 3 of the Principal Regulations as under:-

“(43a) ‘**Mine Infrastructure**’ shall include assets of the mine such as tangible assets used for mining operations, being civil works, workshops, immovable winning equipment, foundations, embankments, pavements, electrical

systems, communication systems, relief centres, site administrative offices, fixed installations, handling arrangements, crushing and conveying systems, railway sidings, pits, shafts, inclines, underground transport systems, hauling systems (except movable equipment unless the same is embedded in land for permanent beneficial enjoyment thereof), land demarcated for afforestation and land for rehabilitation and resettlement of persons affected by mining operations under the relevant law;

(43b) **‘Mining Plan’ or ‘Mine Plan’** in respect of an integrated mine means a plan prepared in accordance with the provisions of the Mineral Concession Rules, 1960, as amended from time to time and approved under clause (b) of sub-section (2) of section 5 of the Mines & Minerals (Development & Rehabilitation) Act, 1957 by the Central Government, or by the State Government, as the case may be;”

3.13 The full stop (.) at the end of Clause (45) shall be read as colon (:) and a proviso shall be added under Clause (45) of Regulation 3 of the Principal Regulations as under:-

“Provided that for an integrated mine, the Operation & Maintenance Expenses shall be as admissible in accordance with these regulations.”

3.14 A new clause, namely Clause (46a) shall be inserted after Clause (46) of Regulation 3 of the Principal Regulations as under:-

“(46a) ‘**Peak Rated Capacity**’ in respect of an integrated mine means the peak rated capacity of the mine, as specified in the Mining Plan;”

3.15 A new sub-clause, namely (h) shall be added after sub-clause (g) of Clause (73) of Regulation 3 of the Principal Regulations as under:-

“(h) Integrated mine As per the Mining
Plan”

4. Amendment to Regulation 4 of the Principal Regulations.

4.1 A new Clause, namely (4a) shall be added after Clause (4) to the Regulation 4 of the Principal Regulations as under:-

“(4a) “**tonne**” shall mean a metric tonne of coal or lignite in respect of an integrated mine;”

4.2 Clause (5) of Regulation 4 of the Principal Regulations shall be substituted as under:-

“(5) ‘**Year**’ means a financial year beginning from 1st April and ending on 31st March:

Provided that the first year in case of a new project or integrated mine shall commence from the date of commercial operation and end on 31st March.”

5. Amendment to Regulation 5 of the Principal Regulations.

5.1 A new Clause, namely Clause (3) shall be added after Clause (2) of Regulation 5 of the Principal Regulations as under:-

“(3) The date of commercial operation in case of an integrated mine, shall mean the earliest date amongst the following:

- a) First date of the year succeeding the year in which 25% of the Peak Rated Capacity as per the Mining Plan is achieved; or
- b) First date of the year succeeding the year in which the value of production estimated in accordance with Regulation 7A of these regulations, exceeds total expenditure in that year; or
- c) Date of two years from the Date of Commencement of Production;

Provided that in case the integrated mine is ready for commercial operation but is prevented from the declaration of date of commercial operation for reasons not attributable to the generating company, its suppliers or contractors, the Commission may approve another date of commercial operation, considering the reasons that prevented the declaration of the date of commercial operation.”

6. Amendment to Regulation 6 of the Principal Regulations.

6.1 Regulation 6 of the Principal Regulations shall be substituted as under:-

“6. Treatment of mismatch in date of commercial operation: In case of mismatch between the date of commercial operation of the generating station and the transmission system, and between the transmission systems of two transmission licensees, the liability for the transmission charges shall be

determined in accordance with provisions of Central Electricity Regulatory Commission (Sharing of Inter-State Transmission Charges and Losses) Regulations, 2020 and as amended from time to time.”

7. Insertion of New Regulation 7A in the Principal Regulations.

7.1 A new Regulation, namely Regulation 7A shall be inserted after Regulation 7 of the Principal Regulations as under:-

“7A. Supply of Coal or Lignite prior to the Date of Commercial Operation of Integrated Mine: The input price for supply of coal or lignite from the integrated mines prior to the date of commercial operation shall be:-

- (a) in case of coal, the estimated price available in the investment approval, or the notified price of Coal India Limited for the corresponding grade of coal supplied to the power sector, whichever is lower; and
- (b) in case of lignite, the estimated price available in the investment approval or the last available pooled lignite price as determined by the Commission for transfer price of lignite, whichever is lower:

Provided that any revenue earned from supply of coal or lignite prior to the Date of Commercial Operation of the integrated mines shall be applied in adjusting the capital cost of the said integrated mines.”

8. Amendment to Regulation 9 of the Principal Regulations:

8.1 The full stop (.) at the end of Clause (4) shall be read as colon (:) and a new proviso shall be inserted after the first proviso under Clause (4) of Regulation 9 of the Principal Regulations as under:-

“Provided that a generating company with integrated mines shall file separate petition for determination of input price of coal or lignite from the integrated mines not later than 60 days from the date of commercial operation of the integrated mines or from the date of notification of these regulations, whichever is later and may seek determination or revision of tariff of the concerned generating station(s) in accordance with these regulations.”

9. Amendment to Regulation 10 of the Principal Regulations.

9.1 A new clause, namely Clause (1a) shall be inserted after Clause (1) of Regulation 10 of the Principal Regulations as under:-

“(1a) The generating company shall, wherever applicable, file petition before the Commission as per **Annexure-I (Part IV)** to these regulations for computation of the input price of coal or lignite from the integrated mines containing the details of expenditure incurred and projected to be incurred duly certified by the Auditor.”

10. Amendment to Regulation 11 of the Principal Regulations.

10.1 A new clause, namely Clause (2) shall be added after Clause (1) of Regulation 11 of the Principal Regulations as under:-

“(2) The generating company undertaking any additional capitalization in integrated mine on account of change in law events or force majeure conditions may, after intimating the beneficiaries, file a petition for in-principle approval for incurring such expenditure, along with underlying assumptions, estimates and justification for such expenditure, if the estimated expenditure exceeds 10% of the admitted capital cost of the integrated mines or Rs.100 crore, whichever is lower;”

11. Amendment to Regulation 13 of the Principal Regulations.

11.1. A new clause, namely Clause (1a) shall be inserted after Clause (1) of Regulation 13 of the Principal Regulations as under:-

“(1a) The input price of coal and lignite from the integrated mines of the generating station for the period 2019-24 shall be trued up for:

- a) the capital expenditure including additional capital expenditure incurred up to 31.3.2024, as allowed by the Commission;
- b) the capital expenditure including additional capital expenditure incurred up to 31.3.2024, on account of Force Majeure and Change in Law, as admitted by the Commission.”

12. Amendment to Regulation 16 of the Principal Regulations.

12.1. A new proviso shall be added after second proviso of Regulation 16 of the Principal Regulations as under:-

“Provided also that in case of supply of coal or lignite from the integrated mine, the landed cost of primary fuel shall be based on the input price of coal or lignite, as the case may be, as computed in accordance with these regulations.”

13. Amendment to Regulation 22 of the Principal Regulations.

13.1 In Regulation 22 of the Principal Regulations, the word “project” shall be substituted with the words “new projects”.

14. Amendment to Regulation 36 of the Principal Regulations.

14.1 In Clause (1) of Regulation 36 of the Principal Regulations, the words “the regulations to be notified separately by the Commission” shall be substituted with the words “these regulations”.

14.2 Clauses (2) and Clause (3) of Regulation 36 of the Principal Regulations shall be substituted as under:-

“(2) The generating company shall, after the Date of Commercial Operation of the integrated mine till the input price of coal is determined by the Commission under these regulations, adopt the notified price of Coal India Limited commensurate with the grade of the coal from the integrated mine, as the input price of coal for the generating station:

Provided that the difference between the input price of coal determined under these regulations and the input price of coal so adopted prior to such determination, for the quantity of coal billed, shall be adjusted in

accordance with Clause (4) of this Regulation.

(3) The generating company shall, after the Date of Commercial Operation of the integrated mines, till the input price of lignite is determined by the Commission under these regulations, fix the input price of lignite for the generating station at the last available pooled lignite price as determined by the Commission for transfer price of lignite;

Provided that the difference between the input price of lignite determined under these regulations and the input price of lignite so fixed prior to such determination, for the quantity of lignite billed, shall be adjusted in accordance with Clause (4) of this Regulation.”

14.3 A new clause, namely Clause (4) shall be added after Clause (3) of Regulation 36 of the Principal Regulations as under:-

“(4) In case of excess or short recovery of input price under Clause (2) or Clause (3) of this Regulation, the generating company shall refund the excess amount or recover the short amount, as the case may be, with simple rate of interest, equal to the bank rate prevailing as on 1st April of the respective year of the tariff period, in six equal monthly instalments.”

15. Insertion of New Regulations under Chapter 9 of the Principal Regulations.

15.1 The following Regulations (36A to 36P) shall be added after Regulation 36 of the Principal Regulations as under:-

“36A. Input Price of coal or Lignite: (1) Input price of coal or lignite from integrated mine shall be computed based on the following components:

- I) Run of Mine (ROM) Cost; and
- II) Additional charges:
 - a. crushing charges;
 - b. transportation charge within the mine up to the washery end or coal handling plant associated with the integrated mine, as the case may be;
 - c. handling charges at mine end;
 - d. washing charges; and
 - e. transportation charges beyond the washery end or coal handling plant, as the case may be, and up to the Loading Point:

Provided that one or more components of additional charges may be applicable on case to case basis, based on the scope and nature of the mining activities;

Provided further that the input price of lignite shall be computed based on Run of Mine (ROM) Cost based on the technology such as bucket excavator-conveyor belt-spreader or its combination and handling charges, if any.

(2) Statutory Charges, as applicable, shall be allowed.

36B. Run of Mine (ROM) Cost:(1) Run of Mine Cost of coal in case of

integrated mines allocated through auction under Coal Mines (Special Provisions) Act, 2015 shall be worked out as under:

$$\text{ROM Cost} = [(\text{Quoted Price of coal}) + (\text{Fixed Reserve Price})].$$

Where,

- (i) Quoted Price of coal is the Final Price Offer of coal in respect of the concerned coal Block or Mine, along with subsequent escalation, if any, as provided in the Coal Mine Development and Production Agreement:

Provided that additional premium, if any, quoted by the generating company in auction, shall not be considered in the Run of Mine Cost; and

- (ii) Fixed Reserve Price is the fixed reserve price per tonne along with subsequent escalation, if any, as provided in the Coal Mine Development and Production Agreement.

(2) The Run of Mine Cost of coal in case of integrated mines allocated through allotment order under Coal Mines (Special Provisions) Act, 2015 shall be worked out as under:

$$\text{ROM Cost} = [(\text{Annual Extraction Cost} / \text{ATQ}) + \text{mining charge}] + (\text{Fixed Reserve Price}).$$

Where,

- (i) Annual Extraction Cost is the cost of extraction of coal as computed in accordance with Regulation (36F) of these regulations;
- (ii) mining charge is the charge per tonne of coal paid by the generating company to the Mine Developer and Operator engaged by the generating company for mining, wherever applicable; and
- (iii) Fixed Reserve Price is the fixed reserve price per tonne along with subsequent escalation, if any, as provided in the Coal Mine Development and Production Agreement.

(3) The Run of Mine Cost of lignite in case of integrated mines for lignite shall be worked out as under:

$$\text{ROM Cost} = [(\text{Annual Extraction Cost} / \text{ATQ}) + (\text{mining charge})]$$

Where,

- (i) Annual Extraction Cost is the cost of extraction of lignite as computed in accordance with Regulation (36F) of these regulations; and
- (ii) mining charge is the charge per tonne of lignite paid by the generating company to the Mine Developer and Operator engaged by the generating company for mining, wherever applicable.

(4) The generating company shall adhere to the Mining Plan for extraction of coal or lignite on annual basis and shall submit a certificate to that effect from the Coal Controller or the competent authority:

Provided that deviations from the Mining Plan shall be considered only if such deviations have been approved by the Coal Controller or the revised Mining Plan has been approved by the competent authority.

(5) The Run of Mine Cost of coal and lignite shall be worked out in terms of Rupees per tonne.

36C. Additional Charges: (1) Where crushing, transportation, handling or washing are undertaken by the generating company without engaging Mine Developer and Operator, additional charges shall be worked out as under:-

(i) $\text{Crushing Charges} = \text{Annual Crushing Cost} / \text{Quantity}$;

(ii) $\text{Transportation Charges} = \text{Annual Transportation Cost} / \text{Quantity}$:

Provided that separate transportation charges, as applicable, shall be considered from mine upto washery end or coal handling plant associated with the integrated mine and beyond washery end or coal handling plant associated with the integrated mine and up to the Loading Point, as the case may be;

(iii) $\text{Handling charges} = \text{Annual Handling Cost} / \text{Quantity}$; and

(iv) $\text{Washing Charges} = \text{Annual Washing Cost} / \text{Quantity}$.

Where,

- (a) Annual Crushing Cost, Annual Transportation Cost, Annual Handling Cost and Annual Washing Cost shall be worked out on the basis of following components, for which the generating company shall submit the capital cost separately:
 - (i) Depreciation;
 - (ii) Interest on Working Capital;
 - (iii) Interest on Loan;
 - (iv) Return on Equity (RoE);
 - (v) Operation and Maintenance Expenses, excluding mining charge;
 - (vi) Statutory charges, if applicable.
- (b) Quantity shall be the quantity of coal or lignite in tonne crushed or transported or handled or washed, as the case may be, during the year duly certified by the Auditor.

(2) Where crushing, transportation, handling or washing are within the scope of the Mine Developer and Operator engaged by the generating company, no additional charges shall be admitted, as the same shall be recovered through mining charge of the Mine Developer and Operator.

(3) Where crushing, transportation, handling or washing are undertaken by the generating company by engaging an agency other than Mine Developer and Operator, additional charges shall be worked out based on the annual

charges of such agencies, provided that the charges have been discovered through a transparent competitive bidding process.

(4) The crushing charges, transportation charges, handling charges, and washing charges shall be admitted by the Commission after prudence check, inter-alia, considering charges of Coal India Limited or similarly placed coal mines or any other reference charges.

(5) The crushing charges, transportation charges, handling charges, and washing charges shall be worked out in terms of Rupees per tonne.

36D. Capital Cost: (1) The expenditure incurred, including IDC and IEDC, duly certified by the Auditor, for development of the integrated mine up to the Date of Commercial Operation, shall be considered for arriving at the capital cost.

(2) The capital expenditure incurred shall be admitted by the Commission after prudence check.

(3) Capital cost of crushing infrastructure, transportation infrastructure and equipment, handling infrastructure, washing infrastructure and other mine infrastructure required for mining operations shall be arrived at separately in accordance with these regulations:

Provided that in case mine development and operation, crushing, transportation, handling or washing are undertaken by the generating

company, the expenditure incurred on infrastructure of these components shall be capitalized;

Provided further that where mine development and operation, with or without any component of crushing, transportation, handling or washing are undertaken by the generating company by engaging Mine Developer and Operator or an agency other than Mine Developer and Operator, the expenditure incurred by such agency on infrastructure of these components shall not be capitalised and assets of such agency engaged by the generating company shall not form part of capital cost for the computation of input price.

(4) The capital cost shall be determined considering, but not limited to, the Mining Plan, detailed project report, mine closure plan, cost audit report and such other details as deemed fit by the Commission.

(5) For integrated mine with Date of Commercial Operation prior to 1.4.2019, the capital cost already allowed by the Commission for the period ending 31.3.2019 shall form the basis for computation of input price.

36E. Additional Capital Expenditure: (1) The expenditure, in respect of the integrated mines, incurred or projected to be incurred after the Date of Commercial Operation and upto the date of achieving the Peak Rated Capacity may be admitted by the Commission, subject to prudence check and shall be capitalized in the respective year as Additional Capital Expenditure corresponding to the Annual Target Quantity of the year as specified in the Mining Plan or actual extraction in that year, whichever is higher, on

following counts:

- (a) expenditure incurred on activities as per the Mining Plan;
- (b) expenditure for works deferred for execution and undischarged liabilities recognized for works executed prior to date of commercial operation;
- (c) expenditure for works required to be carried out for complying with directions or orders of any statutory authorities;
- (d) liabilities arising out of compliance of order or decree of any court of law or award of arbitration;
- (e) expenditure for procurement and development of land as per the Mining Plan;
- (f) expenditure for procurement of additional heavy earth moving machineries for replacement, on completion of their useful life; and
- (g) liabilities due to Change in Law or Force Majeure events;

Provided that in case of any replacement of the assets, the additional capitalization shall be worked out after adjusting the gross fixed assets and cumulative depreciation of the assets replaced on account of de-capitalization.

(2) The expenditure, in respect of the integrated mines, incurred or projected to be incurred after the date of achieving the Peak Rated Capacity may be admitted by the Commission subject to prudence check, and shall be capitalized as Additional Capital Expenditure, corresponding to the Annual

Target Quantity of the respective years as specified in the Mining Plan or actual extraction in the respective years, whichever is higher, on following counts:

- (a) expenditure incurred on activities, if any, as per Mining Plan;
- (b) expenditure for works required to be carried out for complying with directions or order of any statutory authority;
- (c) liabilities arising out of compliance of order or decree of any court of law or award of arbitration;
- (d) expenditure for procurement and development of land as per the Mining Plan; and
- (e) liabilities due to Change in Law or Force Majeure events;

Provided that in case of any replacement of the assets, the additional capitalization shall be worked out after adjusting the gross fixed assets, cumulative depreciation and cumulative repayment of loan of the assets replaced on account of de-capitalization.

(3) The expenditure on following counts shall not be considered as Additional Capital Expenditure for the purpose of these regulations:

- a) expenditure incurred but not capitalized as the assets have not been put in service (capital work in progress);
- b) mine closure expenses;
- c) expenditure on works not covered under Mining Plan, unless covered under sub-clause (g) of Clause (1) or sub-clause (e) of Clause (2) of this Regulation;

- d) expenditure on replacement due to obsolescence of assets on account of completion of the useful life or due to obsolescence of technology, unless the original cost of such assets have been de-capitalised from the gross fixed assets.

36F. Annual Extraction Cost: The Annual Extraction Cost of an integrated mine shall consist of the following components:

- (i) Depreciation;
- (ii) Interest on Working Capital;
- (iii) Interest on Loan;
- (iv) Return on Equity (RoE);
- (v) Operation and Maintenance Expenses, excluding mining charge;
- (vi) Mine closure expenses, if not included in mining charge; and
- (vii) Statutory charges, if applicable.

36G. Capital Structure, Return on Equity and Interest on Loan: (1) For an integrated mine, the debt-equity ratio as on the date of commercial operation and as on the date of achieving Peak Rated Capacity shall be considered in the manner as specified under Clause (1) of Regulation 18 of these regulations:

Provided that for integrated mine in respect of lignite with Date of Commercial Operation prior to 1.4.2019, the debt-equity ratio already allowed by the Commission for the period ending 31.3.2019 shall form the basis for computation of input price.

(2) For integrated mine, the debt-equity ratio for additional capital expenditure admitted by the Commission under these regulations shall be considered in the manner as specified under Clause (1) of this Regulation.

(3) The return on equity shall be computed in rupee terms on the equity base arrived under Clause (1) of this Regulation at the base rate of 14%.

(4) The base rate of return on equity as allowed by the Commission in this Regulation shall be grossed up with the effective tax rate computed in the manner specified under Regulation 31 of these regulations.

(5) The interest on loan, including normative loan if any under Clause (1) of this Regulation, shall be arrived at by considering the weighted average rate of interest calculated on the basis of actual loan portfolio, in accordance with the Clauses (2) to (7) of Regulation 32 of these regulations.

36H. Depreciation: (1) Depreciation in respect of integrated mines shall be computed from the date of commercial operation by applying Straight Line Method.

(2) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission:

Provided that,

- i) freehold land or assets purchased from grant shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset;

- ii) where the allotment of freehold land is conditional and is required to be returned, the cost of such land shall be part of value base for the purpose of depreciation, subject to prudence check by the Commission; and
- iii) lease hold land shall be amortized over the lease period or remaining life of the mine, whichever is lower.

(3) The salvage value of an asset shall be considered as 5% of the capital cost of the asset:

Provided that the salvage value shall be:

- i) zero for IT equipment and software;
- ii) zero or as agreed by the generating company with the State Government for land; and
- iii) as specified by the Ministry of Corporate Affairs for specialized mining equipment.

(4) The depreciation of integrated mine shall be arrived at annually by applying depreciation rates or on the basis of expected useful life specified in Appendix 1 of these regulations:

Provided that specialized mining equipment shall be depreciated as per the useful life and depreciation rate as specified by the Ministry of Corporate Affairs.

36I. Operation and Maintenance Expenses: (1) The Operation and Maintenance expenses of integrated mine for the tariff period ending on 31st

March 2024 shall be 2%, escalated at the rate of 3.5% per annum, of the average capital expenditure up to the end of each year of the tariff period as admitted by the Commission towards mining, crushing, transportation, handling and washing subject to true up:

Provided that where mining, crushing, transportation, handling or washing are undertaken by the generating company by engaging Mine Developer and Operator, or an agency other than Mine Developer and Operator, any capital expenditure incurred by Mine Developer and Operator or such agency shall not be included for working out the Operation and Maintenance Expenses.

(2) Where the mine development and operation are undertaken by the generating company by engaging Mine Developer and Operator, the mining charge of such Mine Developer and Operator shall not be included in Operation and Maintenance Expenses;

(3) Where the generating company has engaged agency(ies) other than Mine Developer and Operator, annual charges of such agency(ies) shall also be considered as part of Operation and Maintenance Expenses, subject to prudence check by the Commission, provided that such annual charges have been discovered through a transparent competitive bidding process.

36J. Interest on Working Capital: (1) The working capital of the integrated mines of coal shall cover:

(i) Input cost of coal stock for 7 days of production

corresponding to the Annual Target Quantity for the relevant year;

- (ii) Consumption of stores and spare including explosives, lubricants and fuel @ 15% of operation and maintenance expenses, excluding mining charge of Mine Developer and Operator or annual charges of any agency other than Mine Developer and Operator, engaged by the generating company; and
- (iii) Operation and maintenance expenses for one month, excluding mining charge of Mine Developer and Operator or annual charges of any agency other than Mine Developer and Operator, engaged by the generating company.

(2) The working capital of the integrated mine of lignite shall cover:-

- (i) Input cost of lignite stock for 7 days of production corresponding to the Annual Target Quantity for the year;
- (ii) Consumption of stores and spare including explosives, lubricants and fuel @ 20% of operation and maintenance expenses, excluding mining charge of Mine Developer and Operator or annual charges of any agency other than Mine Developer or Operator, engaged by the generating company; and
- (iii) Operation and maintenance expenses for one month, excluding mining charge of Mine Developer and Operator or

annual charges of any agency other than Mine Developer or Operator, engaged by the generating company.

(3) The rate and payment of interest on working capital shall be as per Clause (3) and Clause (4) of Regulation 34 of these regulations.

36K. Mine Closure Expenses: (1) Where the mine closure is undertaken by the generating company, the amount deposited in the Escrow account as per the Mining Plan, after adjusting interest earned, if any, in the Escrow account shall be admitted as Mine Closure Expenses:

Provided that,

- a) amount deposited in the Escrow account as per the Mining Plan prior to the Date of Commercial Operation shall be indicated separately and shall be allowed to be recovered over the useful life of the mine in the form of annuity linked to borrowing rate;
- b) amount deposited in the Escrow account as per the Mining Plan or any expenditure incurred towards mine closure shall be excluded from the capital cost for computing input price;
- c) where the expenditure incurred towards mine closure is short of or in excess of the reimbursement received from the Escrow account during the tariff period 2019-24, the same shall be allowed to be carried forward to subsequent years for adjustments; and

- d) where no expenditure has been incurred towards mine closure during the tariff period 2019-24, the amount deposited in the Escrow account shall continue to be recovered in subsequent years to be adjusted against the expenditure towards mine closure as and when it is incurred.

Provided further that where the mine closure is undertaken by the generating company only for part of useful life of the mine, the treatment of mine closure for the period during which Mine Developer and Operator engaged by the generating company has undertaken mine closure, shall be as specified in Clause (2) of this Regulation.

(2) Where mine closure is within the scope of Mine Developer and Operator engaged by the generating company and mine closure expenses are part of the mining charge of Mine Developer and Operator, the mine closure expenses shall be recovered through such mining charge and mine closure expenses shall not be admissible separately:

Provided that,

- a) the amount deposited in the Escrow account by the Mine Development Operator or by the generating company and any amount received from the Escrow Account against expenditure incurred towards mine closure shall not be considered for computing input price; and
- b) the difference between the borrowing cost, arrived at by

considering the weighted average rate of interest calculated on the basis of actual loan portfolio in accordance with the methodology specified in Regulation 32 under Chapter 8 of these regulations, and the amount deposited in Escrow account and the interest received from Escrow account in a year shall be allowed to be adjusted in the input price of the respective year, as a part of mine closure expenses, on case to case basis;

Provided further that where the mine closure is within the scope of Mine Developer and Operator engaged by the generating company only for a part of useful life of the mine, the treatment of mine closure for the period during which the generating company has undertaken mine closure shall be as specified in Clause (1) of this Regulation.

36L. Computation of Input Price: (1) The input price of coal or lignite shall be computed as under:

$$\text{Input Price} = [\text{ROM Cost} + \text{Additional charges}]$$

(2) The credit arising on account of adjustment due to shortfall in overburden removal, GCV Adjustment and Non-tariff Income, if any, shall be dealt separately in the manner specified in these regulations.

(3) Statutory Charges, as applicable, shall be allowed.

36M. Recovery of Input Charges: The input charges of coal or lignite shall be

recovered as under:

$$\begin{aligned} \text{Input Charges} = & \quad [\text{Input Price} \times \text{Quantity of coal or lignite supplied}] \\ & + \text{Statutory charges, as applicable.} \end{aligned}$$

Provided that where energy charge rate based on input price of coal from integrated mine exceeds by 20% of energy charge rate based on notified price of Coal India Limited for the commensurate grade of coal in a month, prior consent of the beneficiary(ies) shall be required;

Provided further that where such consent of beneficiaries are not available, input price of coal from such integrated mine shall be so fixed that energy charge rate based on input price of coal from integrated mine does not exceed by more than 20% the energy charge rate based on notified price of Coal India Limited for the commensurate grade of coal;

Provided also that energy charge rate based on input price of coal does not lead to higher energy charge rate throughout the tenure of power purchase agreement than that which would have been obtained as per terms and conditions of the existing power purchase agreement.

36N. Adjustment on account of Shortfall of Overburden Removal (OB Adjustment): (1) The generating company shall remove overburden as specified in the Mining Plan.

(2) In case of shortfall of overburden removal during a year, the generating company shall be allowed to adjust such shortfall against excess of overburden removal, if any, during subsequent three years.

(3) In case of excess of overburden removal during a year, the generating company shall be allowed to carry forward such excess to adjust shortfall, if any, during subsequent three years.

(4) Where the shortfall of overburden removal of any year is not made good by the generating company in accordance with Clause (2) of this Regulation, the adjustment on account of shortfall of overburden removal (OB Adjustment) for that year shall be worked out as under:-

$$\text{OB Adjustment} = [\text{Factor of adjustment for shortfall of overburden removal during the year}] \times [\text{mining charge during the year} + \text{Operation and Maintenance expenses during the year}]$$

Where,

- i) Factor of adjustment for shortfall of overburden removal during the year shall be computed as under:

$$\frac{[(\text{Actual quantity of coal or lignite extracted during the year}) - (\text{Actual quantity of overburden removed during the year} / \text{Annual Stripping Ratio as per Mine plan})] / (\text{Annual Target Quantity})}{}$$

- ii) Annual Stripping ratio is the ratio of volume of overburden to be removed for one unit of coal or lignite as specified in the Mining Plan.

- iii) mining charge is the charge per tonne of coal or lignite paid by the generating company to the Mine Developer and Operator engaged by the generating company for mining, wherever applicable.
- iv) mining charge and Operation and Maintenance expenses shall be in terms of Rupees per tonne corresponding to the Annual Target Quantity.

36O. Adjustment on account of shortfall in GCV (GCV Adjustment): (1) In case the weighted average GCV of Coal extracted in a year is higher than the declared GCV of coal, no GCV adjustment shall be done.

(2) In case the weighted average GCV of coal extracted in a year is lower than the declared GCV of coal, the GCV adjustment in that year shall be worked out as under:

- (a) Where the integrated mine is allocated through auction under Coal Mines (Special Provisions) Act, 2015:

$$\text{GCV Adjustment} = (\text{Quoted Price of coal}) \times [(\text{Declared GCV of coal} - \text{Weighted Average GCV of coal extracted in the year}) / (\text{Declared GCV of coal})]$$

Where,

- i) Quoted Price of coal is the Final Price Offer of coal in respect of the concerned coal Block or Mine, along with subsequent

escalation, if any, as provided in the Coal Mine Development and Production Agreement:

Provided that additional premium, if any, quoted by the generating company in auction, shall not be considered; and

- ii) Declared GCV of coal shall be the GCV of coal as specified or quoted in the auction.

(b) Where the integrated mine is allocated through allotment order under Coal Mines (Special Provisions) Act, 2015:

$$\text{GCV Adjustment} = [(\text{Annual Extraction Cost}/\text{ATQ}) + (\text{mining charge})] \times [(\text{Declared GCV of coal} - \text{Weighted Average GCV of coal extracted in the year})/(\text{Declared GCV of coal})]$$

Where,

- i) Annual Extraction Cost is the cost of extraction of coal as computed in accordance with Regulation (36F) of these regulations;
- ii) mining charge is the charge per tonne of coal paid by the generating company to the Mine Developer and Operator engaged by the generating company for mining, wherever applicable; and
- iii) Declared GCV of coal shall be the average GCV as per the Mining plan or as approved by the Coal Controller.

36P. Adjustment on account of Non-tariff income (NTI Adjustment):

Adjustment on account of non-tariff income (NTI Adjustment) for any year, such as income from sale of washery rejects in case of coal mine and profit, if any, from supply of coal to the Coal India Limited or merchant sale of coal as allowed under the Coal Mines (Special Provisions) Act, 2015 shall be worked out as under:

$$\text{NTI Adjustment} = \frac{\text{All Non-tariff income during the year}}{\text{Actual quantity of coal or lignite extracted during the year}}$$

36Q. Credit Adjustment Note:- (1) The credit arising on account of OB Adjustment, GCV Adjustment and NTI Adjustment shall be dealt through Credit Adjustment Note for any year.

(2) The Credit Adjustment Note shall be issued in favour of the specified end use plants on account of OB Adjustment, GCV Adjustment or NTI Adjustment, as the case may be, for that year as under:-

- (i) OB Adjustment for the year X Quantity of coal or lignite supplied in that year;
- (ii) GCV Adjustment for the year X Quantity of coal or lignite supplied in that year; and
- (iii) NTI Adjustment in the year X Quantity of coal or lignite supplied in that year.

(3) The amount in Credit Adjustment Note shall be adjusted against the charges of coal or lignite supplied after the date of issue of Credit Adjustment Note. The integrated mine shall prepare an annual reconciliation statement of such adjustment and furnish the same to all the end use plants and also publish the same on its website.

36R. Quality Measurement: The quality of coal or lignite supplied from the integrated mines shall be measured at the Loading Point through third party sampling as per the guidelines and procedure specified by the Ministry of Coal and records of such measurement of quality shall be made available to the beneficiaries on demand.

36S. Special Provision: Provisions of Chapters 5 to 8 of these regulations shall not be applicable in case of integrated mines, except to the extent specifically provided for or referred to in Chapter 9:

Provided that the financial parameters required for computation of input price of coal or lignite from an integrated mine, if not specifically provided for or referred to in Chapter 9, shall be considered as per provisions applicable to the coal or lignite based generating stations, as the case may be, in these regulations.”

16. Amendment to Regulation 59 of the Principal Regulations.

16.1. A new Clause shall be added after Clause (1) of Regulation 59 of the Principal Regulations as under:-

“(2) The charges payable by a beneficiary or long term customer shall be first adjusted towards late payment surcharge on the outstanding charges and thereafter, towards monthly charges levied by the generating company or the transmission licensee, as the case may be, starting from the longest overdue bill.”

17. Amendment to Regulation 71 of the Principal Regulations:

17.1. In Regulation 71 of the Principal Regulations, the words “and the associated integrated mine” shall be added after the words “TPS-I(expansion)”.

(Sanoj Kumar Jha)
(Secretary)

Note: (1) The Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2019 were published in Part III- Section 4, No.144 of the Gazette of India (Extraordinary) dated May 5, 2019.

(2) The draft of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (First Amendment) Regulations, 2020 were issued on 1st April, 2020 inviting comments/suggestions of the stakeholders and is yet to be finalized.