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Case Update

CENTRAL ELECTRICITY REGULATORY COMMISSION DETERMINES SUPPLEMENTARY PROVISIONAL TARIFF FOR NTPC LIMITED IN LIGHT OF COMPLIANCE WITH NEW EMISSION CONTROL SYSTEMS IN COMPLIANCE OF THE GUIDELINES/ NOTIFICATIONS ISSUED BY THE MOEF&CC

The Ld. Central Electricity Regulatory Commission ("**CERC**") passed a first of its kind order on 02.12.2024, determining "supplementary tariff" for NTPC 's 980 MW National Capital Thermal Power Station, Dadri Stage II ("**the generating station**"), in light of the installation of the Emission Control Systems ("**ECS**") at the generating station.

The ECS has been installed and commissioned by NTPC in compliance of the Environment (Protection) Amendment Rules, 2015 ("**The Amendment**") notified by the Ministry of Environment, Forest and Climate Change ("**MoEF&CC**") on 07.02.2015. The Amendment mandates all thermal power plants to install ECS to comply with the revised norms of emission standards.

Notably, in 2018, the Ld. CERC had already allowed a "change in law" petition filed by NTPC in relation to the additional capital expenditure incurred for the cost of implementation of the ECS in terms of the amendments after a due prudence check. Further, in 2021, the Ld. CERC passed an order allowing NTPC the additional expenditure towards installation of ECS at the station, in accordance with the CERC (Terms and Conditions of Tariff) Regulations, 2019 ("**2019 Tariff Regulations**"). However, the Ld. CERC in the 2021 Order, held that costs for reagents, gross station heat rate etc. will be determined on a "case to case basis" for which NTPC filed the subject petition.

Accordingly, NTPC approached the Ld. CERC with a tariff petition in 2022 (subject petition), in terms of the 2019 Tariff Regulations, claiming certain capital costs and annual fixed charges to recover the costs of the ECS installment along with certain cost overruns that inadvertently occurred due to rising labour and material costs.

In its order, the Ld. CERC noted that compliance with the new environmental norms is necessary, and so is making power available on a sustained basis. The Ld. CERC also noted that cash flow problems must be avoided regarding the same. Hence, provisional supplementary tariffs have been allowed based on the capital cost as approved in the investment approval.

The Order passed by the Ld. CERC helps the power generators in a way that the same eliminates financial risks associated with compliance with stringent environmental norms introduced by the MoEF&CC. In the said order it is also directed that NTPC also has to maintain records of ECS performance, reagent consumption, and auxiliary power use for future audits and tariff true ups.

The said order passed by the Ld. CERC ensures that NTPC can charge from the beneficiaries of the generating station (i.e. DISCOMs) the supplementary tariff due to the ECS costs. NTPC is justified to claim the said tariff as it is deemed necessary for achieving environmental sustainability.

In light of the aforesaid the order is pivotal in balancing India's energy and environmental priorities, supporting the energy transition while maintaining financial viability for power producers like NTPC. The order is significant in balancing financial sustainability of generating stations and structuring power costs considering urgent necessity to address climate change and deploying technological solutions for the same.

NTPC Limited was represented before the Ld. CERC by Shri Venkatesh, Managing Partner; Anant Singh Ubeja, Senior Associate and Kunal Veer Chopra, Associate of SKV Law Offices.