

**SECTION – 7**  
**INCENTIVES**

**7.1 EXISTING PROVISIONS**

The GOI tariff notification dt. 31.3.92 (ammended upto 6.11.95) provides the following incentives.

- i) For Availability of installed capacity above normative level of 90%, the rate of incentive shall be mutually agreed upon between the generating company and the board but it shall not exceed 0.7 percent return of equity for each percentage increase in Availability.
- ii) The rate of incentive for secondary energy shall be equal to per unit cost of primary energy.

**7.2 DISCUSSIONS**

- i) The analysis of data on Availability indicated the average annual Availability of all the plants in the country as follows :

<b>Year</b>	<b>Average Annual Availability</b>
1993-94	86.5%
1994-95	90.60%
1995-96	89.60%

In case the admissibility of incentives on achieving Availability more than 90% is considered as per the existing provisions, on an average none of the stations may be

eligible for incentives. It is therefore recommended that incentive should be admissible on achieving Availability above 85% instead of 90%. To keep quantum of incentive low, the level of incentives could be graded, keeping lower value between 85 to 90% and higher value between 90 to 100%.

- ii) With annual Availability of 85%, determined based on the availability during 8760 hours in the year, full fixed charges would be payable to the generating company. To promote efficiency and economy in power generation, the value assigned to availability for incentive purpose should be linked to the time when the availability is needed most in the system instead of working on 8760 hours basis. Hydro plants designed for peaking purposes are most needed in peak hours during non monsoon months and for full 24 hours a day during monsoon months. In case of run-of-the river schemes without storage, Availability during monsoon months is most valuable as during non-monsoon months only partial capacity is needed. The Availability for incentive for hydro plants should thus be worked out based on the above criteria.

### **7.3 PRICING FOR REACTIVE POWER**

Hydro power stations, some times, may be called upon to supply reactive power to the system which may be required for system voltage control. In this mode of operation, the generation of active power (KWh) would get reduced and the generating company would be put to loss. CERC could take up necessary studies to work out appropriate price for reactive power.

## **7.4 RECOMMENDATIONS**

In addition to the Capacity charge and 'Primary energy charge', the following incentives shall be admissible.

### **a) For higher Availability**

#### **(i) Run-of River type schemes with pondage and storage schemes**

For annual Availability more than 85% determined on the basis of Availability during peak hours in non monsoon months; and during all the 24 hours in monsoon months, incentive shall be admissible at the rate to be determined by CERC.

#### **(ii) Run-of River type schemes without pondage**

For annual Availability more than of 85% determined on the basis of Availability on 24 hours basis during monsoon months only, incentive shall be admissible at the rate to be determined by CERC.

Note : The monsoon months and peak hours in various seasons shall be specified by the respective Regional Electricity Boards.

### **b) For Generation of Secondary Energy**

The rate per kwh of Secondary Energy shall be the same as for Primary Energy.

### **c) Pricing of Reactive Power**

CERC should initiate specific studies to determine appropriate price for supplying reactive Power.