

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

- 1. Shri Bhanu Bhushan, Member**
- 2. Shri R. Krishnamoorthy, Member**

Petition No.34/2001

In the matter of

Approval of tariff in respect of Ramagundam STPS (2100 MW) for the period 1.4.2001 to 31.3.2004.

And in the matter of

NTPC Ltd, New Delhi

.... Petitioner

Vs

1. Transmission Corporation of Andhra Pradesh Ltd, Hyderabad
2. Tamil Nadu Electricity Board, Chennai
3. Karnataka Power Transmission Corporation Ltd, Bangalore
4. Kerala State Electricity Board, Thiruvananthapuram
5. Electricity Department, Government of Pondicherry, Pondicherry
6. Goa Electricity Department, Panaji, Goa

...Respondents

ORDER

The petitioner, NTPC Limited, had filed this petition for approval of tariff in respect of Ramagundam STPS (2100 MW) (hereinafter referred to as “the generating station”) for the period 1.4.2001 to 31.3.2004. On completion of pleadings and after hearing the parties, final tariff in respect of the generating station was awarded vide the Commission’s order dated 6.8.2003 which was subsequently revised on 24.8.2004 keeping in view the Review Petition (77/2003) filed by TNEB. However, due to the mistake in calculation of interest

rate, the order dated 24.8.2004 was corrected by order dated 21.12.2004. The summary of the annual fixed charges awarded is given hereunder:

(Rs in lakh)			
Particulars	2001-02	2002-03	2003-04
Interest on Loan	711	230	0
Interest on Working Capital	5158	5203	5142
Depreciation	8134	8134	3645
Advance against Depreciation	1026	482	0
Return on Equity	17882	17882	17882
O & M Expenses	16220	18453	19484
TOTAL	49132	50385	46153

2. The interest on loan worked out in the said order dated 21.12.2004, is as under:

(Rs in lakh)			
Particulars	2001-02	2002-03	2003-04
Gross loan-Opening	111764	111764	111764
Cumulative repayments of Loans up to previous year	93987	103147	111764
Net loan-Opening	17777	8616	0
Increase/ Decrease due to FERV	0	0	0
Increase/ Decrease due to Additional Capitalisation	0	0	0
Total	17777	86162	0
Repayments of Loans during the year	9160	8616	0
Net loan-Closing	8616	0	0
Average Net Loan	13197	4308	0
Rate of Interest on Loan	5.39%	5.34%	5.46%
Interest on loan	711	230	0

3. Details of the computation of interest on working capital awarded in the above order are as under:

(Rs in lakh)

Particulars	2001-02	2002-03	2003-04
Fuel cost	9278	9278	9304
Coal stock	4293	4293	4293
Oil Stock	1129	1129	1129
O & M expenses	1352	1538	1624
Spares	2235	2235	2235
Receivables	26745	26954	26299
Total Working Capital	45032	45427	44884
Working Capital Margin	2570	2570	2570
Total Working Capital Allowed	42462	42857	42314
Rate of Interest	11.50%	11.50%	11.50%
Interest on allowed Working Capital	4883	4929	4866
Interest on WCM	69	69	70
Return on WCM	206	206	206
Total Interest on Working capital	5158	5203	5142

4. Subsequently, the Appellate Tribunal for Electricity (hereinafter referred to as “the Appellate Tribunal”) vide its order dated 14.11.2006 in Appeal No.96/2005 relating to Kawas Gas Power station owned by the petitioner directed, *interalia*, that:

“The Central Commission shall adopt normative debt repayment methodology for working out the interest on loan liability for the period 01.04.1998 to 31.03.2001. The adjustment arising out of this be made in the future years. “

5. Similar orders were made by the Appellate Tribunal in a number of appeals decided by it. Accordingly, the general methodology decided by the Appellate Tribunal is being applied for tariff determination of the generating station, in whose case tariff was initially determined for the period 2001-04 vide the Commission’s order dated 24.8.2004. Therefore, tariff for the generating station for the above period is being revised by applying normative debt repayment methodology.

6. As the direction of the Appellate Tribunal requires revision of only the debt repayment methodology, other factors relating to tariff determination viz. capital cost, FERV, debt-equity ratio, additional capitalization, cumulative depreciation recovered, actual loan statement, etc., have been kept as admitted by the Commission in the order dated 24.8.2004. Further, the cumulative repayment as arrived at in order dated 26.5.2008 in Petition No. 29/2002, has been considered. Thus, the revised calculations of interest on loan based on the above direction of the Appellate Tribunal is as under:

(Rs in lakh)

Particulars	2001-02	2002-03	2003-04
Gross loan-Opening	111764	111764	111764
Cumulative repayments of Loans up to previous year	78730	85143	93503
Net loan-Opening	33034	26621	18261
Increase/ Decrease due to FERV	0	0	0
Increase/ Decrease due to Additional Capitalisation	0	0	0
Total	33034	26621	18261
Repayments of Loans during the year	6413	8360	4238
Net loan-Closing	26621	18261	14023
Average Net Loan	29827	22441	16142
Rate of Interest on Loan	5.39%	5.34%	5.46%
Interest on loan	1607	1199	881

7. On account of the change in the repayment methodology for the tariff period 1997-2001, there is normative loan, outstanding as on 1.4.2001. Hence weighted average rate of depreciation of 3.64% has been considered for computation of depreciation, instead of spreading the remaining depreciable value over the balance life of the generating station considered in the order dated 24.8.2004. (As per order dated 24.8.2004, there was no outstanding loan during

2003-04). The necessary calculation in support of depreciation now chargeable is as follows:

(Rs in lakh)				
Particulars	Up to 2000-01	2001-02	2002-03	2003-04
Rate of depreciation		3.64%	3.64%	3.64%
Depreciable value	2011757	-	-	-
Balance useful life of plant in years	-	-	-	10.85
Remaining depreciable value	-	-	-	40828
Depreciation	-	8134	8134	8134
Cumulative depreciation /AAD recovered in tariff	143852	151987	160347	168481

8. Advance Against Depreciation for the year 2001-02 works out as follows consequent upon the revision of interest on loan component of the annual fixed charges, while it remains unchanged for the remaining period:

(Rs in lakh)			
Particulars	2001-02	2002-03	2003-04
1/12 th of loan	9314	9314	9314
Scheduled repayment of loan	6413	8360	4238
Minimum of above	6413	8360	4238
Depreciation during the year	8134	8134	8134
Advance against depreciation	0	226	0

9. Revision of interest on loan, Depreciation and Advance Against Depreciation has resulted in the revision of interest on working capital as interest on loan, Depreciation and Advance Against Depreciation are components of “receivables” included in the working capital. Accordingly, interest on working capital has been recalculated as under:

	(Rs in lakh)		
	2001-02	2002-03	2003-04
Fuel Cost	9278	9278	9304
Coal stock	4293	4293	4293
Oil stock	1129	1129	1129
O & M expenses	1352	1538	1624
Spares	2235	2235	2235
Receivables	26723	27075	27212
Total Working Capital	45010	45548	45797
Working Capital Margin (WCM)	2570	2570	2570
Total Working Capital allowed	42440	42978	43227
Rate of Interest	11.50%	11.50%	11.50%
Interest on Working capital	4881	4943	4971
Interest on WCM	69	69	70
Return on WCM	206	206	206
Total interest on working capital	5155	5217	5247

10. Annual fixed charges revised on the basis of the above in respect of the generating station for the period from 1.4.2001 to 31.3.2004 are summarized as under:

	(Rs in lakh)		
Particulars	2001-02	2002-03	2003-04
Interest on Loan	1607	1199	881
Depreciation	8134	8134	8134
Advance against Depreciation	0	226	0
Return on Equity	17882	17882	17882
O & M Expenses	16220	18453	19484
Interest on working capital	5155	5217	5247
TOTAL	48999	51111	51629

11. The petitioner shall recover the additional amount within six months immediately following the date of this order.

Sd/-
(R. KRISHNAMOORTHY)
MEMBER

Sd/-
(BHANU BHUSHAN)
MEMBER

New Delhi dated 27th day of May, 2008