

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. Shri Ashok Basu, Chairman
2. Shri G.S. Rajamani, Member
3. Shri K.N. Sinha, Member

Petition No. 30/2001

In the matter of

Generation Tariff for Korba STPS in Western Region for the period from
1.4.2001 to 31.3.2004

Petition No. 32/2001

And in the matter of

Generation Tariff for Vindhyachal STPS in Western Region for the period
from 1.4.2001 to 31.3.2004

And in the matter of

National Thermal Power Corporation Ltd.	Petitioner
Vs		
Madhya Pradesh State Electricity Board and others	Respondents

The following were present:

1. Shri K.K. Garg, GM, NTPC
2. Ms. Alka Saigal, NTPC
3. Shri Sravan Kumar, NTPC
4. Shri D. Khandelwal, SE, MPSEB
5. Shri Deepak Shrivastava, EE, MPSEB

**ORDER
(DATE OF HEARING 17.3.2003)**

In our order dated 12.12.2002, we had directed the petitioner to furnish certain additional details/information in respect of Korba STPS and Vindhyachal STPS-I. Shri K.K. Garg, Genl. Manager, appearing on behalf of the petitioner, NTPC submitted that the necessary additional details/information had been filed. We, however, found that additional information/details pertaining to loans,

refinanced loans and interest on these loans was not filed. Also, the date furnished in Forms No.8 and 12 needed to be reconciled in view of certain discrepancies. We, therefore, directed the petitioner, NTPC to provide details within two weeks from the issue of this order, duly supported by an affidavit, with advance copy to the respondents.

2. As per Government of India tariff notification dated 2.11.1992, capacity of 200 MW of three units of Korba STPS, was to be reviewed after removal of deficiency. Shri Garg stated that he was not aware of any review by CEA. He undertook to submit details in this regard. We directed the petitioner to submit these details within two weeks, duly supported by an affidavit, with advance copy to the respondents.

3. Shri Garg prayed for approval of additional capitalisation for the years 2001-2002, 2002-2003 and 2003-2004, based on the anticipated expenditure in those years. He further submitted that audited expenditure details for the year 2001-2002 were available with the petitioner and could be placed before the Commission. On the issue of water charges, Shri Garg submitted that water charges payable by the petitioner were based on statutory notification of concerned state government.

4. Shri Khandelwal, SE, MPSEB opposed acceptance of anticipated capital expenditure for the purpose of tariff. According to him, as per the tariff notification

dated 26.3.2001 an additional capital expenditure less than 20% of the approved cost of the project, should not be allowed to be capitalised during the tariff period. He further submitted that any additional capitalisation not within the approved project cost, could not be considered by the Commission.

5. Shri Khandelwal also raised the point of rate of depreciation. He has stated that due to accelerated rate of depreciation in the earlier period, an amount of Rs.653 crore had been charged as depreciation, whereas outstanding loan was of the order of Rs.139 crore only. He pleaded that the petitioner should be directed to repay the outstanding loan amount out of the accumulated amount of depreciation to reduce the interest liability of the beneficiaries.

6. Shri Khandelwal for MPSEB submitted that base O&M expenses should exclude abnormal expenses under various heads for the purpose of determination of tariff and that O&M expenses claimed by the petitioner should be based on actual O&M expenses for the year 1995-96 to 1999-2000. He further submitted that incentive and ex-gratia payment should not be considered in the O&M expenses as the incentive was being paid separately. It was further submitted on behalf of MPSEB that the Commission's notification dated 26.3.2001 did not provide for separate treatment for working capital margin. Shri Khandelwal argued that rate of interest being charged by PFC should be allowed for working capital margin. Shri Khandelwal also raised the issue of operational norms. He submitted that the Commission's tariff notification dated 26.3.2001 provides that for the

purpose of calculating the tariff, the operating parameters that is “station heat rate”, “secondary fuel oil consumption” and “auxiliary consumption” shall be determined on the basis of actuals or norms whichever is lower. He pointed out that the petitioner, NTPC had not submitted actual operational parameters achieved. Shri Garg submitted that Clause 2(3)(b) of the Commission’s notification dated 26.3.2001 provides for operational norms as per the project specific notification. Shri Garg, on the issue of repayment of loan, further submitted that petitioner was making the repayment as per the schedule prescribed in the Commission’s notification. We have recorded the submissions made on behalf of the parties for facility of reference in future.

7. Subject to directions contained in para 1 and 2 above, hearing was concluded and order reserved.

Sd/-
(K.N. SINHA)
MEMBER

Sd/-
(G.S. RAJAMANI)
MEMBER

Sd/-
(ASHOK BASU)
CHAIRMAN

New Delhi dated the 23rd April, 2003