

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. **Shri Ashok Basu, Chairman**
2. **Shri K.N. Sinha, Member**
3. **Shri Bhanu Bhushan, Member**

Petition No.165/2004

In the matter of

Approval of revised fixed charges on account of additional capital expenditure for the period 1.3.2003 to 31.3.2004 in respect of Simhadri Thermal Power Station.

And in the matter of

National Thermal Power Corporation Ltd. ... **Petitioner**

Vs

Transmission Corporation of Andhra Pradesh Ltd. **Respondent**

The following were present:

1. Shri A.K. Juneja, DGM, NTPC
2. Shri S.D. Jha, Sr. Mgr, (Comml), NTPC
3. Shri N. Nishan, NTPC
4. Shri P. Thirunarayana, NTPC
5. Shri S.N. Goel, NTPC
6. Shri S. Roy, NTPC
7. Shri G.K. Dua, NTPC
8. Shri Surendra, NTPC

**ORDER
(DATE OF HEARING: 23.12.2004)**

Through this petition, the petitioner seeks approval for the revised fixed charges in respect of Simhadri Thermal Power Station (Simhadri TPS) for the period 1.3.2003 to 31.3.2004 after considering the impact of additional capital expenditure incurred during the period.

2. Simhadri TPS comprises of two units of 500 MW each. The generating station was commissioned on 1.3.2003. The Central Government in Ministry of Power by its letter dated 24.7.1997 had accorded approval for the cost estimate of Rs.3650.79 crore.

3. The terms and conditions for determination of tariff for the period 1.4.2001 to 31.3.2004 were notified by the Commission on 26.3.2001 in terms of the Central Electricity Regulatory Commission (Terms & Conditions of Tariff) Regulations, 2001 (hereinafter referred to as “the notification dated 26.3.2001”). A petition (No.2/2002) was filed by the petitioner for approval of tariff for the period from 1.3.2003 to 31.3.2004 in respect of Simhadri TPS, the basis for which was stated to be the notification dated 26.3.2001. In the tariff claimed, the petitioner had considered the impact of additional capitalisation for the period 1.3.2003 to 31.3.2004. The tariff was approved by the Commission by its order dated 19.5.2004. For the purpose of tariff, the capital cost of Rs.3243.08 crore as on 1.3.2003 and of Rs.3180.76 crore as on 31.3.2003 was considered. The additional capitalisation claimed by the petitioner was not considered since the percentage of additional capitalisation was below 20% of the approved project cost.

4. The year-wise details of additional capitalisation claimed in the present petition with reference to the balance sheet are as follows:

(Rs. in crore)			
Period	1.3.2003-31.3.2003	2003-04	Total
Total additional expenditure on the station as per balance sheet (A)	(-)43.440	252.439	208.998
Exclusions			
FERV capitalized (B)	(-)62.315	142.954	80.639
Additional capital expenditure Claimed (A-B)	18.875	109.485	128.359

5. Based on the above, the petitioner has claimed the revised fixed charges.
6. The petitioner's claim for additional capitalisation and the revised fixed charges is based on Clause 1.10 of the notification dated 26.3.2001, reproduced hereunder:

“1.10 Tariff revisions during the tariff period on account of capital expenditure within the approved project cost incurred during the tariff period may be entertained by the Commission only if such expenditure exceeds 20% of the approved cost. In all cases, where such expenditure is less than 20%, tariff revision shall be considered in the next tariff period.”

Additional Capitalisation

7. In the first instance, we consider the admissibility of additional capital expenditure claimed in the present petition.

8. Additional capitalisation as per books of accounts is Rs.208.998 crore, including FERV of Rs.80.639 crore. However, as the impact of FERV is being claimed separately from the respondent, the total claim after excluding FERV is Rs.128.359 crore. The year-wise and category-wise break up of additional expenditure claimed by the petitioner is as follows:

(Rs. in crore)			
Details of additional capitalization claim	1.3.2003 to 31.3.2003	2003-04	Total
Additional capital expenditure within approved cost and admitted works by CERC.			
Balance payment against admitted works (Category 10 A)	18.736	(-)7.352	11.384
New works within approved Revised Cost Estimates (Category 21A)	0.139	101.264	101.403
Spares within approved cost(Category 22A)	0	22.205	22.205
Sub total (A)	18.875	116.116	134.991
Others(B)			
Inter-unit transfers (category 11)	0	(-)6.632	(-)6.632
Sub-total (B)	0	(-)6.632	(-)6.632
Total of additional capitalisation claimed (A+B)	18.875	109.485	128.359

*There may be minor difference in decimal places due to rounding off of the corresponding figures in crore.

9. The expenditure claimed for additional capitalisation and our decisions thereon are as under:

(a) Balance payment against admitted works

The balance payment of Rs.11.384 crore against the admitted works claimed in the petition is in order and has been allowed for capitalisation.

(b) New works within the approved cost

The petitioner has claimed capital expenditure of Rs. 101.403 crore on new works within the approved cost. The items covered under this head are plant equipment, civil works relating to main plant, bridges and culverts, office equipment, Miscellaneous tools and plants, accommodation for employees, recreation facilities for employees and family members like ladies club, Bal Bhawan for employee's children, etc. The expenditure has been allowed to be capitalized considering the fact that these works/ assets are within the approved cost.

(c) Spares within the approved cost

The petitioner has claimed additional capitalization of Rs. 22.205 crore on account of spares within the original approved cost. The admitted capital cost of Rs.3180.76 crore includes initial capital spares of Rs.20.088 crore. After including the additional expenditure of Rs.22.205 crore now claimed by the petitioner on spares, the amount of spares capitalized would stand at Rs.42.293 crore, which is 1.16% of the approved cost. In our view, initial capital spares of Rs.42.293 crore are in order and considering the fact that this is a station with date of commercial operation on 1.3. 2003. The capitalization of these spares for the purpose of tariff has been allowed.

(d) Others - Inter-Unit Transfer

An amount of (-) Rs.6.632 crore has been indicated on inter-unit transfer of Locomotive to Ramagundam stage-III (Rs.5.910 crore), survey instruments to Barh (0.07 crore), Capacitors to Sipat (0.006 crore), Lathe machine to Tanda (0.646 crore) and furniture from Kayakulum. The representative of the petitioner during the hearing has confirmed that value of these assets has been capitalized/de-capitalized from books of accounts of the station from which the transfer has been effected. Such permanent transfers to other stations are need-based and have been allowed.

10. In the light of above discussion, the following additional capital expenditure has been allowed:

(Rs. in crore)

Details of additional capitalization	1.3.2003 31.3.2003	to	2003-04	Total
Additional capital expenditure within approved cost and admitted works				
Balance payment against admitted works (Category 10A)	18.736		(-)7.352	11.384
New works within approved Revised Cost Estimates (Category 21A)	0.139		101.264	101.403
Spares within the approved cost(Category 22A)	0		22.205	22.205
Sub-total (A)	18.875		116.116	134.991
Others(B)				
Inter-unit transfers (Category 11)	0		(-)6.632	(-)6.632
Sub-total (B)	0		(-)6.632	(-)6.632
Total of additional capitalisation recommended to be allowed (A+B)	18.875		109.485	128.359

*There may be minor differences in decimal places due to rounding off corresponding to figures in crore.

11. Next arises the question of revision of fixed charges for the period 1.3.2003 to 31.3.2004. In our order dated 31.3.2005 in Petition No. 139/2004, (National Thermal Power Corporation Ltd Vs Uttar Pradesh Power Corporation Ltd and others) the

Commission has held that the additional capital expenditure incurred during the tariff period, not exceeding 20% of the approved capital cost, does not qualify for retrospective revision of tariff. In the present case, the additional capital expenditure approved is less than 20% of the approved cost. For the reasons given in the said order dated 31.3.2005, the retrospective revision of fixed charges for the period 1.3.2003 to 31.3.2004 is not warranted. However, the additional capital expenditure approved shall be added to the gross block as on 1.3.2003 to arrive at the gross block as on 1.4.2004 for the purpose of fixation of tariff for the tariff period 2004-05 to 2008-09.

12. After taking into account additional capitalisation as allowed, the gross block as on 31.3.2004 is worked out as follows:

(Rs. in crore)	
Gross Block as on 1.3.2003	3243.08
FERV capitalised for March,2003	(-) 62.32
Admitted Gross Block as on 31.3.2003 in petition no. 2/2002 excluding additional capitalisation for March,2003	3180.76
Additional capital expenditure for the period 1.3.2003 to 31.3.2003	18.875
Gross Block as on 31.3.2003	3199.635
Additional capitalization for 2003-04	109.485
Gross Block as on 31.3.2004	3309.12

13. As such, the opening gross block for the purpose of tariff for the period 2004-09 as on 1.4.2004 shall be Rs.3309.12 crore.

14. Further, for the reasons recorded in order dated 31.3.2005 in Petition No.139/2004, the petitioner shall be entitled to earn return on equity @ 16% on the equity portion of additional capitalisation now approved by us. Similarly, the petitioner

shall also be entitled to interest on loan at the rate, as applicable, during the relevant period. Return on equity and interest shall be worked out on the additional capitalisation from 1st April of the financial year following the financial year to which additional capital expenditure relates and up to 31.3.2004. The lump sum of the amount of return on equity and interest on loan so arrived shall be payable by the respondents along with the tariff for the period 2004-09 to be approved by the Commission. The exact entitlement of the petitioner on this account shall be considered by the Commission while approving tariff for the period 2004-09.

15. With the above, petition stands disposed of.

Sd/-
(BHANU BHUSHAN)
MEMBER

Sd/-
(K.N. SINHA)
MEMBER

Sd/-
(ASHOK BASU)
CHAIRMAN

New Delhi dated the 4th April 2005