

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram

- 1. Shri Ashok Basu, Chairperson**
- 2. Shri Bhanu Bhushan, Member**
- 3. Shri A.H. Jung, Member**

Petition No. 35/2004

In the matter of

Approval of revised fixed charges due to additional capitalisation for the year 2000-04 for the Talcher thermal power station (460 MW).

And in the matter of

National Thermal Power Corporation Limited

....**Petitioner**

Vs

Grid Corporation of Orissa, Bhubaneswar

..... **Respondent**

The following were present:

- 1) Shri. VBK Jain, NTPC
- 2) Shri. Vivake Kumar, NTPC
- 3) Shri. Rajnesh, NTPC
- 4) Ms. Nidhi Narang, NTPC
- 5) Shri. GK Dua, NTPC
- 6) Shri R.K Mehta, Advocate, GRIDCO

**ORDER
(DATE OF HEARING: 27.7.2006)**

The petition has been filed for approval of revised fixed charges due to additional capitalisation for the year 2000-04 for the Talcher thermal power station (460 MW) (hereinafter referred to as the generating station), based on the Central

Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2001, (hereinafter referred to as “the 2001 regulations”)

2. The generating station comprises six units, four with capacity of 60 MW each and two with capacity of 110 MW each. The generating station was taken over by the petitioner from the Orissa State Electricity Board (now GRIDCO) on 3.6.1995.

3. The tariff for the generating station for the period from 1.4.2000 to 31.3.2004 was approved by the Commission vide its order dated 19.6.2002 in Petition No 62/2000. Based on the review applications filed by the petitioner, the order dated 19.6.2002, was partially modified vide Commission’s orders dated 5.11.2003 and 1.4.2004. In the order dated 19.06.2002 in Petition No. 62/2000, the Commission has accepted a capital base of Rs. 43183 lakh as on 31.3.2000, and debt-equity ratio of 50:50, for determination of tariff for the generating station with effect from 1.4.2000. This is taken as the starting point in the present matter.

4. Through this amended petition, the petitioner has claimed revised fixed charges on account of additional capital expenditure for the period 2000-01, 2001-02, 2002-03 and 2003-04 and also relatable fixed charges corresponding to R&M period. The additional expenditure in the respective years as claimed by the petitioner is as follows:

| | (Rs. in lakh) | | | | |
|--------------------------------------|---------------|-------------|----------------|--------------|----------------|
| | 2000 – 01 | 2001– 02 | 2002–03 | 2003-04 | Total |
| R&M expenditure on equipment & Works | 9208 | 1042 | 6204.7 | 10600 | 27054.7 |
| Relatable fixed charges disallowed | 625 | 729 | 3866 | 2186 | 7406 |
| Total claim | 9833 | 1771 | 10070.7 | 12786 | 34460.7 |

5. The case was heard on 21.12.2004. GRIDCO vide their IA No. 55/2006 dated 16.5.2006 prayed for re-hearing of the case. The case was accordingly heard on 27.7.2006. as considerable time has elapsed, Commission has decided to give the tariff by way of issuing following summary order. Commission will issue a detailed order shortly.

Capital Cost

6. The policy on Renovation and Modernisation (R & M) is yet to be finalised. The Regulations of 2001-2004 as well as 2004-2009 are silent on the treatment of depreciation once the project has under gone life extension. We are of the view that the issue of reduction of capital cost by accumulated depreciation as claimed by GRIDCO needs to be discussed with all the stakeholders. Once Commission takes a view on the matter, same will be applicable to this generating station as well. Accordingly, after applying prudence check, the revised capital cost would be as under:

(Rs. in lakh)

| Year | Capital cost | ACE | Initial spares | Total |
|-----------|--------------|------|----------------|-------|
| 1999-2000 | 32868 | 9165 | 1150 | 43183 |
| 2000-01 | 43183 | 9195 | - | 52378 |
| 2001-02 | 52378 | 1004 | - | 53382 |
| 2002-03 | 53382 | 6008 | - | 59390 |
| 2003-04 | 59390 | 8292 | 1919 | 69601 |

Reimbursement of actual administrative and interest expenses incurred during the R&M

7. The Commission has decided not to accept relatable fixed charges as claimed by the petitioner but to allow actual expenditure incurred towards administrative and

general expenses and interest on existing loan prior to R&M. Total expenditure on this account comes to Rs. 2713 lakh. During the hearing, the respondent has agreed to its reimbursement rather than including it in the capital cost. Accordingly, this expenditure will be reimbursed by the beneficiary in two equal annual installments along with revised tariff as per this order.

Debt-Equity Ratio

8. In the original tariff order in respect of this generating station the Commission had considered debt-equity ratio of 50:50. The same debt-equity ratio has been considered for Additional Capitalisation also.

Return on Equity

9. Return on equity is allowed @16 % on the average normative equity as arrived at on the basis of 50:50 debt-equity ratio.

Target Availability / Other operational parameters

10. The Target availability of plant considered by the Commission in the original petition remains unaltered. The same is as under:

| Years | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
|---------------------|----------------|----------------|----------------|----------------|
| Target Availability | 61.76% | 65% | 70% | 75% |

11. Similarly, other operational parameters viz., Specific fuel oil consumption, Auxiliary Power consumption and Station Heat Rate etc. considered in the original tariff order have been retained for the purpose of calculation of the revised fixed charges in this petition.

Interest on loan

12. Rate of interest as considered in the original petition remains the same as 14% per annum, on the basis of which interest on normative loan has been calculated.

Depreciation

13. Depreciation rates adopted in the present computation is 7.14% for the period 2000-01 and 4.50% for the period 2001-02 to 2003-04 which is same as considered in the tariff order issued by the Commission in the original petition.

O&M Expenses

14. The O&M Expenses considered in the present case is the same as considered by the Commission in the original tariff order and the same is reproduced below:

| (Rs. in lakh) | | | | |
|-------------------------|---------|---------|---------|---------|
| Years | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| O&M Expenses | 5556 | 8051 | 8534 | 9046 |

Interest on Working Capital

15. For the purpose of calculation of working capital, the operating parameters as discussed in the foregoing paragraphs including the price of the fuel components considered in the original petition has been kept unaltered. The rate of interest on working capital (SBIPLR) considered in the present computation is also same as considered in the original tariff order i.e. 11.50%.

16. Based on the above, revised Annual fixed charges for the period 1.4.2000 to 31.3.2004 is worked out as detailed below :

(Rs. in lakh)

| Calculation of Revised Annual Fixed Charges | | | | | |
|--|------------------------------|----------------|----------------|----------------|----------------|
| S.No | Particulars | 2000-01 | 2001-02 | 2002-03 | 2003-04 |
| 1 | Depreciation | 3083 | 2380 | 2537 | 2902 |
| 2 | Interest on Loan | 1781 | 1769 | 1622 | 1736 |
| 3 | Return on Equity | 3823 | 4231 | 4511 | 5160 |
| 4 | Advance against Depreciation | 000 | 000 | 000 | 000 |
| 5 | Interest on Working Capital | 783 | 863 | 915 | 992 |
| 6 | O & M Expenses | 5556 | 8051 | 8534 | 9046 |
| | Total | 15020 | 17294 | 18119 | 19835 |

17. The variable charges will remain the same as per the original tariff order. In addition to the charges approved above, the petitioner is entitled to recover other charges also like incentive, claim for reimbursement of Income-tax, other taxes, cess levied by a statutory authority, and other charges in accordance with the 2001 regulations, as applicable.

Sd/-

(A.H. JUNG)
MEMBER

Sd/-

(BHANU BHUSHAN)
MEMBER

Sd/-

(ASHOK BASU)
CHAIRPERSON

New Delhi dated the 28th July 2006