

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Coram**

1. **Shri K.N.Sinha, Member**
2. **Shri Bhanu Bhushan, Member**

**Review Petition No.77/2003  
In  
Petition No 34/2001**

**In the matter of**

Review of order dated 6.8.2003 in Petition No.34/2001 for approval of tariff in respect of Ramagundam Super Thermal Power Station for the period from 1.4.2001 to 31.3.2004.

**And in the matter of**

Tamil Nadu State Electricity Board, Chennai

.....**Petitioner**

**Vs**

1. National Thermal Power Corporation Ltd., New Delhi
2. Transmission Corporation of Andhra Pradesh Ltd., Hyderabad
3. Karnataka Power Transmission Corporation Ltd., Bangalore
4. Kerala State Electricity Board, Trivandrum
5. Electricity Department, Govt. of Pondicherry, Pondicherry
6. Electricity Department, Govt of Goa, Panaji, Goa

.....**Respondents**

**The following were present**

1. Shri Sowmyanarayanan, Consultant, TNEB
2. Shri Balaji Dubey, Sr. Law Officer, NTPC
3. Shri S.K. Samui, SM(C), NTPC
4. Shri Guryog Singh, DGM(C), NTPC
5. Shri R. Dar, NTPC
6. Shri D.K. Salpekar, NTPC
7. Shri S.K. Jonav, NTPC
8. Shri A.K. Dhar, NTPC
9. Shri A. Sardana, NTPC
10. Ms. Alka, NTPC
11. Shri V.B.K. Jain, GM(C), NTPC
12. Shri M.G. Ramachandran, Adv. NTPC
13. Shri M.S. Chawla, AGM(C), NTPC
14. Shri S.K. Johar, DGM(C) NTPC
15. Shri T.R. Sohal, AGM(C), NTPC
16. Shri S.K. Sharma, Sr. Mgr (C), NTPC
17. Shri N.N. Sadasivan, NTPC
18. Shri Manoj Mathur, DGM(C), NTPC
19. Shri Ajay Dua, Manager (C), NTPC
20. Shri A.K. Juneja, DGM(C), NTPC
21. Shri P. Patel, SE, SREB

22. Shri B.S. Chandra Mohan, KPTCL
23. Shri R. Balachandran, KSEB

**ORDER**  
**(DATE OF HEARING 24-2-2004)**

This application was filed for review of the following aspects of the order dated 6.8.2003 in Petition No.34/2001 (hereinafter referred to as "the impugned order") whereby the Commission had approved tariff in respect of Ramagundam Super Thermal Power Station (Ramagundam STPS) for the period from 1.4.2001 to 31.3.2004:

- (a) Deletion of the observation made in para 8 of the order dated 6.8.2003 that "as a precautionary measure, the petitioner may keep its purchasers informed that they can keep a provision for additional arrears on ad hoc basis in the ARR".
- (b) Reduction of equity progressively as and when notional loan is fully repaid, to the extent of further depreciation provided and determination of return on equity on the basis of reduced equity components from year to year as per the recommendations of the KP Rao Committee.
- (c) Set right the arithmetic error in award of depreciation for the year 2003-2004.
- (d) Withdrawal of the award of AAD of Rs.22.02 crore for the year 2003-2004 as normative loan was fully repaid during the year 2002-2003.
- (e) To re-work the fixed charges based on the above corrections in tariff.
- (f) Incorporation in the Fuel Price Adjustment Formula for calculation of energy charges given in the order to reflect computation based on actuals or normative operating parameters, whichever is lower.

2. The application was heard on admission on 2.12.2003. The Commission, after hearing the petitioner had admitted review on the grounds noted at sub-paras (c) and (d) above.

3. We heard Shri Sowmyanarayanan, Consultant for the petitioner and Shri M.G. Ramachandran, Advocate for respondent 1, namely, National Thermal Power Corporation Limited. Shri Ramachandran was assisted by the officials of the said respondent.

### **Computation of Depreciation**

4. The tariff for Ramagundam STPS was determined by the impugned order based on the terms and conditions of tariff contained in the Commission's notification dated 26.3.2001 (hereinafter referred to as "the notification dated 26.3.2001"). The notification dated 26.3.2001 prescribed that for the purpose of depreciation, the value base shall be the historical cost of the assets and the depreciation shall be calculated annually as per straight line method at the rates of depreciation prescribed in the schedule thereof. Further, in accordance with the notification dated 26.3.2001, after the loan is fully repaid, the balance depreciation is recovered over the balance useful life of the generating station. Accordingly, the weighted average rate of depreciation of 3.64% was calculated by taking the individual assets at the depreciation rates as per the notification dated 26.3.2001. For the purpose of calculation of balance useful life of the generating station as on 1.4.2003, it was noticed that Unit I of the generating station was declared under commercial operation on 1.3.1984 and Unit V on 1.4.1991. Based on this, the weighted average period of operation on the date of commercial operation of the generating station (1.4.1991) for a capacity of 1600 MW was calculated to be 35 months. Therefore, the life of the plant for the purpose of

depreciation referred was reckoned from 1.5.1988, that is, 35 months prior to 1.4.1991, the actual date of commercial operation. In this manner, the spent life of the generating station was arrived at 14 years and 11 months, as on 1.4.2003 since the entire notional loan gets repaid during 2002-2003. The balance useful life of the plant was considered as 10 years and 1 month as on 1.4.2003 by taking the total life of the generating station as 25 years. The depreciation in tariff was allowed accordingly.

5. The petitioner has submitted that Ramagundam STPS comprises of six units, though the Commission in the impugned order has worked out the balance useful life by considering 5 units of the station. It has been submitted that the balance useful life of the generating station works out to 10 years and 2 months against 10 years and 1 month considered in the impugned order. Accordingly, the petitioner has sought review of the amount allowed in tariff on account of depreciation. The respondent 1 has agreed with the contention raised by the petitioner. The respondent has also sought correction of the error.

6. We have considered the matter. It has been found that Unit IV of Ramagundam STPS was declared under commercial operation on 1.11.1988. However, while calculating the balance useful life of the generating station, the fact of commissioning of Unit IV was inadvertently left out of consideration. There is thus an error apparent on the face of record. Therefore, we allow review of the impugned order on the ground urged by the petitioner.

#### **Computation of Advance Against Depreciation**

7. As per the notification dated 26.3.2001, Advance Against Depreciation shall be permitted wherever originally scheduled loan repayment exceeds the depreciation allowable and shall be computed as follows:

AAD= Originally scheduled loan repayment amount subject to a ceiling of 1/12<sup>th</sup> of original loan amount minus depreciation as per schedule.

8. Advance Against Depreciation was worked out by considering actual gross loan and actual repayment as on 1.4.2001. Accordingly, respondent 1 was allowed to claim Advance Against Depreciation as shown below:

(Rs. in lakh)

2001-2002	1026
2002-2003	1179
2003-2004	2202

9. According to the petitioner, the amount of Rs.2202 lakh allowed on account of Advance Against Depreciation for the year 2003-2004 is not in line with the norms since, it is averred, the notional loan has been fully repaid during the year 2002-2003. Accordingly, the review of the direction has been prayed for.

10. According to respondent 1, methodology adopted for computation of Advance Against Depreciation in the impugned order is in line with the provisions of the notification dated 26.3.2001. It is submitted by the respondent 1 that the notional loan appears to have been fully repaid because of the fact that the Commission has considered the notional loan repayment or actual loan repayment, whichever is higher. It is further submitted that actual loan was still payable during 2003-2004. Therefore, the amount of Advance Against Depreciation allowed in the impugned order based on actual scheduled repayment of loan is valid. Accordingly, respondent 1 has prayed for rejection of review on this ground.

11. We have considered the rival submissions. The Commission in Para 25 of the impugned order took note of the fact that the "loan in the case of Ramagundam STPS

is fully paid during 2002-2003". However, this aspect has not been considered while working out Advance Against Depreciation for the year 2003-2004 since Advance Against Depreciation during the year has been allowed by considering actual scheduled repayment of loan of Rs.6054 lakh. It is a matter for adjudication whether for the purpose of computation of Advance Against Depreciation notional repayment or actual repayment needs to be considered. This aspect is not expressly considered in the impugned order though it was necessary to do. Thus, there is an apparent error on the face of record and needs to be reconciled. Accordingly, review of the impugned order on this ground is also allowed.

12. Accordingly, it is directed that Petition No.34/2001 be set down for hearing before the Commission on 11.5.2004. We make it clear that review of the impugned order is limited to the above noted two aspects, namely, calculation of depreciation by recalculating the balance useful life of the generating station and Advance Against Depreciation for the year 2003-2004. However, any other revisions in tariff, which may be incidental to the reconsideration of these two issues shall also be considered. The tariff approved by the impugned order shall continue to be paid till further orders.

13. With this, Review Petition No.77/2003 in Petition No.34/2001 stands disposed of.

**Sd/-  
(BHANU BHUSHAN)  
MEMBER**

**Sd/-  
(K.N. SINHA)  
MEMBER**

**New Delhi dated the 11<sup>th</sup> March, 2004**