

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. **Dr. Pramod Deo, Chairperson**
2. **Shri R. Krishnamoorthy, Member**
3. **Shri S. Jayaraman, Member**
4. **Shri V.S. Verma, Member**

**Review Petition No. 100/2008
In
Petition No. 32/2007**

In the matter of

Review of order dated 22.7.2008 passed in Petition No. 32 of 2007 in the matter of approval of revised fixed charges for the period 2004-09 after considering the impact of additional capital expenditure incurred during the period 2004-06 for Farakka Super Thermal Power Station (1600 MW)

And in the matter of

NTPC Limited

... **Petitioner**

Vs.

1. West Bengal State Electricity Distribution Co. Ltd., Calcutta
2. Bihar State Electricity Board, Patna
3. Jharkhand State Electricity Board, Ranchi
4. Grid Corporation of Orissa Ltd., Bhubaneswar
5. Damodar Valley Corporation, Calcutta
6. Power Department, Govt. of Sikkim, Gangtok
7. Tamil Nadu Electricity Board, Chennai
8. Union Territory of Puducherry, Pondicherry
9. Uttar Pradesh Power Corporation Ltd., Lucknow
10. Power Development Department, Govt. of J&K, Srinagar
11. Power Department, UT of Chandigarh, Chandigarh
12. Madhya Pradesh Power Trading Co. Ltd., Jabalpur
13. Gujarat Urja Vikas Nigam Ltd., Vadodara
14. Electricity Department, Administration of Daman & Diu, Daman
15. Electricity Department, Administration of Dadra & Nagar Haveli, Silvassa
16. North Delhi Power Limited, Delhi
17. BSES Rajdhani Power Limited, New Delhi
18. BSES Yamuna Power Limited, Delhi
19. Maharashtra State Electricity Distribution Co. Ltd., Mumbai ... **Respondents**

Following were present:

1. Shri V.K. Padha, NTPC
2. Shri A.S. Pandey, NTPC
3. Shri V. Kumar, NTPC
4. Shri S. Dheman, NTPC

ORDER

(Date of Hearing:14.5.2009)

The application has been for review of order dated 22.7.2008 in Petition No. 32/2007.

2. The Commission in its order dated 22.7.2008 in Petition No. 32/2007 had approved the revised fixed charges in respect of Farakka Super Thermal Power Station (hereafter 'the generating station') after accounting for additional capitalization for the years 2004-05 and 2005-06.

3. The petitioner seeks review of the said order dated 22.7.2008 on the following three counts, namely –

- (a) Correction of certain ministerial errors,
- (b) Disallowance of claim for capitalization of expenditure on Residual Life Assessment (RLA) studies, and
- (c) Disallowance of claim for capitalization of Interest During Construction (IDC).

4. Heard Shri V. K. Padha, the representative of the petitioner on admission of the application.

Correction of Ministerial Errors

5. The petitioner has pointed out certain ministerial errors in the said order dated 22.7.2008. These errors are corrected as under, namely -

- (a) In para 2 after the sentence “The Commission by order dated 27.10.2006 in Review Petition No. 59/2006 revised the annual fixed charges in modification of the order dated 9.5.2006.” and before the sentence “.The annual fixed charges approved by the Commission are as under:” the following sentence shall be added, namely-

“The fixed charges for the years 2007-08 and 2008-07 were further revised by order 14.2.2007 in Review Petition No. 59/2006.”

- (b) In the table under para 10, against ‘Inter unit transfer’ for the figure ‘(-) 2129.21’ the figure ‘(-) 212.92’ shall be substituted.

- (c) The last sentence of para 19 shall be substituted as under, namely –

“The balance expenditure on other assets to the tune of Rs.214.62 lakh for the period 2004-06 [(-) Rs.20.31 lakh in 2004-05 and Rs.234.93 lakh in 2005-06] has been examined on merit and only an amount of Rs.183.29 lakh [(-) Rs.51.64 lakh in 2004-05 and Rs.234.93 lakh in 2005-06 is allowed.”

- (d) In para 28, in the last sentence, for the words and figure ‘Rs 0.66 lakh’, the words and figure ‘(-) Rs. 0.66 lakh’ shall be substituted.

- (e) In the table under para 32, under the column ‘2005-06’ and against the row ‘Average capital cost’ for the figure ‘3069.1.92’ the figure ‘306901.92’ shall be substituted.

Disallowance of Capitalisation of Expenditure on Residual Life Assessment (RLA) Studies

6. The Commission in its order dated 22.7.2008, disallowed capitalization of an expenditure of Rs.129.44 lakh stated to have been incurred by the petitioner on RLA studies, holding as under:

“18. The petitioner has claimed an expenditure of Rs.129.44 lakh for the period 2004-06 (Rs.75.78 lakh for 2004-05 and Rs.53.66 lakh for 2005-06) on new works under CEA approved R&M schemes within approved cost and has charged it to revenue in the Books of Accounts. It is observed that CEA in its letters dated.19.7.2002 and 9.9.2002 had cleared 8 proposals for R&M and the remaining 42 proposals were cleared vide letter dated 24.3.2003. It is also noticed from the letter of CEA dated 9.9.2002 that the proposals that needed urgent attention were cleared by letter dated 19.7.2002 as capital addition and the petitioner was advised to formulate a comprehensive R&M scheme on the basis of RLA studies of boiler and auxiliaries, turbine and auxiliaries, generator and generator transformers for Units –1, 2 and 3 along with the other proposals already under submission in order that the techno-economic viability of the comprehensive R&M scheme could be established in terms of improved generation, PLF/ availability, efficiency. In our view, capitalization of expenditure on RLA studies may be considered only after R&M work for boiler and auxiliaries, turbine and auxiliaries generator and generator transformers for Units –1, 2 and 3 are undertaken and completed on the basis of RLA. In view of this, the claim for an amount of Rs. 129.44 lakh is not admitted.”

7. The petitioner in support of its claim for review on this count has submitted that RLA studies are mandatory and essential part of successful execution of R&M works as these studies identify the mandatory replacements /modifications necessary to increase the performance level/life extension. It has been further submitted that the expenditure need to be capitalised along with other expenditure, instead of postponing the same to a later date since, according to the petitioner, some of the works identified under RLA studies for R&M have already been completed and others are in the process of execution.

8. We have considered the submission of the petitioner. The orders similar to that passed in the present case were passed by the Commission in several other

cases while disallowing capitalization of the expenditure incurred by the petitioner on RLA studies. The petitioner filed appeals in those cases before the Appellate Tribunal who has upheld the Commission's order in its judgment dated 16.3.2009 in Appeal No. 133/2008. The representative of the petitioner could not point out any distinguishing feature between the earlier cases and the case on hand.

9. In view of the above judgment of the Appellate Tribunal, the case for review has not been made out as regards disallowance of capitalization of the expenditure on RLA studies. The plea for review on this account is accordingly rejected.

Disallowance of Capitalisation of IDC

10. The petitioner's claim for capitalization of IDC of Rs. 23.09 lakh for the year 2005-06 was rejected by the Commission, inter alia, holding that there did not exist any provision for capitalization of IDC on year-to-year basis, and thus the claim was not justified.

11. The petitioner has submitted that by not allowing IDC on time consuming works pertaining to additional expenditure, the interest component incurred by it shall remain un-serviced. It has also been pointed out that the Commission has consistently allowed capitalization of IDC in the past for the petitioner's generating stations under similar circumstances.

12. After hearing the representative of the petitioner, we admit the application for review on this account, that is, limited to capitalization of IDC of Rs. 23.09 lakh.

13. The petitioner is directed to serve copy of the application on the respondents, along with a copy of this order, latest by 10.7.2009. The petitioner shall, by an affidavit, confirm service of copy of the petition on the respondents. The respondents may file their replies on the issue admitted for review, by 31.7.2009 with a copy to the petitioner who may file its rejoinder, if any, by 10.8.2009.

14. List for further directions on 20.8.2009.

Sd/-	Sd/-	Sd/-	Sd/-
[V. S. VERMA] MEMBER	[S. JAYARAMAN] MEMBER	[R. KRISHNAMOORTHY] MEMBER	[DR. PRAMOD DEO] CHAIRPERSON

New Delhi, dated 25th June 2009