

**CENTRAL ELECTRICITY REGULATORY COMMISSION**  
**RECORD OF PROCEEDINGS**

**Petition No.139/2008**

Subject: Approval of revised fixed charges of RGCCP, Kayamkulam situated at Kayamkulam after accounting for the capital cost of switch yard transferred to NTPC from Power Grid Corporation of India Ltd.

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

Petitioner: NTPC Ltd

Respondents: KSEB, TNEB

Date of hearing: **17.3.2009**

Parties present: 1. Shri. S.K.Mandal, NTPC  
2. Shri D.G.Salpekar, NTPC  
3. Ms. Alka Saigal, NTPC  
4. Shri. R.Krishnaswami, TNEB

The petitioner has made this petition for approval of revised fixed charges for RGCCP, Kayamkulam (hereinafter referred to as "the generating station) after accounting for the capital cost of switchyard transferred to it from Power Grid Corporation of India Ltd (PGCIL).

2. The representative of the petitioner submitted that consequent to the transfer of the switchyard from PGCIL to the petitioner with effect from 1.9.2007 in accordance with the provisions of Govt. of India letter No. 5/33/99-Th.2 dated 31.8.2000, the Commission vide its order dated 18.6.2008 in Petition No. 52/2007 determined the tariff of the left over portion of the transmission asset of PGCIL and by the same order allowed the petitioner to provisionally bill the beneficiaries for the taken over asset to the extent the tariff of PGCIL was reduced.

3. In response to the query of the Commission regarding increase in the gross block of the generating station to Rs.8709.94 lakh (which represents the gross value of the switchyard assets) in place of the actual capital expenditure of Rs.5995.36 (net value), the representative of the petitioner submitted that in terms of the orders of the Commission dated 21.12.2000 and 28.6.2002 in

Petition No. 4/2000 and Petition No. 77/2001 respectively, tariff of the generating station should be determined on the basis of the gross value of the taken over asset.

4. In response to a further query of the Commission as to why the petitioner had claimed tariff on the debt-equity ratio of 70:30 as against the debt-equity ratio of 88:12 for asset-I and 82.92:17.08 for asset-II at which the tariff of the switch yard was being determined prior to its transfer, the representative of the petitioner clarified that the debt-equity ratio of 70:30 was adopted as it had not acquired the corresponding loans from PGCIL. The Commission observed that since gross block was allowed in case of acquired assets instead of net block, the debt-equity ratio of 88:12 for asset-I and 82.92:17.08 for asset-II or the debt-equity ratio of 70:30 permissible in terms of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 for additional capital expenditure during 2004-09, would be examined separately before finalizing the order.

5. In response to another query of the Commission as to why additional O&M expenses were being claimed by the petitioner for maintaining the taken over asset, in the light of the fact that normative O&M expenses allowed for gas-based stations hold good for the generating stations in which the switchyard was an integral part, the representative of the petitioner clarified that the generating station was getting O&M @ of 2.5% of the capital cost which was not inclusive of the switchyard cost.

6. The representative of the respondent, TNEB submitted that tariff on the gross block coupled with debt: equity ratio of 70:30, if allowed, would increase the tariff.

7. The Commission directed the petitioner to submit complete details of the loans drawn by it to acquire the switchyard assets, within three weeks. Subject to this, order in the petition was reserved.

Sd/-  
(K.S.Dhingra)  
Chief (Legal)