

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Record of Proceedings

Petition No.44/2009

Subject: Determination of impact of additional capital expenditure incurred during the years 2004-05, 2005-06, 2006-07 and 2007-08 on fixed charges in respect of Kawas GPS (656.20 MW).

Coram: Shri R.Krishnamoorthy, Member
Shri V.S.Verma, Member

Date of Hearing: 19.5.2009

Petitioners: NTPC Ltd.

Respondents: MPPTCL, MSEDCL, GUVNL, CSEB, Electricity Dept, Goa, Electricity Dept, Admn. of Daman & Diu, Electricity Dept. Admn. of Dadar and Nagar Haveli

Parties present: Shri V.K.Padha, NTPC
Shri A.S.Pandey, NTPC
Shri S.K.Sharma, NTPC
Shri D.Khandelwal, MPPTCL
Shri Manzoor Ali, Dept of Electricity, Goa
Ms. Poonam Verma, Dept of Electricity, Goa

This petition has been filed by the petitioner, NTPC for determination of impact of additional capital expenditure incurred during the years 2004-05, 2005-06, 2006-07 and 2007-08 on fixed charges in respect of Kawas GPS (656.20 MW) (hereinafter referred to as "the generating station")

2. The representative of the petitioner submitted that most of the equipments installed in the units of the generating station, commissioned during the year 1993-94 had outlived their useful life and were in urgent need of suitable replacements and hence to overcome the problems of obsolescence, aging, generic defects, equipments erosion/degradation due to frequency variation/naphtha firing and repeated refurbishment, it had incurred additional capital expenditure. The representative of the petitioner also submitted that in addition to these replacements, certain other works which were necessarily required for efficient and successful operation of the generating station had been undertaken and the capital expenditure on this account and the justification for

undertaking the work had been included in its claim and prayed for revision of annual fixed charges.

3. The representative of the first respondent, MPPTCL submitted that sub-clause (4) of Regulation 18 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004, (hereinafter referred to as “the 2004 regulations”) provides for revision of tariff twice during the tariff period including revision from the date of commercial operation to the cut-off date and that the petitioner was at liberty to file the petition for additional capitalization prior to 31.3.2009. The representative of the first respondent also submitted that there was no provision in the 2004 regulations to allow retrospective revision in tariff when the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009, for the period 2004-09 is in vogue from 1.4.2009. The representative of the first respondent further submitted that any revision of tariff with retrospective effect from 1.4.2004 would make it difficult to recover the same from its consumers and therefore requested that the Commission could allow the impact of tariff on account of additional capital expenditure, to be recovered in installments during the period 2009-14 in order to avoid tariff shock.

4. On merits, the representative of the first respondent pointed out that the Commission in its order dated 3.2.2009 in IA no. 24/2008 in Petition No. 79/2005, had allowed enhanced O&M expenses in respect of certain components, like combustor liner, nozzles, blades etc. under replacement, for the period 2004-09 i.e after the expiry of warranty period. The representative of the first respondent submitted that the additional capitalization claimed by the petitioner coupled with the enhanced O&M expenses already allowed by the Commission would lead to extra burden on the consumer. The representative of the first respondent also submitted that the petitioner be directed to provide means of finance in order to arrive at the allowable debt-equity ratio in respect of additional capital expenditure in terms of the 2004 regulations.

5. In reply to the submissions of the first respondent, the representative of the petitioner pointed out that the Commission in its order dated 29.9.2008 pertaining to Kahalgaon Super Thermal Power Station, Stage-I had given liberty to the petitioner to approach the Commission for capitalization of additional expenditure for the period 2004-09, up to 30.9.2009. The representative of the petitioner also submitted that the delay in filing the additional capitalization petitions were on account of the non-finalization of accounts and the restrictions imposed by the 2004 regulations as regards capitalization of additional expenditure. As regards capitalization of gas turbine components etc and the enhanced O&M expenses allowed to the generating station, as raised by the first respondent, the petitioner requested the Commission for reconciliation of the components allowed under the enhanced O&M expenses with those capitalized for the purpose of tariff.

6. The petitioner was directed to submit the following information on affidavit, latest by 8.6.2009, along with soft copies, with advance copy to the respondents.

- (a) Details of un-discharged liabilities (asset wise) in the claim of additional capital expenditure;
- (b) Amount of IDC capitalized in additional capital expenditure and CWIP changes year on year;
- (c) Means of financing of additional capital expenditure with complete details of loan;
- (d) List of all decapitalised assets along with specific details like the year in which the assets were put to use and the depreciation recovered in tariff;
- (e) Clarification pertaining to the gross value of replaced assets against capitalization of combustor liner (2005-06), Diaphragm No.13, set of 104 blades of new design (2007-08);
- (f) Clarification as to the nature of inter-unit transfers (temporary or permanent) for which exclusion has been sought.

7. The respondents would file their response by 15.6.2009 with a copy to the petitioner, who may file its rejoinder, if any, by 22.6.2009.

8. The petition shall be fixed for hearing on 9.7.2009.

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