

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

RECORD OF PROCEEDINGS

Petition No.226/2009

Subject: Determination of tariff for Jhanor Gandhar Gas Power Station (657.39 MW) for the period from 1.4.2009 to 31.3.2014.

Date of hearing: 25.5.2010

Coram: Dr. Pramod Deo, Chairperson
Shri S.Jayaraman, Member
Shri V.S.Verma, Member
Shri M.Deena Dayalan, Member

Petitioner: NTPC Ltd

Respondents: MPPTCL, NSEDCL, GUVNL, CSPDCL, ED, Goa, ED, Daman & Diu, ED, D & NH.

Parties present: 1. Shri V.K.Padha, NTPC
2. Shri A.S.Pandey, NTPC
3. Shri Ajay Dua, NTPC
4. Shri D.Kar, NTPC
5. Shri Deepak Srivastava, MPPTCL

This petition has been filed by the petitioner, NTPC, for approval of tariff for Jhanor Gandhar Gas Power Station (657.39 MW) (hereinafter referred to as "the generating station") for the period from 1.4.2009 to 31.3.2014, based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as "the 2009 regulations").

2. The representative of the petitioner submitted as under:

- (a) the tariff for the generating station for the period 2009-14 has been filed in terms of the 2009 regulations specified by the Commission.
- (b) most of the works which were approved by CEA are likely to be capitalized during 2009-14 and projected expenditure on account of such works has also been considered as capital cost for the purpose of tariff.
- (c) in addition to the additional capital expenditure covered under Regulations 9(1), 9(2) and 19(e) of the 2009 regulations, additional expenditure which are

necessary for the efficient operation of the generating station during its life time has been submitted.

- (d) detailed legal submissions on the admissibility of such additional expenditure has been filed.
- (e) additional information as sought for by the Commission has been filed and copy served on the respondents.
- (f) Rejoinder to the replies filed by the respondent, MPPTCL has been submitted.

3. In reply, the representative of the respondent, MPPTCL submitted as under:

- (a) The additional capital expenditure of Rs 545.56 crore to be incurred on O&M of Gas Turbine, GT Rotor refurbishment and other components (Form-9) on account of extension of useful life from 15 to 25 years could not be considered as work which was necessary, in terms of Regulation 9(2)(i) i.e on account of change of law.
- (b) The claim of the petitioner for Rs 545.56 crore on account of extension of life of generating station from 15 to 25 years is baseless, as the generating station has not yet performed to its ultimate capacity and is under utilized.
- (c) Even if any expenditure on renovation and modernization for extension of life beyond useful life was required, the same has to be claimed separately in terms of Regulation 10, by filing a fresh petition. In case a fresh petition is filed along with details, then the respondents are to be given the opportunity to submit its comments.
- (d) The submission of the petitioner that in case of existing projects, additional capitalization has been dealt by Regulation 7 independent of Regulation 9, is incorrect, as the capital cost under Regulation 7 and additional capital expenditure under Regulation 9 are to be read in combination and not in isolation.
- (e) The petitioner should be directed to submit the revenue requirement details for the generating station in accordance with the provisions contained in the "Procedures for calculating the expected revenue from tariffs and charges Regulations, 2010" notified by the Commission.
- (f) The 2009 regulations specified by the Commission do not contain provision for capital expenditure for replacement of obsolete items and also for additional capital expenditure for efficient operation of gas power stations. The Commission after due deliberations had considered the life of the gas generating stations as 25 years.

- (g) The petitioner has not shown any new fact or reason to justify the replacement of component of Gas Turbine in accordance in relation to the norms specified by the Commission.
- (h) The petitioner should be directed to refund the excess depreciation, since the generating station has completed the useful life of 15 years.
- (i) The petitioner to be directed to submit the details in Form 9A and 9B, for the generating station as on 1.4.2009.
- (j) The recommendations of the CEA should be disclosed and copies sent to the respondents, since the respondents were paying charges for the electricity supplied.

4. In response to the submission of respondent MPPTCL, the representative of the petitioner clarified as under:

- (a) The petitioner has recovered tariff as determined by Commission in terms of the relevant regulations after prudence check and hence there was no need to refund any amount to the respondents.
- (b) The respondent/beneficiaries were only making payments for the product of the generating station i.e electricity supplied to them, and should not be aggrieved with the recovery of depreciation for the generating station.
- (c) The present petition was not filed in terms of Regulation 10 of the 2009 regulations as the generating station has not completed the useful life of 25 years.
- (d) In order to meet the provisions related to the increase in life of the gas generating stations, the projected capital expenditure for the period 2009-14 is necessary to sustain/meet the new applicable norms of operation after a period of 15 years. The detailed project report to carry out the R&M of the generating station was proposed and the same was approved by the Central Electricity Authority.
- (e) The contention of the petitioner that the generating station was under utilized is incorrect, since the Original Equipment Manufacturer (OEM) has recommended for replacement of hot gas path components after 100000 EOH and the proposed expenditure was in accordance with the OEM recommendations.
- (f) A detailed legal submission on the admissibility of additional capitalization under the 2009 regulations has been filed.

(g) CEA being an apex technical body, its recommendations are not subject to further scrutiny by the respondents. Hence copy of recommendations need not be given to the respondents. However, these recommendations would be submitted to the Commission.

(h) the details, in terms of the "Procedures for calculating the expected revenue from tariffs and charges Regulations, 2010", would be submitted in due course.

(i) the details in Form 9A and 9B would be submitted as directed by the Commission.

5. The Commission directed the petitioner to submit the report containing the approval of the CEA for the R&M of the Gas Turbines of the generating station along with the details at (h) and (i) above, latest by 10.6.2010.

6. Subject to the above, order in the petition was reserved.

Sd/-
M.Sethuramalingam
Deputy Chief (Law)