

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**RECORD OF PROCEEDINGS**

**Petition No. 230/2009**

Subject: Petition for fixation of tariff in respect of NLC-TPS-I Expansion (2 x 210 MW) for the period from 2009-14.

Date of hearing: 8.4.2010

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

Petitioner: Neyveli Lignite Corporation Ltd

Respondents: TNEB, PCKL, KSEB and Puducherry Electricity Dept.

Parties present: Shri R.Suresh, NLC  
Shri K.Nambirajan, NLC  
Shri R.Krishnaswami, TNEB  
Shri S.Balaguru, TNEB

This petition has been filed by the petitioner, NLC, for determination of tariff in respect of NLC-TPS-I Expansion (2 x 210 MW) (hereinafter referred to as "the generating station") for the period from 2009-14, 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 that it had filed an amended petition on 17.2.2010 praying for fixation of tariff for the generating station for the period 2009-14, after taking into consideration the observations of the Commission while approving the additional capital expenditure incurred for the years 2007-08 and 2008-09, in its order dated 18.12.2009 in Petition No. 14/2009.

3. The representative of the respondent, TNEB submitted that the claim of the petitioner for capitalization of those expenditures disallowed by the Commission for the years 2007-08 and 2008-09 in order dated 18.12.2009, may not be considered in the present petition, which pertain to the determination of tariff for the period 2009-14. He also submitted that the claim of the petitioner towards additional capitalization for the period 2007-09 under Regulation 18 (2) (ii) was not in line with the provisions and the format specified by the Commission in the 2004 Tariff Regulations and prayed that the petitioner be directed to comply with the said provisions. The representative further submitted that the

claim of the petitioner for estimated additional capital expenditure for the year 2009-14, in respect of new assets and minor assets may not be permitted as the said claim was not in accordance with the provisions of Regulations 9 (2) and 19 (e) of the 2009 regulations. The representative pointed out that the claim of the petitioner for capitalization of rotor amounting to Rs 4000 lakh under mandatory spares after the cut-off date, may not be permitted as it had exceeded the ceiling norm of 2.5% of the capital cost and that the Commission in its order dated 18.12.2009 had disallowed capitalization of initial spares of Rs. 4130.34 lakh amounting to 4.12% of the capital cost. The representative also submitted that the claim of the petitioner for weighted average depreciation rate may be considered in line with the 2009 regulations. He further submitted that the tariff order may indicate details of the gross loan drawn in original currency, cumulative loan repaid and outstanding at the beginning of the year, scheduled payment date and amount repaid in original currency, the exchange rate considered etc for the reimbursement of FERV as per Regulation 49(4) of the 2009 regulations. The representative further added that the petitioner had not passed on the tax holiday benefits of the generating station as well as mine captive to the beneficiaries provided till date and prayed for necessary direction. As regards lignite transfer price, the representative pointed out that the petitioner had not furnished the break-up details of the O&M expenses and the asset-wise depreciation of mines and submitted that the same may be considered after the outcome of the review application filed by it before the Ministry of Coal, Gol against the notified norms. He further prayed that in the alternative, the Commission may restrict the claim of the petitioner to 95% of the transfer price of lignite in line with the provisions of the tripartite agreement. As regards Mines closure, the representative submitted that the claim of the petitioner was based on internal estimates and was not in accordance with the Ministry of Coal, Gol guidelines which provide for Rs. 6 lakh/hectare, and the amount collected so far be trued up.

4. In response, the representative of the petitioner submitted that its claim for additional capital expenditure for the period 2007-09 was based on the observations of the Commission in its order dated 18.12.2009 wherein it had granted liberty to the petitioner to approach the Commission along with asset-wise details of claim in accordance with law and prayed that the same may be considered. The representative further submitted that since additional works necessary for the successful and efficient operation of the generating station has been classified under Regulation 9 (iv) of the 2009 regulations, the projected additional works in respect of the generating station for the tariff period 2009-14 has been claimed. He also submitted that since NFA methodology was adopted in the case of the petitioner and with the opening gross block being adjusted, the additional capitalization may be permitted after prudence check. The representative further submitted that its claim for additional capital expenditure for the period 2009-14, in respect the purchase of rotor was due to the failure of rotor in the 2 units of the generating station, and the purchase of compressor/dryer (for ash handling system) was on account of huge ash accumulation due to worst lignite quality and for modification in the ash transportation line to avoid the units of the generating station coming to a halt.

The representative clarified that the details of FERV claim would be given to the respondents and that the benefits of tax holiday were passed on to the beneficiaries. As regards lignite transfer price, the representative prayed that it may be granted 15 days time to file on affidavit, the relevant details, along with the benefits accrued. As regards Mines closure, the representative pointed out that the mines closure cost adopted in the lignite transfer pricing for the year 2009-14 based on the Ministry of Coal guidelines, would be trued up with the approved mine closure cost, at the beginning of the next tariff period.

5. In view of the submissions of the petitioner that the air compressor/dryer was required for modification of fly ash transportation system, the Commission directed the petitioner to submit additional information, clarifying the following:

- (a) Details as to the number of pressure conveying pipelines for each unit for dry ash transportation system from surge/buffer hopper to storage silos;
- (b) The number of air compressor and its capacity, in operation and in standby, to cater the requirements of ash transportation from each unit;
- (c) Reasons for undertaking the modification of ash transportation line and the type of modification made in the existing transportation line;
- (d) To explain in detail, the reasons for frequent choking of transportation line and whether choking of line was due to under-sizing of air compressors in the original design concept, or for any other reason;
- (e) To furnish the Mine closure cost factored in the determination of lignite transfer price, as per Ministry of Coal guidelines and the Mine closure cost actually considered by petitioner, in the lignite transfer price.

6. The petitioner is directed to submit the additional information on affidavit, with advance copy to the respondents, latest by 30.4.2010, and the respondents to file its submissions by 10.5.2010.

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

Sd/-  
T.Rout  
Joint Chief (Law)