

**Central Electricity Regulatory Commission  
New Delhi**

**RECORD OF PROCEEDINGS**

**Petition No. 308/2009**

Subject: Approval of tariff of Unit – I (250 MW) for the period 22.4.2009 to 20.10.2009 and for the Station (Unit-I and Unit-II) (2x 250 MW) for the period from 21.10.2009 to 31.03.2014 of Bhilai Expansion Power Project of NTPC-SAIL Power Company Ltd.

Date of Hearing: 11.3.2010

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

Petitioner: NTPC-SAIL Power Company Ltd (NSPCL)

Respondent: CSPDCL, SAIL (Bhilai Steel Plant), Electricity Department  
Dadra &Nager Haveli, Electricity Department Daman & Diu.

Parties present: Shri R.N.Sen, NTPC-SAIL  
Shri G.Basu, NTPC-SAIL  
Shri S.D.Jha, NTPC-SAIL  
Shri A.Pal, NTPC-SAIL  
Shri P.V.Sanjeev, CSPDCL  
Shri R.G.Gupta, SAIL (BSP)

This petition has been filed by the petitioner, NTPC-SAIL Power Company Ltd, for approval of tariff for Unit-I (250 MW) for the period 22.4.2009 to 20.10.2009 and for Unit-I and Unit-II (2x 250 MW) for the period from 21.10.2009 to 31.3.2014 of the Bhilai Expansion Power Project (hereinafter referred to as the “generating station”) based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009, (hereinafter “the 2009 regulations”).

2. The representative of the petitioner submitted that the generating station with a capacity of 500 MW was a captive power generating station primarily providing power to Bhilai Steel Plant (BSP) of Steel Authority India Ltd (SAIL) for its consumption and the surplus power from the generating station was being supplied to the respondents. He specifically pointed out that at present 170 MW of power out of the total 500 MW was being utilized for captive requirement of SAIL and the remaining 330 MW was being supplied to the respondents as under:

<b>Respondents</b>	<b>Capacity (MW)</b>
SAIL/BSP	170
UT of Daman & Diu	95
UT of Dadra & Nagar Haveli	135
CSEB	100

3. As regards the reasons for the delay in the commissioning of the units of the generating station, the representative of the petitioner submitted that the Unit-I was synchronized on 20.4.2008 on oil and coal fired on 5.1.2009. The representative added that despite the allocation, due to inadequate supply of coal to the generating station, the declaration of the date of commercial operation (COD) of Unit-I was postponed to 24.4.2009 and that of Unit-II to 21.10.2009. The representative of the petitioner further submitted that it had signed the fuel supply agreement with South Eastern Coalfields Ltd. (SECL) on 3.1.2009 for annual coal linkage of 2.4 million MT, but SECL had revised the coal linkage to 50% of FSA committed, as per the new Govt. of India policy in respect of captive power plants. The representative added that as coal to captive power plants falls under category-3 of coal supply sector as per the supply preference of Coal India Ltd, the actual coal supply from SECL was about 70% of the revised coal allocation and hence the generating station could be operated only to 60-65% of full load capacity. The representative of the petitioner also submitted that presently both the units of the generating station were running with full load after procurement of 0.5 million MT of coal through e-auction with much higher price and after entering into an agreement with Singareni Collieries Co. Ltd. for 1.0 million MT supply of coal. The representative submitted that the date of commercial operation of the generating station was delayed on account of the reasons stated above which was beyond their control and prayed that the Commission consider the same in the determination of tariff.

4. On a specific query by the Commission as to whether it was not the responsibility of the petitioner to arrange fuel for the generating station, the representative of the petitioner clarified that under normal circumstances it was the responsibility of the petitioner to arrange fuel for the generating station, but the short supply of coal despite full allocation, was beyond its control.

5. On a further query by the Commission as to whether the generating station was ready in all respects to run at full load in case of receipt of full supply of coal, the representative of the petitioner clarified that the generating station was ready after synchronization on coal.

6. As regards Heat Rate of the generating station, the representative of the petitioner submitted that the heat rate of 2450 kCal/ kWh considered for the calculation of energy charges was based on the normative guaranteed figure of 2300 kCal/kWh for 150 Kg/Cm<sup>2</sup> pressure and steam temperature of 540<sup>0</sup> C  $\pm$

5<sup>o</sup> C as per the 2009 Regulations and that after considering 6.5% variation, the design heat rate worked out to 2450 kCal/kWh.

7. As regards water charges, the representative of the petitioner submitted that an advance amount of Rs.110 crore was paid to the Water Resources Department, Govt. of Chhattisgarh for the construction of the Mahad reservoir, for availability of water for the entire life of the generating station. He submitted that it had received in-principle approval from the Govt. of Chhattisgarh in August 2003, for 1 TMC of water every year out of the proposed saving of 1.8 TMC after the lining of Tandula main canal and had accordingly paid a commitment charge of Rs.7.13 lakh to the Govt. of Chattisgarh. The representative pointed out that the Govt. of Chattisgarh during Sept, 2005 had sent a proposal to the petitioner indicating the requirement for building the Mohad reservoir, on account of inadequate saving of water in the Tandula canal during the years of low rain fall and called upon the petitioner to bear the entire construction cost for the Mohad reservoir. The representative submitted that though it had requested the Govt. of Chattisgarh not to charge the construction cost of proposed Mohad reservoir in view of its approval of 1TMC water every year to the generating station and had taken up the issue with the Ministry of Power, Gol, the Govt. of Chattisgarh declined the request and reiterated that the entire cost of the reservoir was to be borne by the petitioner. The representative of the petitioner further submitted that based on the advice of the Govt. of Chattisgarh, due to water crisis, it had revised its water consumption to 0.6 TMC/year as against the 1.0 TMC /year and the Govt. of Chattisgarh had by proposal dated 2.11.2007 called upon the petitioner to share an amount of Rs. 110 crore towards the proportionate estimated cost ( for 0.82 TMC water including 0.22 TMC as evaporation & transmission loss) for the construction of Mohad reservoir as against the present estimated cost of Rs. 205 crore.

8. On a query by the Commission as to whether the charges for water was based on standard rate of charges or if any concession was granted by the Govt. of Chattisgarh, the representative of the petitioner clarified that charges for water was based on the standard rates and no concession was granted. He also added that these charges were generally revised after every 3 years.

9. The representative of the petitioner submitted that an amount of Rs. 81.52 crore towards the estimated sale of infirm power had been adjusted from the actual capital expenditure as on the date of commercial operation of the generating station. The representative however added that based on the provisional energy accounts issued by SLDC Bhilai, the adjustment on account of infirm power from the actual capital expenditure as on the date of commercial operation of the generating station was 80.34 crore and hence, the actual capital expenditure as on the date of commercial operation of generating station be considered by the Commission by addition of Rs 1.18 crore (81.52 crore - Rs.80.34 crore)

10. The representative of the petitioner submitted that originally the dedicated transmission line from ex-bus to the grid was conceived with 220 kV switchyard and was later upgraded to 400 kV. He also submitted that for the supply to BSP/ SAIL, the voltage was stepped down to 220 kV and the supply to Dadra & Nager Haveli and Daman Diu respectively, were made through 400kV line and added that in terms of the recommendations of PGCIL and CEA, sufficient provision has been made for expansion of the transmission system of the generating station. The representative further submitted that the cost of Rs. 47.00 crore for 13.79 Km transmission line includes the cost of 7 bays (4 at Bhilai and 3 bays at Raipur). The representative also added that the transmission charges were shared by the Bhilai Steel Plant along with the other beneficiaries of the generating station. The representative of the petitioner further submitted that the capital cost of Rs. 5.7 crore /MW for the generating station was higher by Rs.0.5 crore/ MW due to an excess amount of Rs. 263 crore (which includes the water charges of Rs. 110 crore, land cost of Rs. 106 crore and the transmission cost of Rs. 47.00 crore).

11. The representative of the respondent No.3, CSPDCL, submitted that there was no justification for considering advance deposit of Rs.110 crore for water charges in the capital cost, as water charges was reimbursed as O&M expenses. He also submitted that the petitioner be directed to furnish details in regard to transmission system for calculating the additional O&M expenses and prayed that the petitioner should not be allowed to claim any depreciation on the asset which was not owned by it.

12. On a query by the Commission as to whether the petitioner had received any interest on the advance payment of Rs.110 crore made to Govt. of Chattisgarh, the representative of the petitioner clarified that no interest was received on the said advance amount.

13. The Commission, however, directed the petitioner to furnish the following information on affidavit, with copies to the respondents, latest by **12.4.2010**:

- (a) Contracted scheduled commissioning period from date of placement of order;
- (b) Detailed note elaborating reasons for delay beyond the contracted schedule and the steps taken to avoid the delay in order to substantiate that the delay was beyond its control;
- (c) The actual completion time of important mile stones of the project as per the original schedule /contractual agreement and details to establish that the generating station was in a position to run at full load as per the original contacted commissioning schedule from the date of placement of order for main plant package;

- (d) Details of cost implications if any, for the delay in date of commercial operation including any implications in IDC & FC from the original estimates prior to taking up the project, with clear explanation;
  - (e) To confirm and specify the standard rate of water charges claimed by the water resources authority of the Govt. of Chhattisgarh and also to confirm that no concession in water charges was granted to the petitioner;
  - (f) Detailed break up of the capital cost of the dedicated transmission line along with the clear scope of work and voltage level of lines and sub-stations.
14. Subject to the above, order in the petition was reserved.

Sd/-  
T.Rout  
Joint Chief (Law)