

CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI

Petition No. 239/2009

- Subject: Approval of tariff of Anta Gas Power Station (419.33 MW) for the period from 01.04.2009 to 31.3.2014.
- Date of hearing: 13.9.2011
- Coram: Dr. Pramod Deo, Chairperson
Shri S.Jayaraman, Member
Shri V.S. Verma, Member
Shri M. Deena Dayalan, Member
- Petitioner: NTPC Ltd
- Respondents: UPPCL, JVVN, AVVN, JDVVN, NDPL, BSES(R), BSES(Y), HPPC, PSEB, HPSEB, PDD (J&K), PD, and UPCL
- Parties present:
1. Shri V.K.Padha, NTPC
 2. Shri D.Kar, NTPC
 3. Shri A.R.Mohanty, NTPC
 4. Shri A Basu Roy, NTPC
 5. Shri K.P.Satpathy, NTPC
 6. Smt. Alka Saigal, NTPC
 7. Shri Ajay Dua, NTPC
 8. Shri Manish Garg, UPPCL
 9. Shri Dushyant Manocha, Advocate, BYPL
 10. Shri Hari Das Maity, BYPL
 11. Shri Anurag Sharma, BYPL
 12. Shri Sunil Kakkar, BYPL
 13. Shri Abhishek Srivastava, BYPL
 14. Shri V.P.Singh, BYPL
 15. Shri Padamjit Singh, PSPCL
 16. Shri T.P.S.Bawa, PSPCL

Record of Proceedings

This petition has been filed by NTPC Ltd, (hereinafter referred to as 'the petitioner') for approval of tariff of Anta Gas Power Station (hereinafter called "the generating station") for the period 2009-14, in accordance with the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (herein after referred to as "the 2009 Regulations").

2. The representative of the petitioner submitted as under:
 - (a) The generating station consists of three Gas Turbines (GTs) of 88.71MW capacity and one Steam Turbine (ST) of 153.20 MW capacity. All the GTs have completed 1,00,000 Equivalent operating Hours (EOH). The Commission by its order dated 21.1.2011 in Petition No. 127/2009 had allowed the additional expenditure for Renovation and Modernisation (R&M) of GT-I and GT-III and in line with the said order, the claim for GT-II for 2009-10 in this petition may be allowed.
 - (b) The additional expenditure incurred for life extension of GT-2 be allowed, keeping in view the requirement of extended life of Gas Turbines of 25 years under the 2009 regulations. The three GTs of the generating station had already served life of more than 15 years and some of the equipments had outlived its useful life from the date of commercial operation of the generating station (1.8.1990) and R&M work is required to be carried out for life extension from 15 years to 25 years.
 - (c) Additional information sought for by the Commission and rejoinder to the replies of the respondents has been filed and copy served on the respondents.

3. The representative of respondent No. 2, UPPCL submitted as under:
 - (a) Even after undertaking R&M for GT-I and GT-II at an expenditure amounting to 41% of the total value of Unit (GTs I and II), the life of the plant has increased by only 10 years. If the estimated useful life is 25 years, then such massive expenditure (41%) on replacement has not increased the life of the plant. This has only increased the cost burden on the beneficiaries. The fixed cost on the beneficiaries outweighs the benefits.
 - (b) The useful life of the generating station was over during 2004 and has now been extended from 15 to 25 years in terms of the 2009 regulations. Since life of the generating station was over, it could only be considered as R&M of the old generating station. In terms of Regulation 10(3) of the 2009 regulations, in case of life extension the accumulated depreciation should be deducted from the additional capital expenditure.
 - (c) The water charges claimed by the petitioner should form part of the O&M expenses and cannot be considered in isolation.
 - (d) Since there is an over recovery of ₹93.91 crore, the reimbursement of the Interest on working capital should represent the actual cost incurred.

4. The representative of respondent No.9, Punjab State Power Company Ltd. (PSPCL), *erstwhile* PSEB mainly submitted as under:

- (a) In terms of the National Electricity Policy, the stations storing liquid fuel should switch over to gas as far as possible to reduce the cost of generation. The petitioners claim for capitalization for additional Naphtha Tank at ₹500 lakh for 2011-12 (page-41 of petition) should not be allowed, since the generator should make extra efforts to arrange full gas for charging at 85-95% PLF of the station, rather than liquid storage.
- (b) Based on the above, the claim for Liquid Fuel Stock (page-52 of the petition) for working capital should also be excluded. Similarly, 12.85% generation on Naphtha (page-56 of the petition) is not in order and the same should be considered as 'zero' for one month fuel cost to compute the working capital.
- (c) The operational norms for the generating station for 2009-14 are based on the recommendations of the CEA and the recommendations of CEA is based on the operational data relating to the period 2002-07. These data considered are old and is prior to R&M activity of the generating station. Major R&M expenditure has been incurred and the useful life of the generating station has been extended. Improved Station Heat Rate (SHR) norms should be specified for the generating station by the Commission in exercise of 'power to relax' under Regulation 44 of the 2009 regulations. The Commission may also consider revisiting the operational norms of the generating station and refer the matter to the CEA for technical advice.
- (d) The above submissions are adopted in respect of the respondent No. 8 (HPPC).

5. The learned counsel for the respondent No.7, BYPL submitted as under:

- (a) The Commission had allowed R&M expenditure for GT-I and GT-III by order dated 21.1.2011 after adjustment of Hot Gas Path (HGP) component, and the same treatment should be extended to this case also.
- (b) As regards the benefit to the beneficiaries in respect of additional expenditure incurred during the end of the useful life, it was obligatory on the part of the petitioner to undertake cost benefit analysis and consult the beneficiaries, prior to the filing of the petition in terms of Regulation 10(1) of the 2009 regulations.

- (c) The extension of useful life of the generating station should not extend the useful life under the PPAs entered into by the parties and the respondent should not be made liable for the same.
- (d) Regulations 9(2)(iv) and (v) of the 2009 regulations provide for additional capital expenditure in respect of hydro and transmission utilities and cannot be extended to the petitioner.
- (e) Claim towards insulators and additional Naphtha Tank should not be allowed. The claim for 'augmentation of Raw water reservoir', based on letter of CEA, should not be allowed since the parameters considered by CEA are not relevant as on this date. Commission may consider to refer the matter to CEA, for technical advice.
- (f) Cost Benefit analysis of R&M as a whole should be submitted by the petitioner to show that it would result in higher PLF. Moreover, all heads of claim under R&M shall be considered only after corresponding de-capitalisation of the assets and reduction from capital cost.
- (g) The claim for filing fees should be disallowed and Water charges should only form part of the O&M expenses. Water charges cannot be claimed separately and reference could be made to Para 19.1 of the Statement of Reasons pertaining to the 2009 regulations.
- (h) This respondent may be permitted to file written submissions in the matter.

6. In response to the above, the representative of the petitioner clarified as under:

- (a) The submission of the respondents regarding R&M, cost benefit analysis and filing of petition under Regulation 10(1) and expenditure incurred at the fag end of useful life is baseless, since the petition has been filed for determination of tariff for 2009-14 and not under Regulation 10(1) of the 2009 regulations. The Commission in the 2009 regulations has increased the life of gas turbines from 15 years to 25 years and accordingly, the life of the generating station would expire on 31.7.2015. However, the life of the generating station would end on 31.3.2021 i.e 13 years from 1.4.2008, provided the expenditure on renovation of left over GT-2 is allowed during 2009-10.
- (b) The additional expenditure incurred for GT-I and III was approved by the Commission by order dated 21.1.2011 after prudence check and similar exercise would be undertaken by the Commission in the present case. Hence, the apprehensions of the respondents are unwarranted.

- (c) The overall O&M charges as notified by the Commission are inadequate for the generating station and there is huge shortfall. However, the petitioner would take up the matter with the Commission appropriately, through a separate proceeding.
- (d) The PPAs entered into by parties are bilateral and the rights and obligations, barring tariff, are to be guided by the different clauses in the said PPAs.
- (e) The prayer of the respondents for review of operational norms and non consideration of additional expenditure on Naphtha tanks, liquid fuel cost in working capital etc., should not be accepted since the petition has been filed in terms of the provisions of the 2009 regulations specified by the Commission.
- (f) Water charges as claimed may be considered under "Force Majeure" since the charges incurred are beyond the control of the petitioner and could not be envisaged, both by the Commission and the entities.
- (g) The petitioner may also be permitted to file its written submissions.

7. The representative of the respondent No. 9, PSPCL reiterated that the parameters considered for operational norms should be revised and the beneficiaries of the generating station are entitled for enhanced SHR. Also, the generating station should be discouraged from firing liquid fuel.

8. The Commission after hearing the parties directed the petitioner to submit the following information on affidavit, on or before 12.10.2011, with advance copy to the respondents, who may file its reply by 19.10.2011. Rejoinder, if any, by 23.10.2011.

- (i) The detailed estimate of the percentage of R&M items/assets to be replaced during R&M of Gas Turbine components of GT-II.

9. The Commission permitted the parties to file their written submissions on or before 23.10.2011. Subject to this, order in the petition was reserved.

Sd/-
(T. Rout)
Joint Chief (Law)