

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 28/2011**

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

**Date of Order: 6.9.2012**

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**IN THE MATTER OF**

Approval of tariff for Sipat Super Thermal Power station, Stage-I (1980 MW) for the period from the date of commercial operation till 31.3.2014.

**AND**

**IN THE MATTER OF**

Grant of provisional tariff for Sipat Super Thermal Power Station, Stage-I (1980 MW) from the date of commercial operation of the generating station till 31.3.2014.

**AND**

**IN THE MATTER OF**

NTPC Ltd, New Delhi

**...Petitioner**

Vs

1. Madhya Pradesh Power Trading Company Ltd, Jabalpur
2. Maharashtra State Electricity Distribution Co. Ltd, Mumbai
3. Gujarat Urja Vikas Nigam Ltd, Vadodara
4. Chhattisgarh State Power Distribution Co. Ltd, Raipur
5. Electricity Department, Govt. of Goa, Goa
6. Electricity Department, Administration of Daman & Diu, Daman
7. Electricity Department, Administration of Dadra and Nagar Haveli, Silvassa ...**Respondents**

**ORDER**

The petitioner, NTPC Ltd, has filed this petition for approval of tariff of Sipat Super Thermal Power Station, Stage-I (3x660 MW) ('the generating station') for the period from the anticipated date of commercial operation of Unit-I (1.2.2011) to 31.3.2014, in accordance with

the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (herein after referred to as "the 2009 Tariff Regulations"). Since, Unit-I of the generating station was declared under commercial operation on 1.10.2011, the Commission by its order dated 3.11.2011 allowed provisional annual fixed charges for ₹62908.05 lakh for Unit-I from 1.10.2011 to 31.3.2012, based on the capital cost of ₹315999.00 lakh as claimed by the petitioner.

2. Subsequently, the petitioner vide its affidavit dated 24.4.2012 revised the tariff calculations in the original petition, taking into account the actual audited capital expenditure from 1.10.2011 and the projected capital expenditure upto the anticipated date of commercial operation of Unit-II (1.5.2012) and Unit-III (1.10.2012) respectively. Pursuant to the declaration of commercial operation of Unit-II of the generating station from 25.5.2012, the Commission by its order dated 18.7.2012 granted provisional annual fixed charges of ₹75653.25 lakh in respect of Unit-I from 1.4.2012 to 24.5.2012 and provisional annual fixed charges of ₹123836.94 lakh for Unit-I and II (combined) from 25.5.2012 till date of commercial operation of Unit-III of the generating station, based on the capital cost of ₹539698.50 lakh.

3. The petitioner by its letter dated 30.7.2012 has submitted that Unit-III of the generating station is expected to be declared under commercial operation on 1.8.2012 and has prayed for grant of provisional tariff in order to bill the respondents for the power supplied from the generating station.

4. Clauses (1) and (2) of Regulation 5 of the 2009 regulations provides as under:

***"5. Application for determination of tariff. (1) The generating company or the transmission licensee, as the case may be, may make an application for determination of tariff in accordance with Central Electricity Regulatory Commission (Procedure for making of application for determination of tariff, publication of the application and other related matters) Regulations, 2004, as amended from time to time or any statutory re-enactment thereof, in respect of the units of the generating station or the transmission lines or sub-stations of the transmission system, completed or projected to be completed within six months from the date of application.***

*(2) The generating company or the transmission licensee, as the case may be, shall make an application as per **Appendix I** to these regulations, for determination of tariff based on capital expenditure incurred duly certified by the auditors or projected to be incurred up to the date of commercial operation and additional capital expenditure incurred duly certified by the auditors or projected to be incurred during the tariff period of the generating station or the transmission system:*

*Provided that in case of an existing project, the application shall be based on admitted capital cost including any additional capitalization already admitted up to 31.3.2009 and estimated additional capital expenditure for the respective years of the tariff period 2009-14:*

*Provided further that application shall contain details of underlying assumptions for projected capital cost and additional capital expenditure, where applicable.*

5. Regulation 5 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (First Amendment) Regulations, 2011 provides as under:

*“(4) Where application for determination of tariff of an existing or a new project has been filed before the Commission in accordance with clauses (1) and (2) of this regulation, the Commission may consider in its discretion to grant provisional tariff upto 95% of the annual fixed cost of the project claimed in the application subject to adjustment as per proviso to clause (3) of this regulation after the final tariff order has been issued:*

*Provided that recovery of capacity charge and energy charge or transmission charge, as the case may be, in respect of the existing or new project for which provisional tariff has been granted shall be made in accordance with the relevant provisions of these regulations.”*

6. The petitioner has filed this petition in compliance with Clauses (1) and (2) of Regulation 5 of the 2009 Tariff Regulations and the same has been amended in terms of directions contained in our order dated 3.11.2011. The petitioner has published the notice in the newspapers as regards its filing of the tariff petition and served copies of the petition on the beneficiaries. None of the respondents have filed reply to the petition. Since the petitioner has complied with the provisions of Clauses (1) and (2) of Regulation 5 of 2009 Tariff Regulations, we propose to grant provisional tariff from the date of commercial operation of the generating station i.e from 1.8.2012 till 31.3.2014, in exercise of the power under Clause (4) of Regulation 5 of the 2009 Tariff Regulations.

#### **Time and Cost overrun**

7. The question of time overrun and cost overrun involved in the project would be examined at the time of determination of final tariff of the generating station.

## Capital Cost

8. The investment approval of the project was accorded by NTPC Board on 8.12.2003 at a cost of ₹9456.12 crore including IDC, FC, FERV and FERV hedging cost. The petitioner has claimed the actual capital cost as on date of commercial operation of Unit-I (1.10.2011), anticipated Capital cost as on expected date of commercial operation of unit-II (1.5.2012) and anticipated Capital cost as on expected date of commercial operation of unit-III (1.10.2012) as detailed under:

	Actual capital expenditure as on COD of Unit-I (1.10.2011)	Estimated capital expenditure as on anticipated COD of Unit- II (1.5.2012) (cumulative)	Estimated capital expenditure as on anticipated COD of Unit- III (1.10.2012) (cumulative)
Capital cost	288538	455015	622322
Add: IDC,FC,FERV & Hedging cost	80644	144650	210462
<b>Capital cost</b>	<b>369182</b>	<b>599665</b>	<b>832784</b>

9. The estimated capital cost of the generating station based on the anticipated date of commercial operation of 1.10.2012 has been given as ₹ 832784 lakh including IDC, FC, FERV and Hedging cost. Subsequently, the petitioner *vide* affidavit dated 30.7.2012 has submitted that the expected date of commercial operation of the generating station is 1.8.2012. Since, the estimated capital cost was based on the expected date of commercial operation on 1.10.2012, the capital cost as on 1.8.2012 would be less than the estimated capital cost on account of lesser IDC, Finance charges etc. It is also possible that some capital expenditure which would have been incurred from 1.8.2012 to 1.10.2012 and would have formed the part of capital cost as on 1.10.2012 would now be considered for additional capitalization. Keeping all these factors in view, the capital expenditure for the purpose of provisional tariff as on 1.8.2012 has been restricted to 85% of the capital cost, which works out to ₹707866.40 lakh.

10. The petitioner has claimed the projected additional capital expenditure of ₹22682.00 lakh from 1.10.2012 to 31.3.2013 and ₹40321.00 lakh from 1.4.2013 to 31.3.2014. However, for the purpose of provisional tariff, 90% of the projected additional capital expenditure claimed, which

works out to ₹20413.80 lakh for 1.8.2012 to 31.3.2013 and ₹36288.90 lakh for 1.4.2013 to 31.3.2014 has been considered.

11. The petitioner has claimed annual fixed charges for the period from 1.10.2012 to 31.3.2014 as under:

(₹ in lakh)	
1.10.2012 to 31.3.2013	1.4.2013 to 31.3.2014
185342.00	192653.00

12. Based on the gross block of ₹728280.20 as on 1.8.2012 (*capital cost along with the projected additional capital expenditure, as in paras 7 and 8 above*), the provisional annual fixed charges allowed for the generating station for the period 1.8.2012 to 31.3.2014 is as under:

(₹ in lakh)	
1.8.2012 to 31.3.2013	1.4.2013 to 31.3.2014
165146.54	169788.72

13. Return on Equity has been considered as per the provisions of the 2009 Tariff Regulations. The interest rates on loans and working capital as claimed by the petitioner have been considered. All other components have been considered as per the provisions of the 2009 Tariff Regulations.

14. The following operational norms for 500 MW units and above have been considered in accordance with the provisions of the 2009 Tariff Regulations:

Target Availability	85%
Heat Rate (kcal/kwh)	2380.59
Auxiliary power consumption	6.5%
Specific Oil Consumption (ml/kwh)	1.0

15. The cost of secondary fuel oil worked out to ₹5686.46 lakh for the period from 1.8.2012 to 31.3.2014 has been allowed.

16. Based on the 2009 Tariff Regulations, the cost of fuel component in working capital based on price and GCV of coal and oil for the preceding three months of December, 2010 to February, 2011 is worked out and allowed as under:

	(₹ in lakh)	
	1.8.2012 to 31.3.2013	2013-14
Cost of coal for 1.5 months	18100.81	18100.81
Cost of secondary fuel oil for 2 months	947.74	947.74
Energy charges for 2 months (based on secondary fuel oil)	24136.46	24136.46

### Energy Charge Rate

17. Energy Charge Rate of 105.048 paise/kWh has been worked out based on the weighted average price, GCV of fuel procured and burnt for the preceding three months of July, 2011 to September, 2011 and the operational norms specified under the 2009 Tariff Regulations. Energy Charge Rate, on month to month basis, shall be calculated in terms of Clause 6 (a) of Regulation 21 of the 2009 Tariff Regulations

18. The provisional annual fixed charges determined on annualized basis as above is applicable *pro rata* to the number of days the units have run during the corresponding period.

19. The petitioner shall revise the figures in the petition taking into consideration the date of commercial operation of Unit-III of the generating station, in terms of the provisions of the 2009 Tariff Regulations, which will be considered in accordance with law.

20. The provisional annual fixed charges allowed above is subject to adjustment as per proviso to Clause (3) of Regulation 5 of the 2009 Tariff Regulations.

**Sd/-**  
**[M. Deena Dayalan]**  
**Member**

**Sd/-**  
**[V.S. Verma]**  
**Member**

**Sd/-**  
**[S. Jayaraman]**  
**Member**

**Sd/-**  
**[Dr. Pramod Deo]**  
**Chairperson**