

**Central Electricity Regulatory Commission  
New Delhi**

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

**Date of hearing: 9.2.2012**

**Petition No.222/2009**

**Subject:** Approval of tariff for Farakka Super Thermal Power Station (1600 MW) for the period from 1.4.2009 to 31.3.2014

**Petitioner:** NTPC Ltd., New Delhi

**Respondents:** West Bengal State Electricity Distribution Company Ltd. (WBSEDCL) and others

**Parties Present:** Shri Ajay Dua, NTPC  
Shri Naresh Anand, NTPC  
Shri Rohit Chabra, NTPC  
Shri Shankar Saran, NTPC  
Shri S.Majumdar, NTPC  
Shri S.R.Sarangi, NTPC  
Shri R.B.Sharma, Advocate, BSEB, JSEB, GRIDCO & BRPL  
Shri Manish Garg, UPPCL

**Record of Proceedings**

The petitioner, NTPC Ltd. has filed this petition for approval of tariff for Farakka Super Thermal Power Station (1600 MW) (*hereinafter referred to as the 'generating station'*) for the period from 1.4.2009 to 31.3.2014, based on the CERC (Terms and Conditions of Tariff) Regulations, 2009 ('2009 Tariff Regulations').

2. During the hearing, the representative of the petitioner submitted as under:

- (i) Most of the works in respect of R&M schemes approved by CEA and allowed by the Commission as per the 2004 Tariff Regulations have

been completed and the projected expenditure claimed is towards the balance ongoing R&M works.

- (ii) The additional capital expenditure in respect of wagon tippler, lift pumps, etc. has been claimed under Regulation 9(2)(vii) of the 2009 Tariff Regulations, as amended on 21.6.2011.
- (iii) The cost incurred towards development of infrastructure for implementation of the scheme based on the Government of India notification dated 27.4.2010, which requires the generating stations to supply power to rural households within a radius of 5 km. from the existing/upcoming projects, may also be allowed.
- (iv) Additional information as sought for by the Commission and rejoinders to replies submitted by the respondents has been filed and copies served on the respondents.

2. The representative of Respondent No.9, UPPCL submitted as under:

- (i) The additional capitalization claimed by the petitioner may be disallowed, as huge amounts have to be paid by the beneficiaries on account of Return on Equity, depreciation and Interest on loan, till the useful life of the generating station.
- (ii) The claim for Special allowance in respect of Unit I and Unit II may not be considered. However, the same could be considered in terms of Regulation 10(4) of the 2009 Tariff Regulations towards meeting the expenses including renovation and modernization beyond the useful life of the generating station or its unit thereof.
- (iii) The expenditure for life extension of the generating station may be met from the accumulated depreciation, recovered from the project, in terms of Regulation 10(3) of the 2009 Tariff Regulations. The petitioner may be directed to furnish the details of the amount recovered towards depreciation in respect of Units I & II.
- (iv) Reply filed in the matter may be considered.

3. The learned counsel for the Respondent No.2, 3, 4 and 16 namely, BSEB, JSEB, GRIDCO and BRPL submitted as under:

- (i) Though separate replies have been filed by the said respondents, a consolidated reply filed on behalf of the respondent, BRPL may be considered.
- (ii) The Commission may take appropriate decision to appoint consumer bodies/group to represent the interest of consumers in the determination of tariff.
- (iii) The petitioner has not furnished the list of assets forming part of the project but not in use, in terms of proviso to Regulation 7(1)(c) of the 2009 Tariff Regulations. The submission of the petitioner in its reply that the same would be submitted at the time of truing up is not tenable as it is beyond the scope of the 2009 Tariff Regulations.
- (iv) In terms of Regulation 9(2) of the 2009 Tariff Regulations, the petitioner can claim capitalization of expenditure after the cut-off date only after the same is incurred and may be allowed by the Commission in its discretion. The said expenditure cannot be claimed as a matter of right by the petitioner.
- (v) The petitioner having already recovered 90% of the capital cost, the salvage value of the assets on completion of the useful life of the Unit I and II, in terms of regulation 17 of the 2009 Tariff Regulations, shall be reduced to 10% of the capital cost for the years 2012-13 and 2013-14 respectively.
- (vi) As regards Fuel Price Adjustment (FPA), the beneficiaries are burdened with huge energy charges, due to the infirmities in the purchase of imported coal. The Commission may order investigation under Section 128(2) of the Electricity Act, 2003 or Regulation 74 of the Central Electricity Regulatory Commission (Conduct of Business) Regulations, 1999.
- (vii) The Commission may direct the petitioner to provide documentary proof and the basis of the calculations of the Energy Charge Rates in their bills.
- (viii) The additional expenses due to increase in water charges may not be permitted, as tariff is a complete package and its reasonableness is required to be examined in totality.

- (ix) The expenditure towards levy of fees and charges for the services rendered by the Regional Load Despatch Centre (RLDC) has to be met out by the petitioner from its own sources in accordance with the provisions of the Central Electricity Regulatory Commission (Fees and charges of Regional Load Despatch Centre and other related matters) Regulations, 2009, as tariff is a complete package and its reasonableness is required to be examined in totality.
- (x) Supply of power to housing colonies or township of the generating station is to be accounted for and accordingly adjusted from the cost of the generating station. The said supply do not fall under the Auxiliary Energy Consumption of the generating station.
- (xi) As regards the notification dated 27.4.2010 of the scheme for provision of supply of electricity within a radius of 5 km. around the central power generating stations, the petitioner may be directed to submit a copy of the statement made by the Hon'ble Minister of Power on 21.7.2009 in Parliament, for perusal.

4. In response to the submissions of the Respondent No.9, UPPCL, the representative of the petitioner clarified as under:

- (a) The computation of depreciation given in Form-12 and the Special allowance claimed are strictly in accordance with the provisions of the 2009 Tariff Regulations.
- (b) The additional capitalization claimed in this petition is necessary for efficient operation of Units I & II during their useful life as per operating norms prescribed by this Commission. If the plants are in operation beyond their useful life, then the benefits of such capitalization over the extended useful life would be made available to the respondents/beneficiaries.

5. In response to the submissions of the learned counsel for the Respondent as in paragraph 3 above, the representative of the petitioner clarified as under:

- (i) The allegation of respondent, BRPL that the petitioner was making profits either on account of liberal norms or due to claims being allowed beyond the regulations is baseless. The additional capital expenditure for 2009-14 has been claimed as per provisions of the 2009 Tariff Regulations and tariff is recovered from the respondents as per orders of the Commission.

- (ii) Assets which have become unserviceable have been taken out of gross block and has not considered for the purpose of tariff. The details of such assets which have been de-capitalized have been furnished under Form-9 and the balance details would be furnished during truing-up.
- (iii) The projected additional capitalization in respect of expenditure towards Wagon tippler, lift pumps may be allowed in terms of Regulation 9(2)(vii) of the 2009 Tariff Regulations.
- (iv) A detailed interpretation as regards the claim for additional capitalization under the provisions of the 2009 Tariff Regulations has been submitted and in terms of this, the projected capital expenditure could be allowed under Regulation 9(2). Moreover, the same is subject to truing up at the end of the tariff period.
- (v) As regards the increase in O&M expenses, no capital expenditure is incurred in the O&M expenses and the submission of the respondent for reduction of salvage value from capital cost is not tenable.
- (vi) The expenditure towards purchase of import coal are claimed in the energy bills as per format agreed to by the beneficiaries in the ERPC forum and the petitioner has been providing the break-up details in the said format to the beneficiaries.
- (vii) Any investigation by the Commission under Section 128(2) or Regulation 74 would be only in the event of any violation of the provisions of the Electricity Act, 2003 or the Regulations prescribed by the Commission thereof and not otherwise.
- (v) The recovery of RLDC charges, etc. has not been pressed on account of the consolidated order of the Commission dated 6.2.2012 in respect of the Petitions filed by the petitioner separately on this count. Similarly, decision as regards the claim for water charges as raised in Petition No.121/MP/2011, may be considered in the instant case.
- (viii) Supply to housing colonies fall under Auxiliary Consumption since they form part of the generating station as per the definition of 'generating station' envisaged under section 2(30) of the Electricity

Act, 2003 and by issuance of the Electricity (Removal of Difficulties) Order, 2005 by the Government of India.

- (ix) As regards the scheme for provision of supply of electricity within a radius of 5 km. around the central power generating stations, a copy of the Ministry of Power notification dated 27.4.2010 has been submitted to the Commission and a copy thereof has been served on the beneficiaries. The petitioner is only implementing the directives of the Government of India, pursuant to the notification of Ministry of Power.

6. The Commission, after hearing the parties, reserved its order in the petition.

**By Order of the Commission**

Sd/-  
**(T.Rout)**  
**Joint Chief (Legal)**