

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

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

Date of hearing: **16.2.2012**

Petition No. 224/2009

Subject: Petition for approval of tariff of Dadri Gas Power Station (829.78 MW) for the period from 1.4.2009 to 31.3.2014.

Petitioner: NTPC Ltd.

Respondents: Uttar Pradesh Power Corporation Ltd. (UPPCL) and others.

Parties present: Shri Ajay Dua, NTPC
Shri Sameer Agarwal, NTPC
Shri Shankar Saran, NTPC
Shri Naresh Anand, NTPC
Shri V.Ramesh, NTPC
Shri S.K.Pathak, NTPC
Shri G.K.Dua, NTPC
Shri R.B.Sharma, Advocate, BRPL
Shri Sanjay Srivastav, BRPL
Shri Sunil Barnwal, BRPL
Shri Manish Garg, UPPCL
Shri Padamjit Singh, PSPCL
Shri Tejpal Singh Bawa, PSPCL
Shri Haridas Maity, BYPL

Record of Proceedings

The petitioner, NTPC Ltd has filed this petition for approval of tariff of Dadri Gas Power Station (829.78 MW) ('the generating station') for the period from 1.4.2009 to 31.3.2014 based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (2009 Tariff Regulations).

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

- (i) The projected additional capital expenditure claimed is based on the extension of the life of Gas Turbine from 15 to 25 years, as per the 2009 Tariff Regulations, amended on 21.6.2011.

- (ii) Most of the works in respect of R&M schemes approved by CEA and allowed by the Commission in terms of the 2004 Tariff Regulations have been completed and the projected expenditure claimed is towards the balance ongoing R&M works.
 - (iii) Pursuant to the amendment of the 2009 Tariff Regulations on 21.6.2011, revised figures have been filed and the additional capital expenditure has been claimed under Regulation 9(2)(vi) of the said Regulations.
 - (iv) The projected additional capital expenditure claimed towards R&M of C&I system may be allowed.
 - (v) The issues raised in this petition are similar to issues raised in other tariff petitions by the petitioner in respect of its various generating stations. 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.
3. The representative of Respondent No.1, UPPCL submitted as under:
- (i) The commercial operation of the generating station was during the year 1992 and not 1997 as submitted by the petitioner.
 - (ii) Since the generating station is to complete its balance useful life during 2009-14, the beneficiaries' have been imposed with a huge burden with respect to Depreciation, Return on Equity (ROE) and Interest on loan.
 - (iii) When the life of the generating station would increase by 10 to 15 years, the recovery of additional capital expenditure by the petitioner in 5 years would not be proper. Keeping in view the need to safeguard the interest of consumers, the methodology for recovery of the expenditure claimed, may be considered by the Commission.
 - (iv) In terms of Regulation 10(3) of the 2009 Tariff Regulations, the accumulated depreciation recovered by the petitioner needs to be deducted from the expenditure incurred towards R&M and extension of life.
4. The representative of Respondent No.9, PSPCL (*erstwhile* PSEB) submitted as under:

- (i) On replacement of Hot Gas path components with new components, increase in the efficiency of Gas Turbines and consequently reduction of Station Heat Rate (SHR) was expected and the benefits of this are required to be passed on to the respondents..
- (ii) The Energy charges for the purpose of working capital requirements are based on the operational norms of 2008-09 and it is not justified to continue the same during the period 2009-14.
- (iii) Since arrangement of adequate fuel is the responsibility of the generator, the respondents may not be burdened with higher cost of generation on liquid fuel due to failure of the generator to arrange gas/LNG. It would not be prudent to reward the generator for failure to arrange gas/LNG by allowing working capital based on 25% generation on HSD. This would be against the spirit of Section 61(d) of the Act. Also, in terms of Clause 5.3(f) of the Tariff Policy, increased efficiency would mean the reduction in the percentage of liquid firing and becoming more efficient in arranging gas/LNG.
- (iv) The SHR norms for the period 2009-14 were decided based on the operational data for 2002-03 to 2006-07 as recommended by CEA. With the extensive R&M of GTs, the overall benefit in SHR was expected and in case the existing SHR of 2075 is considered, the beneficiaries would be paying extra tariff because of increase in capital cost due to R&M and the benefit of saving in fuel charges would be retained by the petitioner. This is not justifiable.
- (v) The increase in the life of the gas turbines would proportionately require fuel arrangements for successful operation and assurance regarding fuel arrangement is absent in the petition.
- (vi) The petitioner may be directed to furnish the cumulative depreciation recovered up to 2011-12 and the total repayment of loan up to 2011-12, and the surplus fund available may be adjusted towards the R&M expenses proposed by the petitioner.
- (vii) Reply in the matter has been filed and copies served.

5. The learned counsel appearing for Respondent No.6, BRPL submitted as under:

- (i) The submissions made on behalf of Respondent No.1, UPPCL and Respondent No.9, PSPCL are adopted by this respondent.

- (ii) The claim for R&M cannot form part of the tariff petition, as no expenditure can be made under R&M scheme, except with the approval of the Commission. The expenditure under R&M scheme for the 2009-14, in terms of Regulation 10(1) of the 2009 Tariff Regulations, can be claimed only by a separate application. The petitioner has also not clarified if the claims made by it are under Regulation 9(2)(vi) of the 2009 Tariff Regulations.
- (iii) 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 petitioner cannot claim the said expenditure as a matter of right.
- (iv) Other issues raised by this respondent in respect of other generating stations of the petitioner, as submitted in its reply may be considered in the instant case also.

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

- (i) The claim of the petitioner for projected capital expenditure falls under Regulation 9(2)(vi) of the 2009 Tariff Regulations and the same has been made clear in the affidavit filed subsequently, in the matter.
- (ii) The actual date of commercial operation of the generating station is 1.4.1997. Since the generating station has not been completed the useful life of 25 years, Regulation 10(1) would not be applicable.
- (iii) In terms of the last proviso to Regulation 7 of the 2009 Tariff Regulations, the projected capital expenditure form part of the capital cost s on 1.4.2009. In addition, the additional capitalization admitted is subject to adjustment at the time of truing up.
- (iv) SHR of the generating station was the same even when the Gas Turbines were new and by replacement of the same, with new ones, there would not be any change in the SHR and the petitioner does not derive any profit out of the same.
- (v) The allocation of gas is by the Empowered Group of Ministers (EGOM) and the petitioner is making all efforts to maximize the allocation. It is also taking steps to procure gas fuel/domestic gas from all possible sources.

- (vi) The question of adjustment of accumulative depreciation recovered and repayment of loan is beyond the scope of determination of tariff in this petition.

7. In response to the above, the representative of the Respondent No.9, PSPCL submitted that the petitioner may not be allowed to claim any expenditure under R&M scheme for another one lakh operating hours, since replacement of Hot Gas components on completion of design life of operation with new ones, would extend the life of Gas Turbines by another one lakh operating hours, as submitted by the petitioner.

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

By Order of the Commission

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