

**Central Electricity Regulatory Commission
New Delhi**

Petition No. 270/2009

Coram: Dr. Pramod Deo, Chairman
Shri M.Deena Dayalan, Member

Date of hearing: 24.1.2012

Subject: Approval of Tariff for Auraiya Gas Power Station (663.36 MW) for the period from 1.4.2009 to 31.3.2014

Petitioner: NTPC Ltd., New Delhi

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

Parties Present: Shri Ajay Dua, NTPC
Shri C.K.Mondol, NTPC
Shri Naresh Anand, NTPC
Shri Rohit Chabra, NTPC
Shri Shankar Sarah, NTPC
Shri Sameer Aggarwal, NTPC
Shri V.Ramesh, NTPC
Shri R.B.Sharma, Advocate, BRPL
Shri Sanjay Srivastava, BRPL
Shri Jitendra Singh, BRPL
Shri Manish Garg, UPPCL
Shri Padamjit Singh, PSPCL
Shri T.P.S. Bawa, PSPCL
Shri V.K.Gupta, PSPCL

Record of Proceedings

The petitioner, NTPC has filed this petition for approval of tariff for Auraiya Gas Power Station (663.36 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 Regulations).

2. During the hearing, the representative of the petitioner submitted as under:
- (i) The projected additional capital expenditure claimed in the petition is based on life extension of Gas Turbine from 15 to 25 years, as per the provisions of Regulation 9(2) (vi) of the 2009 regulations, amended on 21.6.2011.
 - (ii) 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.

- (iii) The additional capital expenditure due to RLDC charges, tax, duties, levies, etc. and the abnormal increase in water charges may also be allowed.
- (iv) Additional information as sought for by the Commission and rejoinders to the replies submitted by the respondents has been filed and copies served on the respondents.

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

- (i) The submission of the petitioner that disallowance of additional capitalization would adversely affect the operating parameters, is misleading and misconceived.
- (ii) The increase in O&M expenses by 62.28% during 2009-10 as compared to the year 2008-09 is more than adequate to maintain the equipments at the current level of performance of the generating station.
- (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 Regulations. The petitioner may be directed to give details of the same.
- (iv) Under regulation 9(2) of the 2009 Regulations, the petitioner can claim the expenditure actually incurred by it after the cut-off date and such expenditure 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 claim of the petitioner for Rs.450 crores towards R&M expenses on account of works necessary for the efficient and successful operation of the generating station can be allowed only after approval of the Commission in terms of Regulation 10(1) of the 2009 Regulations.
- (vi) Supply of power to housing colonies or township of the generating station is to be accounted for and accordingly adjusted as the petitioner is deriving huge benefits on this account.
- (vii) 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.
- (viii) 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 file a copy of the statement made by the Hon'ble Minister of Power on 21.7.2009 in Parliament.

4. In response to the contentions of the learned counsel for Respondent No.6, BRPL, the representative of the petitioner clarified as under:

- (i) The allegation of the respondent that the petitioner was making profits either on account of liberal norms or due to claims being allowed beyond the regulations is baseless. Tariff has been charged as per orders of the Commission in its various tariff orders applicable to the generating stations.
- (ii) Assets which have become unserviceable have been taken out of gross block and have not been considered for the purpose of tariff. Details of such assets which were de-capitalized would be furnished at the time of truing up.
- (iii) The expenditure on Gas Turbines, which are essential due to renovation of gas turbines after 15 years of operation from its COD for the successful and efficient operation of the generating station, has been claimed under Regulation 9(2)(vi) of the 2009 Regulations, as amended on 21.6.2011 and not under Regulation 10(1) of the said 2009 Regulations. This has been made clear in the amended petition filed vide affidavit on 19.7.2011.
- (iv) There is substantial hike in water charges by the State Government through notification which is beyond the control of the petitioner and hence, the escalation on this count may be permitted by the Commission.
- (v) Housing colonies forms part of the generating station as per the definition of 'generating station' provided under Section 2(30) of the Electricity Act, 2003. By the Electricity (Removal of Difficulties) Order, 2005, the requirement of license for supply of power to the housing colonies/township has been done away with and hence, the colony consumption forms part of auxiliary consumption and no undue benefit is derived by the petitioner.
- (vi) 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.

5. The representative of Respondent No.1, UPPCL submitted as under:

- (i) No benefit would be derived by additional capitalization as the respondents would incur an amount of ₹612 crore during the period of 8 years from 1.4.2009 to 31.3.2016 on account of Return on Equity, Depreciation and Interest on loan. Even after this, the respondents would incur ₹133 crore on account of Return on Equity till the life time of the generating station.

(ii) The depreciation recovered during the last 15 years should be utilized to bring down the claim of ₹453 crore by the petitioner.

(iii) The respondent may be permitted to file reply within a week.

6. In response to the above, the representative of the petitioner clarified that the submissions of the respondent is beyond the scope of the 2009 Regulations and hence, is not acceptable.

7. The representative of Respondent No.9, PSPCL submitted as under:

(i) The amount claimed by the petitioner for improvement of the life of gas turbine beyond 15 years is exorbitant.

(ii) The reduction of Station Heat Rate due to efficiency of Gas Turbines has to be passed on to the end consumers.

(iii) The increase in the life of the Gas Turbines would proportionately require fuel arrangements for successful operation of the same and such assurance regarding fuel arrangement has not been mentioned by the petitioner.

(iv) Referring to paragraph 26 of the petition wherein the petitioner has reserved its right to approach the Commission for revision of the maximum output (rating) to be considered for tariff, it was submitted that the petitioner has to confirm that if the additional capital expenditure claimed in this petition is allowed, it would not subsequently file another petition for additional capitalization for this generating station.

(v) As regards power being supplied to housing colonies, the revenue made by the petitioner may be deducted from the Annual Fixed Charges for the generating station.

(vi) In terms of the National Electricity Policy, the generating stations storing liquid fuel should switch over to gas as far as possible to reduce the cost of generation. The generator should make extra efforts to arrange full gas rather than liquid storage. The component of liquid fuel may thus be considered as 'zero'.

(vii) This respondent may be granted one week to file its reply to the petition.

8. In response to the above submissions, the representative of the petitioner clarified that the generating station is running for 20 years with the same level of efficiency and the Station Heat Rate achieved was with the same machine and with the same level of efficiency. The Station Heat Rate is the same even when the Gas Turbines are replaced with new ones and there will not be any change in the Station Heat Rate and the petitioner does not derive any profit out of the same. The amounts recovered in respect of colony consumption are considered as part of the O&M cost of the generating station.

9. The Commission directed the Respondents, UPPCL and PSPCL to file its reply on affidavit, with copy to the petitioner or before 10.2.2012, and the petitioner to file its rejoinder, by 17.2.2012.

10. Subject to the above, order in the petition was reserved.

By Order of the Commission

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