

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 199/GT/2013

Coram:

Shri Gireesh B. Pradhan, Chairperson

Shri V.S.Verma, Member

Shri M.Deena Dayalan, Member

Shri A.K.Singhal, Member

Date of Hearing: 7.11.2013

Date of Order: 20.12.2013

In the matter of

Grant of provisional tariff for Unit-I /Block-I of Palatana Combined Cycle Gas Turbine Power Project (2x 363.3 MW) of ONGC Tripura Power Company Ltd from the date of commercial operation to 31.3.2014.

AND

In the matter of

Approval of tariff of Palatana Combined Cycle Gas Turbine Power Project (2x 363.3 MW) of ONGC Tripura Power Company Ltd from the date of commercial operation to 31.3.2014.

AND

In the matter of

ONGC Tripura Power Company Ltd, Tripura
Vs

.....**Petitioner**

1. Assam Power Distribution Company Ltd, Guwahati
2. Department of Power, Government of Arunachal Pradesh, Itanagar
3. Department of Power, Government of Nagaland, Kohima
4. Electricity Department, Government of Manipur, Imphal
5. Power and Electricity Department, Govt. of Mizoram, Aizwal
6. Meghalaya Energy Corporation Ltd, Shillong
7. Tripura State Electricity Corporation Ltd, Agartala

....**Respondents**

ORDER

The petitioner, ONGC-Tripura Power Company Ltd (OTPCL) has filed this petition for approval of tariff of Palatana Combined Cycle Gas Turbine Power Project (2 x 363.3 MW) ("the generating station") for the period from the anticipated date of commercial operation (COD) to 31.3.2014, in terms of the provisions of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009.

2. The petitioner is a joint venture of ONGC, IL&FS (through its affiliate IEDCL) and the Govt. of Tripura with the major share holding by ONGC (50%), IEDCL (26%) Govt. of Tripura (0.5%) and Residual Equity (23.5%) for setting up the project. The beneficiaries of the North Eastern States have been allocated a capacity of 628 MW from the generating station and the balance capacity of 98 MW is towards merchant sale. Accordingly, Power Purchase Agreements have also been entered into by the petitioner with the respondent beneficiaries during the year 2009.

3. The petitioner in the petition had prayed for determination of tariff of the generating station for the period from the anticipated COD of Unit-I (31.7.2012) and from COD of Unit-II (31.10.2012) to 31.3.2014. Since the units of the generating station could not be declared under commercial operation as stated, the petitioner filed Interlocutory Application (I.A) No.15/2013 and has submitted vide affidavit dated 17.6.2013 that Unit-I of the generating station was expected to be declared under commercial operation on 20.6.2013 and Unit-II on 31.10.2013. It has also prayed that tariff for the proposed sale of power to respondents from Unit –I may be granted and liberty be also granted to approach the Commission for determination of tariff of Unit-II as and when the same is declared under commercial operation. Subsequently, the petitioner vide its affidavit dated 30.9.2013, has prayed for grant of provisional tariff for Unit-I of the generating station.

4. 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.”

5. The petitioner has filed this petition in compliance with Clause (1) and (2) of Regulation 5 of the 2009 Tariff Regulations. Respondent No.1 Assam Power Distribution Company Ltd (APDCL) has filed its reply to the petition.

6. In exercise of power under Clause 4 of Regulation 5 of the 2009 regulations, we grant provisional tariff in respect of Unit-I of the generating station for the period 2013-14, pending determination of the final tariff as stated in the subsequent paragraphs.

Time Overrun and Cost Overrun

7. The investment approval of the project was accorded by the Board of Directors of the petitioner company on 18.12.2008 with the scheduled date of commissioning of the units as under:

	Scheduled COD
Unit-I/Block-I	31.7.2012
Unit-II/Block-II	31.10.2012

8. The time line for the completion of Combined Cycle Power Plant with Gas Turbine size above 100 MW from the date of investment approval as specified under Appendix –II of the 2009 Tariff Regulations for additional Return on Equity of 0.5% is as under:

- (a) 30 months for green field projects. Subsequent units at an interval of 4 months each.
- (b) 28 months for extension projects. Subsequent units at an interval of 4 months each.

9. In terms of the above, the schedule dates of commercial operation of Unit-I and Unit-II were 17.6.2011 and 17.10.2011 respectively. However, the petitioner vide its affidavit dated 19.10.2012 had revised the date of anticipated COD of Unit-I as 31.10.2012 and that of Unit-II as 28.2.2013. Thereafter, by I.A. No.15/2013, the petitioner submitted that the anticipated CODs has been revised for Unit-I as 20.6.2013 and that of Unit-II as 31.10.2013 and filed revised tariff filing forms with a prayer for grant of tariff for Unit –I of the generating station. The COD of Unit-I and Unit-II of the generating station is yet to be declared by the petitioner. It is apparent that there is time and cost overrun involved in the project and hence, the petitioner is not entitled

for any additional Return on Equity of 0.5% in terms of the provisions of the 2009 Tariff Regulations. However, the cost overrun consequent to the time overrun involved in the project, including IDC, shall be examined in detail after hearing all the parties on merit, at the time of determination of final tariff of the generating station.

Capital Cost

10. As submitted by the petitioner vide its affidavit dated 22.5.2012, the Board of Directors of the petitioner company had approved the capital cost of ₹342900 lakh for the project at its 23rd meeting on 18.12.2008. However, vide its affidavit dated 17.6.2013 in I.A.No.15/2013, the petitioner has submitted that the revised estimated capital cost of the project of ₹380400 lakh has been approved by the Board of Directors in the 47th meeting on 23.5.2013. As per Form-9A of the said affidavit, the estimated capital expenditure as on expected COD of Unit-I/Block-I is ₹194600 lakh and the estimated capital expenditure for Unit-II/Block-II is ₹158800 lakh. Thus, the total estimated capital expenditure as on COD of Unit-I and Unit-II carries out to ₹ 353400 lakh.

11. As stated, the petitioner, vide its affidavit dated 30.9.2013, has prayed for grant of provisional tariff for Unit-I of the generating station. There is time overrun and cost overrun involved in the declaration of commercial operation of the generating station as well as cost overrun and the Commission is yet to take a final view on the same. Since the delay in declaration of commercial operation of the generating station has apparently resulted in the increase of the capital cost of the project from the original approved cost, we are of the considered view that the capital cost for the purpose of provisional tariff should be restricted to 90% of the estimated capital cost of ₹194600 lakh as on anticipated COD of Unit-I of the generating station. Accordingly, the capital cost considered for Unit-I/Block-I of the generating station is ₹145710.00 lakh for the purpose of provisional tariff, as detailed under:

<i>(₹ in lakh)</i>	
	Unit-I
Capital Cost claimed	194600
Less: Un-discharged Liability	32700
Actual capital cost incurred	161900
Capital Cost considered for Unit-I for the purpose of provisional tariff (90% of above)	145710

Actual/Projected Additional Capital Expenditure during 2009-14

12. The actual/projected additional capital expenditure claimed by the petitioner has not been considered for the purpose of provisional tariff considering the fact that most of the capitalization after expected COD of Unit-I/Block-I would be Unit-II/Block-II for which provisional tariff is not being approved. However, the same would be considered at the time of determination of final tariff.

13. The debt-equity Ratio of 75:25 claimed by the petitioner has been considered. Return on Equity @15.5% and rate of Interest on Working Capital @ 13.20% (SBI Base Rate i.e. 9.70% as on 1.4.2013 plus 350 basis points) have been considered as per the 2009 Tariff Regulations. The rate of depreciation @ 4.710% and rate of interest on loan @ 12.47% for 2013-14 have been considered as claimed by the petitioner. Other components of tariff have been considered as per the provisions of the 2009 Tariff Regulations.

O&M Expenses

14. The petitioner has claimed O&M expenses of ₹18.49 lakh/MW for the year 2013-14 in accordance with the norms specified under the 2009 Tariff Regulations for combined cycle generating station. Based on this, the annualized O&M expenses for Unit-I of the generating station has been worked out as ₹6717.42 lakh for 2013-14.

15. The petitioner has prayed for liberty to approach the Commission for approval of higher O&M expenses in case the actual O&M expenses during operation of the generating station is more than the normative O&M expenses. Though the petitioner is granted the liberty, the same shall be considered on merits at the time of determination of final tariff.

16. O&M expenses for 1 month considered in the Working capital for 2013-14 is ₹559.78 lakh.

17. Maintenance Spares in Working Capital worked out @ 30% of the O&M expenses specified under Regulation 19, considered for Unit-I for the purpose of provisional tariff is ₹2015.23 lakh for 2013-14.

Operational Norms

18. The operational norms and Energy Charge Rate (ECR) considered by the petitioner is as under:

Target Availability	85%
Gross Station Heat rate (kcal/kWh)	1643.67
Auxiliary Power Consumption (with induced draft cooling)	3.5%
Energy Charge Rate (ECR)	122.00 P/kWh

19. The Gross Station Heat Rate considered as 1643.67kcal/kWh by the petitioner appears to be low for the 9FA advance class Gas Turbines class. However, for the purpose of provisional tariff, the same has been considered. The petitioner has claimed higher Auxiliary Power Consumption (APC) @ 3.5% due to necessity of use of electric motor driven Gas Booster Compressor. This has been objected to by the respondent APDCL. For the purpose of provisional tariff, APC of 3% has been considered. However, the prayer for higher APC @ 3.5% will be considered on merits, at the time of final determination of tariff.

20. Based on the above discussions, the provisional Annual Fixed Charges approved for the year 2013-14 in respect of Unit-I of the generating station are as under:

	(₹ in lakh)
	2013-14
	Unit 1
Capacity (MW)	363.3
Return on Equity	8553.54
Interest on Loan	13199.62
Depreciation	6862.94
Interest on Working Capital	2089.19
O & M Expenses	6717.42
Total	37422.72

21. The provisional annual fixed charges determined on annualized basis as above would be in force from the actual COD of Unit-I and is applicable *pro rata* to the number of days the said unit would be in operation during the year 2013-14.

22. The petitioner shall revise the figures in the petition taking into consideration the actual date of commercial operation of Unit I and II of the generating station in terms of the provisions of the 2009 Tariff Regulations, and the same would be considered in accordance with law.

23. 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/-
(A.K.Singhal)
Member

Sd/-
(M. Deena Dayalan)
Member

Sd/-
(V.S. Verma)
Member

Sd/-
(Gireesh B. Pradhan)
Chairperson