

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

**IA No. 20/2016
in
Petition No. 224/GT/2015**

Coram:

**Shri A.S. Bakshi, Member
Dr. M. K. Iyer, Member**

**Date of Hearing: 11.7.2016
Date of Order : 30.7.2016**

In the matter of

Grant of interim tariff for Raghunathpur Thermal Power Station Phase-I, Unit Nos. I & II (1200 MW) for the period from 1.4.2016 till 31.3.2018

And

In the matter of

Approval of generation tariff of Raghunathpur Thermal Power Station, Phase-I, Unit Nos. I & II (1200 MW) for the period from the anticipated COD of Unit Nos.I & II till 31.3.2019

And

In the matter of

Damodar Valley Corporation
DVC Towers, VIP Road,
Kolkata-700054

.....Petitioner

Vs

1. Haryana Power Purchase Centre,
Shakti Bhawan, Sector-6,
Panchkulla- 134 109

2. Punjab State Power Corporation Limited'
(erstwhile Punjab State Electricity Board)
Interstate Billing, Shed No. TI-A),
Patialia- 147 001

3. Kerala State Electricity Board,
8th Floor, Vidyuthi Bahwan,
Thiruvananthapuram – 695 004

....Respondents



Parties present:

For Petitioner: Shri M. G. Ramachandran, Advocate, DVC
Mrs Poorva Saigal, Advocate, DVC
Shri D. K. Aich, DVC
Shri A. Biswas, DVC
Shri Subrata Ghosal, DVC

For Respondents: None

ORDER

The petitioner, Damodar Valley Corporation (DVC), has filed Petition No. 224/GT/2015 on 1.10.2015 for approval of tariff of Raghunathpur Thermal Power station (RTPS), Phase-I, (2 x 600 MW) (the generating station) as on the anticipated COD of Unit I from 31.12.2015 to 31.3.2019 in accordance with the provisions of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 ('the 2014 Tariff Regulations').

2. The petitioner has entered into a Power Purchase Agreement for generation and sale of electricity from the above two units to the extent of 550 MW with the respondents, Punjab State Power Corporation Limited, Haryana Power Purchase Centre and Kerala State Electricity Board. The balance capacity from the two units is available for sale to other Procurers. Clause 4.1 of the PPA with the discoms of Punjab and Haryana provides that mutual agreed tariff may be considered for provisional billing purpose, pending determination of tariff by the Central Commission. Also, Clause 5.1.3 of the PPA with the respondent, KSEB provides that 95% of the tariff claimed by the petitioner in the petition may be considered for provisional billing purpose, subject to final determination of tariff by the Central Commission.

3. The petition was heard on 17.11.2015, 5.1.2016 and the Commission has directed the petitioner to file additional information. Subsequently, the petitioner vide affidavit dated 12.2.2016 amended the petition and had submitted that both the units of the generating station would be declared under commercial operation as they are ready for testing, trial operation and commissioning. Thereafter, the matter was heard on 25.2.2016 and the



Commission directed the petitioner to file certain additional information. In compliance with the above directions, the petitioner vide affidavit dated 6.4.2016 filed additional information and also informed that Units I & II of the generating station has been declared under commercial operation on 31.3.2016. Thereafter, the petitioner filed Interlocutory Application (I.A.No.20/16) on 9.5.2016 praying for grant of provisional tariff from the actual date of commercial operation of the respective units of the generating till 31.3.2019, in order to bill the respondent beneficiaries for supply of power from the generating station, pending determination of final tariff.

4. The petitioner has filed this application in terms of Regulation 7(1) of the 2014 Tariff Regulations and has made publication of notice of application for determination of tariff in compliance with Regulation 3(6) of the Central Electricity Regulatory Commission (Procedure for making of application for determination of tariff, publication of the application and other related matters) Regulations, 2004.

5. The respondent, KSEB vide its affidavits dated 16.12.2015, 1.1.2016 and 20.5.2016 has filed reply and has mainly submitted as under:

(i) Since all the PPAs pertaining to Phase-I of the project shall be transferred to JVC and allocation of power from the project shall be based on approval of MOP, GOI, the applicability of the provisions of the DVC Act, 1948 on the project needs to be reconsidered.

(ii) The major increase in the project cost is on account of increase in IDC. The delay in execution of the project is mainly due to land acquisition issues and delay in execution of work by respective contractors, which are attributable to the petitioner and come under the purview of controllable factors.

(iii) The revenue earned from sale of infirm power and the liquidated damages recovered from the contractor may be considered for reduction in capital cost of the project.

(iv) Since no details of additional capitalisation works, original scope of work including the justification has been submitted by the petitioner, the same may be disallowed.

(v) Gross Station Heat Rate considering proportionate reduction in gross station heat rate in terms of Regulation 36(b) of the 2014 Tariff Regulations may be considered. The claim of the petitioner for interest on sinking fund, additional O&M expenses on Mega insurance, CISF expenditure and expenditure for subsidiary activity may be disallowed.



6. The petitioner is supplying power to the beneficiaries in terms of the PPA entered into with the respondent beneficiaries. There is no denying the fact that while the petitioner has incurred expenditure for the generating station, the respondent beneficiaries are reaping the benefits of such expenditure by way of supply of power from the date of commercial operation of the generating station. Considering these factors and in order to enable the petitioner to meet its ongoing financial obligations through reasonable recovery of cost of supply of electricity by the petitioner, we consider the grant of interim tariff for the generating station for the period from 1.4.2016 till 31.3.2018, subject to adjustment after determination of final tariff, as stated in the subsequent paragraphs.

7. The approval of the project was accorded by the Board of the Petitioner Corporation in its 569th meeting held on 9.6.2006. Subsequently, the Petitioner Corporation vide Resolution No. 7568 considered in the 573rd meeting held on 30.4.2007 had approved the estimated project cost of ₹4122 crore, including IDC, in respect of Phase-I of the generating station, wherein, it was envisaged that Unit-I would be commissioned in a schedule time line of 35 months and Unit-II in a time line of 38 months. The petitioner has considered the zero date as 14.12.2007 and has accordingly computed the scheduled COD as under:

Units	Schedule COD as per investment approval	anticipated COD	Time overrun up to anticipated COD
Unit-I	14.11.2010	31.3.2016	1965 days (5 years 4½ months)
Unit -II	14.2.2011	31.3.2016	1874 days (5 years 1½ months)

8. The petitioner in the petition has submitted the reasons and the justification for the time overrun involved in the completion of the project along with reasons for the increase in the cost of the project. The respondent, KSEB has submitted that there has been delay of 64 months for Unit-I and 61 months for Unit-II from the scheduled COD of the project and the increase in cost due to increase in IDC may be disallowed. We are of the view that the submissions of the parties as regards Time and Cost overrun on account of the delay in the



execution of the project are required to be looked into in detail after hearing all the parties on merits at the time of determination of final tariff of the generating station. As such, the same has not been dealt with in this order.

Capital Cost

9. As stated, the Board of the Petitioner Corporation in the 573th meeting held on 30.4.2007 had approved project cost of Rs.4122 crore including IDC & FC for 2x 500 MW plus 20% additional capacity. However, the Board of the Petitioner Corporation in the 582th meeting held on 10.7.2008 has revised estimated project cost of Rs.5506.51 crore including IDC for 2 units of 600 MW capacity each. The Board of Petitioner Corporation also approved the capital cost of Rs. 8781.30 crore including IDC, FC, FERV & Hedging cost in the 620th meeting held on 18.2.2015. Thus, there is considerable increase of Rs.4659.30 crore (8781.30 – 4122.00) in the cost of the project.

Actual Capital Cost as on COD

10. The petitioner has claimed the following capital cost as on COD of the Units (31.3.2016) vide Form 5B of the petition.

<i>(₹ in crore)</i>	
	Capital Cost (actual expenditure transferred to fixed assets in operation) as on COD of both the units (31.3.2016)
Total Capital cost excluding IDC & FC	5177.79
Interest During Construction (IDC)	2870.58
Financing Charges (FC)	45.53
Capital cost including IDC, FC, FERV & Hedging Cost (1+2+3)	8093.90

11. Considering the fact that there is huge time overrun and cost overrun in the completion of the project, we are inclined to consider the prayer of the petitioner for grant of interim tariff based on the Board of the Petitioner Corporation approved project cost of ₹4122 crore including IDC & FC on 30.4.2007. We direct accordingly.

12. The return of equity, interest on loan and depreciation has been worked out based on the capital cost of ₹4122 crore. The operation and maintenance expenses have been allowed



as per the normative operation and maintenance expenses specified under the 2014 Tariff Regulations. However, the claim of the petitioner for additional O&M expenses on account of Mega insurance, CISF expenditure, expenditure on subsidiary activity and Interest and contribution on Sinking fund has not been considered for grant of interim tariff in this order.

Annual Fixed Charges

13. Based on the above discussions, the annual fixed charges allowed for the period from 1.4.2016 to 31.3.2018 in respect of the generating station are as under:

	<i>(₹ in lakh)</i>	
	2016-17	2017-18
Return on Equity	24250.96	24250.96
Interest on Loan	30696.07	27127.54
Depreciation	30886.56	30886.56
Interest on Working Capital	10510.19	10504.98
O&M Expenses	19524.00	20760.00
Total	115867.78	113530.04

Energy Charge Rate

14. The Energy Charge Rate of 221.722 Paisa/kWh has been allowed as claimed by the petitioner. Energy charge on month to month basis shall be billed by the petitioner as per Regulation 30 (6) (b) of the 2014 Tariff Regulations.

15. The interim tariff allowed as above is subject to adjustment after determination of final tariff of the generating station for 2016-19 in accordance with the provisions of the 2014 Tariff Regulations.

16. I.A.No. 20/2016 stands disposed of in terms of the above. The petition shall be listed for hearing in due course and the parties shall be intimated accordingly.

Sd/-
(Dr. M. K. Iyer)
Member

Sd/-
(A.S. Bakshi)
Member

