

**Central Electricity Regulatory Commission
New Delhi**

Petition No. 228/GT/2013

Coram:

Shri Gireesh B Pradhan, Chairperson
Shri A.K. Singhal, Member
Shri A. S. Bakshi, Member
Dr. M.K. Iyer, Member

Date of Hearing: 05.01.2016

Date of Order: 28.03.2016

In the matter of

Petition for approval of generation tariff of Parbati Hydroelectric Project, Stage-III (520 MW) for the period from 24.3.2014 to 31.3.2014

In the matter of

NHPC Ltd
NHPC Office Complex,
Sector-33, Faridabad
Haryana-121003

.....**Petitioner**

Vs

1. . Punjab State Power Corporation Ltd,
The Mall, Near Kali Badi Mandir,
Patiala – 147001(Punjab)
2. (a) Dakshin Haryana Bijili Vitaran Nigam Ltd,
(b) Uttar Haryana Bijili Vitaran Nigam Ltd
Shakti Bhawan, Sector – 6
Panchkula – 134 109 (Haryana)
3. BSES-Rajdhani Power Ltd.
BSES Bhawan,
Nehru Place, New Delhi - 110019
4. Uttar Pradesh Power Corporation Ltd,
Shakti Bhavan, 14, Ashok Marg,
Lucknow – 226001(Uttar Pradesh)
5. BSES-Yamuna Power Ltd.,
Shakti Kiran Building,
Karkardooma, Delhi-110072
6. (a)Rajasthan Rajya Vidyut Prasaran Nigam Ltd.,
(b) Jaipur Vidyut Vitaran Nigam Ltd.,
Vidut Bhavan, Janpath, Jyoti Nagar,
Jaipur-302005 (Rajasthan)
7. Tata Power Delhi Distribution Ltd.,
Hudson Lane, Kingsway Camp,
New Delhi-110009



8. Jodhpur Vidyut Vitaran Nigam Ltd.,
New Power House, Industrial Area,
Jodhpur-342003

9. Uttaranchal Power Corporation Ltd
Urja Bhawan, Kanwali Road,
Dehradun-248001(Uttarakhand)

10. Ajmer Vidyut Vitaran Nigam Ltd
Old Power House,
Hatthi Bhatta, Jaipur Road,
Ajmer-305001 (Rajasthan)

11. Himachal Pradesh State Electricity Board,
Vidyut Bhawan, Kumar House,
Shimla-171004 (Himachal Pradesh)

12. Engineering Department, UT Secretariat
UT Secretariat, Sector 9D
Chandigarh-160009

13. Power Development Department,
Government of J&K
New secretariat,
Jammu-180001 (J&K)

...Respondents

Parties Present:

Shri A.K. Pandey, NHPC
Shri Naresh Bansal, NHPC
Shri S.K Agarwal, NHPC
Shri Piyush Kumar, NHPC
Shri Jitendra Kumar Jha, NHPC
Shri R. B.Sharma, Advocate, BRPL
Shri S. K. Agarwal, Advocate, Rajasthan Discoms
Shri G. L Verma, Advocate, Rajasthan Discoms
Ms. Neelam, Advocate, Rajasthan Discoms

ORDER

The petitioner, NHPC, filed this petition for approval of generation tariff of Parbati Hydroelectric Project, Stage-III (520 MW) (hereinafter 'the project') for the period from 24.3.2014 to 31.3.2014 based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 ('the 2009 Tariff Regulations').

2. The generating station situated in the State of Himachal Pradesh, is a pondage type scheme, providing peaking support to the grid when operated in tandem with upstream Parbati HE Project,



Stage-II. The project has been sanctioned by the Government of India in November, 2005 at a cost of ₹2304.56 crore at May, 2005 price level.

3. The generating station comprises of four units and the date of commercial operation (COD) of the units is as under:

Unit No.	COD
I & II	24.3.2014
III	30.3.2014
IV	6.6.2014

4. The petitioner has filed this petition based on anticipated project cost of ₹2477.85 crore and anticipated COD of Units I & II (on 16.4.2013), Unit-III (on 1.7.2013) and Unit-IV/generating station (on 1.1.2014). However, on account of the delay in the commissioning of said units / generating station, the petitioner filed Interlocutory Application (I.A.No.13/2014) indicating the anticipated date COD of the project as 30.3.2014 along with revised tariff filing forms.

5. Thereafter, the petitioner submitted that Unit Nos. I & II were declared under commercial operation on 24.3.2014 and Unit-III on 30.3.2014 and accordingly prayed for grant of provisional tariff. Considering the fact that the petitioner neither furnished the approved Revised Cost Estimate (RCE) by the Central Government nor the report on the Capital cost duly vetted by the Designated Independent Agency (DIA) in terms of the guidelines specified by the Commission, the Commission by order dated 25.6.2014 granted provisional tariff based on 85% of the actual capital cost incurred based on audited balance sheet as on 31.12.2013.

6. Based on the above, the *ad hoc* annual fixed charged allowed for the generating station from 24.3.2014 to 31.3.2014 by order dated 25.6.2014, is as under:

	(₹ lakh)	
	24.3.2014 to 29.3.2014 (Units I & II)	30.3.2014 and 31.3.2014 (Units I to III)
Return on Equity	93.05	46.52
Interest on Loan	105.34	52.26
Depreciation	78.75	39.38
Interest on Working Capital	7.94	3.96
O & M Expenses	31.57	15.79
Total	316.65	157.91



7. The Commission by the said order had directed the petitioner to take necessary steps to obtain approval of RCE by the Central Government and to submit the report on the capital cost vetted by the DIA, prior to the determination of final tariff of the units of this generating station. However, as Unit-IV was declared under COD on 6.6.2014, the Commission also directed the petitioner to file separate application for determination of tariff for the period 2014-19 in terms of the provisions of the 2014 Tariff Regulations.

8. Thereafter, the petitioner by letter dated 13.8.2015 informed that the amended petition based on actual cost could not be submitted due to the delay in finalization of balance sheet for the year 2014-15 and accordingly prayed for grant of time till September, 2015 to file amended petition, which was granted. Subsequently, the petitioner vide affidavit dated 17.9.2015 filed amended petition stating that though the capital cost as on COD of the project 6.6.2014, is ₹259841 lakh (including un-discharged liability of ₹5421 lakh), the capital cost of ₹194153.97 lakh (including un-discharged liability of ₹4784 lakh) has been considered as the capital cost for the three units. Based on the above, the annual fixed charges (revised) claimed by the petitioner from 24.3.2014 to 31.3.2014 are as under:

	<i>(₹ in lakh)</i>	
	24.3.2014 to 29.3.2014 (Units I & II)	30.3.2014 and 31.3.2014 (Units I to III)
Return on Equity	162.05	64.94
Interest on Loan	175.86	70.40
Depreciation	128.66	51.56
Interest on Working Capital	12.94	5.43
O & M Expenses	45.32	22.66
Total	524.84	214.99

9. Pursuant to the order dated 25.6.2014 and the filing of amended petition by the petitioner, reply has been filed by the respondent, BRPL and the Rajasthan Discoms. The matter was heard on 5.1.2016 and the Commission after directing the petitioner to submit certain additional information, reserved its order in the petition. In response, the petitioner vide affidavits dated 2.2.2016 and 19.2.2016 has submitted additional information. However, as regards approved RCE, the petitioner has submitted that RCE amounting to ₹2611.85 crore has been submitted to the Ministry of Power, GOI with approval of competent authority. As regards the filing of the report



of DIA on the vetted capital cost, the petitioner has submitted that it is pursuing the matter with the DIA for early submission of the report.

Time and Cost Overrun

10. The project was approved by Ministry of Power, Govt. of India, at an estimated cost of ₹2304.56 crore, during November, 2005. The project was scheduled to be commissioned during November, 2010. However, only three units of the generating station have been commissioned by March, 2014, thereby resulting in the time overrun of 40 months upto 31.3.2014. The capital cost, based on the anticipated COD of all the four units as on 30.3.2014 as submitted by the petitioner was ₹2485.10 crore (excluding liabilities of ₹72.40 crore), thereby involving a cost overrun of ₹253 crore (approx). However, the Commission in order dated 25.6.2014 observed that the time and cost overrun of the project would be considered by the Commission after hearing the parties on merits, at the time of determination of final tariff of the generating station.

11. The petitioner vide affidavit dated 17.9.2015 of the amended petition has submitted a background note on the time overrun and cost overrun of the project, categorizing the reasons for Time overrun under the following heads (i) Excavation of main access tunnel (ii) Construction of ADIT to P/H top & upto full length of Power House (iii) Widening upto width of Power House (iv) Excavation of Pilot Shaft for Benching down of Power House (v) Benching down of Power House through Pilot Shaft (vi) Concreting of sub-structure & super structure of Power house (g) Installation of E&M equipments of Unit-3 (h) Installation of E&M equipments of Unit-4 and (l) Testing & Commissioning of Unit-4. The petitioner vide affidavit dated 19.2.2016 has submitted that the time overrun of the project is 43 months. As regards Cost overrun, the petitioner has submitted that the Revised Cost of the project is ₹2608.57 crore including IDC & FC of ₹430.72 crore at December, 2014 PL constituting an increase of ₹304.00 crore over the Sanctioned cost of ₹2304.56 crore including IDC & FC of ₹230.42 crore at May, 2005 PL. However, the petitioner by affidavit dated 19.2.2016 has submitted that the Revised Completion Cost of the project is Rs 2611.85 crore which constitute an increase of ₹307.28 crore from the sanctioned cost.



12. The respondent, BRPL has submitted that the grounds furnished by the petitioner for have not been substantiated by any documentary evidence. It has also submitted that the time overrun in the execution of the project is entirely attributable to the petitioner or to his contractor. Accordingly, it has prayed that the time overrun may be disallowed and the IDC & IEDC for time overrun period may be disallowed. The discoms of Rajasthan have submitted that the time overrun has not been explained with cogent reasons. It has also submitted that reasons submitted by the petitioner do not appear to justify the long overrun of time.

13. The matter has been examined. It is observed that the petitioner has engaged M/s Aquagreen Engineering Management Private Ltd as DIA for vetting of capital cost and the report of the DIA is awaited. The petitioner has submitted that the matter is being pursued with the DIA for early submission of the report. In our view, the prudence check of time and cost overrun involved in the COD of the generating station cannot be properly examined in the absence of the DIA report. In this background, the submissions of the parties regarding time and cost overrun involved in the completion of the project have not been considered in this order. However, the question of time and cost overrun will be considered along with the DIA report at the time for determination of final tariff of the generating station. The petitioner is directed to ensure the submission of the DIA report along with the revised Standing Committee report at the earliest, after serving copies on the respondents, at the time of determination of final tariff of the generating station.

Capital Cost

14. The Commission by order dated 25.6.2014 had granted provisional tariff considering 85% of the actual capital cost incurred based on audited balance sheet as on 31.12.2013, as under:

	<i>(₹ in lakh)</i>
Capital expenditure as per balance sheet as on 31.12.2013 (for four units)	226390.91
Capital cost allowed for provisional tariff for four units (85% of total capital cost)	192432.27

15. In terms of the proviso to Regulation 4(2) of the 2009 Tariff Regulations, the capital cost was also apportioned to the units (Units I to III) of the generating station which had been declared under commercial operation and allowed in the said order as under:



(₹ in lakh)		
	COD	Apportioned capital cost
Units- I & II	24.3.2014	96216.13
Units- I to III	30.3.2014	144324.20

16. The petitioner vide affidavit dated 17.9.2015 has claimed the following capital cost as on COD of Units-I, II & III as per balance sheet as on 31.3.2014.

(₹ in lakh)		
	24.3.2014 (Two units)	30.3.2014 (Three units)
Capital expenditure as on COD (including the un-discharged liability as on CODs)	129382.02	194153.97
Less: Un-discharged liability as on COD	3665.69	5059.38
Net capital cost as on CODs (excluding un-discharged liability as CODs)	125716.33	189094.59

17. As stated, the petitioner is yet to submit the RCE approved by the Central Government and the report of the capital cost vetted by the DIA engaged by the petitioner in terms of the guidelines specified by the Commission. It is observed that the Commission, in line with the methodology adopted for grant of provisional tariff in respect of Chutak HEP and Nimoo Bazgo HEP by orders dated 1.4.2013 and 7.10.2013 respectively, had allowed provisional tariff by order dated 25.6.2014 considering 85% of the capital cost incurred based on the audited balance sheet as on 31.12.2013, in respect of the project of the petitioner. However, it is noticed that the capital cost incurred as on COD of the respective units based on audited balance sheet as on 24.3.2014 and 31.3.2014 is ₹129382.02 lakh and ₹194153.97 lakh respectively. As the approval and submission of RCE and report of DIA are expected to take some more time, we find no reason to keep the present petition pending for determination of final tariff of the generating station. Accordingly, we are inclined to dispose of the present petition by revising the *ad hoc* tariff granted vide order dated 25.6.2014, by considering 85% of the capital cost incurred by the petitioner as on COD of the units. We proceed accordingly. This in our view, would help the petitioner partially recover the expenditure actually incurred on assets put to use and also lessen the payment obligation of the beneficiaries. Hence, 85% of the actual capital cost incurred based on audited balance sheet as on 31.3.2014 has been considered for the purpose of grant of revision of *ad hoc* tariff of the units of the generating station as under:



	(₹ in lakh)	
	24.3.2014 (Two units)	30.3.2014 (Three units)
Capital expenditure as on COD (including the un-discharged liability as on CODs)	129382.02	194153.97
Less: Un-discharged liability as on COD	3665.69	5059.38
Net capital cost as on CODs (excluding un-discharged liability as CODs)	125716.33	189094.59
Capital cost allowed for revision of adhoc tariff	106858.88	160730.40

O&M expenses

18. The O&M expenses allowed in terms of Regulation 19 (f) (v) of the 2009 Tariff Regulations, based on the capital cost allowed, after excluding proportionate R&R cost, are as follows:

	(₹ in lakh)	
	Units-I & II	Unit-III
Capital cost	106858.88	160730.40
Proportionate R&R expenditure	190.45	285.67
Capital cost excluding R&R	106668.44	160444.73
Annualized O&M expenses @ 2% of the capital cost excluding R&R expenditure	2133.37	3208.89
O & M Expenses <i>pro rata</i> for the period	35.07	17.58

19. The adhoc fixed charges allowed for the period from 24.3.2014 to 31.3.2014 are as under:

	(₹ in lakh)	
	24.3.2014 to 29.3.2014 (Units-I & II)	30.3.2014 to 31.3.2014 (Units-I to III)
Return on Equity	110.01	55.16
Interest on Loan	119.39	59.81
Depreciation	87.35	43.79
Interest on Working Capital	9.02	4.52
O & M Expenses	35.07	17.58
Total	360.83	180.87

20. The adhoc fixed charges allowed above are subject to adjustment after determination of final tariff in terms of clause (3) of Regulation 5 of 2009 Tariff Regulations

21. The Design Energy of 701.40 Million units and NAPAF of 68% as allowed vide order dated 25.6.2014 have been retained in this order.

22. The petitioner is granted liberty to file fresh petition for determination of final tariff of the units of this generating station in terms of the 2009 Tariff Regulations along with the approved RCE and the report on the capital cost duly vetted by the DIA. Since Unit-IV of the generating station has been declared COD on 6.6.2014, the tariff of the said unit would be governed by the provisions of



the 2014 Tariff Regulations. Accordingly, the petitioner is directed to file a separate petition for the same which would be considered in accordance with law.

23. Petition No.228/GT/2013 is disposed of in terms of the above.

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

**Sd/-
(A. S. Bakshi)
Member**

**Sd/-
(A. K. Singhal)
Member**

**Sd/-
(Gireesh B. Pradhan)
Chairperson**

