

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 23/RP/2017

in

Petition No. 299/GT/2014

Coram:

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

Date of Order: 5.12.2017

In the matter of

Review of Commission's order dated 24.3.2017 regarding revision of tariff of National Capital Thermal Power Station, Dadri Stage-I (840 MW) for the period from 1.4.2009 to 31.3.2014 based on trueing- up exercise.

In the matter of

NTPC Ltd
NTPC Bhawan
Core-7, SCOPE Complex
7, Institutional area, Lodhi Road
New Delhi- 110003

.....**Petitioner**

Vs

1. Uttar Pradesh Power Corporation Ltd
Shakti Bhawan, 14, Ashok Marg
Lucknow-226001

2. Tata Power Delhi Distribution Ltd
Grid Substation, Hudson Road,
Kingsway Camp, Delhi-110009

3. BSES Rajdhani Power Ltd.
Bses Bhawan, Nehru Place
New Delhi- 110019

4. BSES Yamuna Power Ltd.
Shakti Kiran Building, Karkardooma,
Delhi- 110092



5. New Delhi Municipal Council
Palika Kendra, Sansad Marg
New Delhi- 110001

.....Respondents

Parties present:

Shri Ajay Dua, NTPC
Shri Rohit Ladha, NTPC
Shri Vivek Kumar, NTPC

ORDER

The petitioner, NTPC has filed this petition seeking review of order dated 24.3.2017 in Petition No. 299/GT/2014, whereby the Commission had revised the tariff of National Capital Thermal Power Station, Dadri, Stage – I (840 MW) ('the generating station') for the period 1.4.2009 to 31.3.2014 in terms of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as "the 2009 Tariff Regulations") after truing-up exercise. The annual fixed charges determined by the said order dated 24.3.2017 is as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	2398.97	2399.57	2387.54	2369.44	2357.81
Interest on Loan	126.19	2.83	0.00	0.00	0.00
Return on Equity	19974.99	19739.42	19492.41	19473.88	19905.19
Interest on Working Capital	7188.55	7231.12	7294.57	7333.07	7401.28
O&M Expenses	15288.00	16161.60	17085.60	18068.40	19101.60
Cost of Secondary Fuel Oil	2457.17	2457.17	2463.90	2457.17	2457.17
Sub-Total	47433.87	47991.69	48724.03	49701.97	51223.04
Compensation Allowance	210.00	252.00	294.00	294.00	357.00
Total	47643.87	48243.69	49018.03	49995.97	51580.04

2. Aggrieved by the said order dated 24.3.2017, the petitioner has sought review on the ground of "Non- consideration of (-) ₹117.95 lakh under exclusion during 2010-11 for the assets not owned by the company".



3. The petition was admitted on 31.7.2017 and the Commission issued notice to the respondents. The respondent, BRPL has filed its reply and the petitioner has filed its rejoinder to the same. Thereafter, the matter was heard on 27.9.2017. None appeared on behalf of the respondents. Accordingly, the Commission, after hearing the petitioner reserved its order in the petition. Based on the submissions of the parties and the documents available on record, we proceed to examine the issue raised in the review petition as stated in the subsequent paragraphs.

Non- consideration of (-) ₹117.95 lakh under exclusion during 2010-11 for the assets not owned by the company”.

4. The petitioner in the review petition has submitted that there is error apparent on the face of order dated 24.3.2017 for the following reasons:

(a) The Commission in order dated 24.3.2017 has not considered the amount of (-) ₹117.95 lakh under exclusion during 2010-11 for the assets not owned by the company.

(b) The petitioner vide affidavit dated 28.2.2014 in Petition No. 260/GT/2013 (revision of tariff of the generating station) had submitted that assets amounting to ₹117.95 lakh which are not owned by the company was earlier reflected in the capital account of the generating station. However, due to change in the accounting policy of the company, based on the opinion of advisory committee of ICAI, these assets have been shifted to revenue account in 2010-11 and accordingly, the petitioner had claimed the said amount under exclusion. However, the Commission vide order dated 20.5.2015 did not allow the said exclusion on the ground that the details of the assets not owned by the company was not furnished by the petitioner. The Commission in the said order had clarified that the same would be considered at the time of final truing- up of tariff of the generating station for the period 2009-14, subject to the submission of the said details.

(c) In the final truing-up petition (299/GT/2014), the petitioner vide affidavit dated 24.10.2016 had submitted the details of assets not owned by the company. Further, it was submitted that these assets have been shifted from capital account to revenue account during the year 2010-11 due to change in accounting policy and they continue to be in service.

(d) However, the Commission in said order dated 24.3.2017, while revising the tariff of the generating station had observed that the tariff for the period 2009-13 had not been revised as the petitioner had not furnished various details, including that of asset not owned by the company.



(e) The non- consideration of the affidavit dated 24.10.2016, wherein the details of assets not owned by the company which have been shifted from capital account to revenue account is an error apparent and there is sufficient cause for reviewing the order dated 24.3.2017

Accordingly, the petitioner has prayed that the error may be rectified and tariff of the generating station may be revised.

5. The respondent, BRPL vide affidavit dated 24.7.2017 has submitted that the details filed by the petitioner show that the assets are not owned by the company and that the assets mentioned are the kharanja roads in various villages. It has also submitted that though the assets might be part of the project, the same are required to be taken out of the capital cost in accordance with the proviso to Regulation 7 of the 2009 Tariff Regulations. The respondent has further stated that the assets mentioned are neither used in the generation of power nor owned by the petitioner and hence these are liable to be de-capitalized. Accordingly, the respondent has submitted that the review petition filed by the petitioner is devoid of merits and liable to be dismissed. In its rejoinder dated 24.8.2017, the petitioner has reiterated that the item wise details of the assets not owned by the company was filed by the petitioner vide affidavit dated 24.10.2016 in Petition No. 299/GT/2014 and the same was inadvertently not considered by the Commission while passing the order dated 24.3.2017. The petitioner has also clarified that these assets were not unserviceable assets and was recognized as part of the project cost for construction of property, plant and equipment. It has reiterated that these assets have been shifted from capital account to revenue account due to change in accounting policy of the company. Accordingly, the petitioner has submitted that the contentions of the respondent may be rejected and review petition may be allowed.



Analysis and decision

6. The matter has been examined. It is noticed from the above that the petitioner vide affidavit dated 24.10.2016 had submitted details of assets not owned by the company which include assets like bridges, roads, drains, make up water, tube well system, electrification work, etc. constructed during the commissioning of the project for facilitating movement of men and material to the project site. It was also submitted that these assets have been shifted from capital account to revenue account during the year 2010-11 due to change in accounting policy and they continue to be in service. This information was inadvertently not considered by the Commission at the time of passing of order dated 24.3.2017 and the Commission disallowed the expenditure on the ground that no details were furnished by the petitioner. The petitioner in this petition has reiterated that the exclusion of these assets from the gross block is an error apparent on the face of the order as these assets are rendering useful service but due to change in accounting policy, these assets have been shifted from capital account to revenue account during the year 2010-11. In view of this, we are of the view that non-consideration of submissions of the petitioner while passing the order dated 24.3.2017 constitute an error on the face of record. It is further noticed that the Commission while dealing with a similar issue in Review Petition 18/RP/2014 in Petition No. 135/GT/2013 (tariff of Kahalgaon STPS-I (840 MW for 2009-14) had granted relief to the petitioner as under:

“14. It is seen from the above that the petitioner in the affidavit dated 22.11.2012 had explained the reason for taking out the assets from gross block in order to meet accounting requirements. This information was inadvertently not considered by the Commission at the time of passing the order dated 15.5.2014, and the Commission disallowed the expenditure on the ground that the assets are not in use. The petitioner has in this petition reiterated that the exclusion of these assets from the gross block was not on account of its unserviceability as these assets are rendering useful service but due to the change in accounting policy consequent to the opinion of the Expert Advisory Committee of the Institution of Chartered Accountant of India. We are of the view that the non-consideration of the submissions of the



petitioner while passing the order dated 15.5.2014 constitute an error apparent on the face of the record. Accordingly, review of the order dated 15.5.2014 on this ground is allowed. The expenditure on such assets not owned by the petitioner has been incurred for facilitating the completion of the project and therefore such assets form part of the capital cost. Accordingly, the exclusion of (-) ₹99.83 lakh towards de-capitalization of these assets under "assets not owned by the company" is allowed. It is however clarified that since the tariff period of 2009-14 is over, the impact on account of the exclusion of the said amount shall be considered at the time of truing-up of tariff of the generating station in terms of Regulation 6 of the 2009 Tariff Regulations."

7. In line with the above decision, the exclusion of (-) ₹117.95 lakh towards the de-capitalization of assets not owned by the company, during the year 2010-11 is allowed.

Accordingly, the review of order dated 24.3.2017 is allowed on this ground.

8. Based on the above, the capital cost allowed in order dated 24.3.2017 is revised as under:

(₹ in lakh)					
	2009-10	2010-11	2011-12	2012-13	2013-14
Opening Capital Cost	170127.78	170341.36	170101.10	169855.49	169562.66
Add: ACE	213.58	(-)240.26	(-)245.61	(-)292.83	(-)401.97
Closing Capital Cost	170341.36	170101.10	169855.49	169562.66	169160.69
Average Capital Cost	170234.57	170221.23	169978.30	169709.08	169361.68

9. Return on equity approved in table under para 53 of order dated 24.3.2017 stands modified as under:

(₹ in lakh)					
	2009-10	2010-11	2011-12	2012-13	2013-14
Notional Equity- Opening	85036.70	85100.78	85028.70	84955.02	84867.17
Addition of Equity due to ACE	64.07	(-)72.08	(-)73.68	(-)87.85	(-)120.59
Normative Equity - Closing	85100.78	85028.70	84955.02	84867.17	84746.58
Average Normative Equity	85068.74	85064.74	84991.86	84911.09	84806.87
Return on Equity (Base Rate)	15.500%	15.500%	15.500%	15.500%	15.500%
Tax Rate for respective years	33.990%	33.218%	32.445%	32.445%	33.990%
Rate of Return on Equity (Pre Tax)	23.481%	23.210%	22.944%	22.944%	23.481%
Return on Equity (Pre Tax)- Annualised	19974.99	19743.53	19500.53	19482.00	19913.50



10. Interest on loan allowed is modified as under:

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Gross opening loan	85091.08	85240.59	85072.40	84900.48	84695.50
Cumulative repayment of loan upto previous year / period	82515.67	85181.61	85072.40	84900.48	84695.50
Net Loan Opening	2575.41	58.98	0.00	0.00	0.00
Addition due to ACE	149.51	(-)168.18	(-)171.93	(-)204.98	(-)281.38
Repayment of loan during the year	2398.97	(-)63.35	(-)99.92	0.40	(-)303.96
Less: Repayment adjustment on account of de-caps	153.59	74.48	76.88	205.38	0.00
Add: Repayment adjustment on discharges corresponding to un-discharged liabilities deducted as on 01.04.2009	420.56	28.63	4.88	0.00	22.58
Net Repayment	2665.94	(-)109.21	(-)171.93	(-)204.98	(-)281.38
Net Loan Closing	58.98	0.00	0.00	0.00	0.00
Average Loan	1317.19	29.49	0.00	0.00	0.00
Weighted Average Rate of Interest on Loan	9.5800%	9.5800%	9.5800%	9.5800%	9.5800%
Interest on Loan	126.19	2.82	0.00	0.00	0.00

11. Depreciation allowed in order dated 24.3.2017 is revised as under:

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Average Capital Cost	170234.57	170221.23	169978.30	169709.08	169361.68
Depreciable value @ 90%	149074.08	149054.72	148831.89	148586.24	148273.58
Remaining useful life at the beginning of the year	12.12	11.12	10.12	9.12	8.12
Balance depreciable value	29075.55	26736.24	24157.15	21605.02	19141.57
Depreciation (annualized)	2398.97	2404.34	2387.07	2368.97	2357.34
Cumulative depreciation at the end	122397.51	124722.82	127061.82	129350.19	131489.34
Less: Cumulative depreciation adjustment on	154.05	89.54	82.48	218.18	477.55



account of de-caps					
Add: Cumulative depreciation adjusted on account of discharges out of un-discharged liabilities deducted as on 01.04.2009	75.02	41.47	1.88	0.00	33.76
Cumulative depreciation (at the end of the period)	122318.48	124674.75	126981.22	129132.01	131045.56

12. Receivables allowed in table under para 69 of order dated 24.3.2017 stands modified as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Variable Charges - for two months	23000.13	23000.13	23063.14	23000.13	23000.13
Fixed Charges – for two months	7940.64	8042.13	8170.97	8333.96	8598.01
Total	30940.77	31042.25	31234.11	31334.09	31598.14

13. Accordingly, Interest on working capital is revised as under:

	(₹ in lakh)				
	2009-10	2010-11	2011-12	2012-13	2013-14
Cost of coal – 2 months	23000.13	23000.13	23063.14	23000.13	23000.13
Cost of secondary fuel oil – Two months	409.53	409.53	410.65	409.53	409.53
Maintenance Spares	3057.60	3232.32	3417.12	3613.68	3820.32
Receivables – Two months	30940.77	31042.25	31234.11	31334.09	31598.14
O&M expenses – One month	1274.00	1346.80	1423.80	1505.70	1591.80
Total Working Capital	58682.03	59031.03	59548.83	59863.13	60419.91
Rate of Interest	12.2500%	12.2500%	12.2500%	12.2500%	12.2500%
Interest on Working Capital	7188.55	7231.30	7294.73	7333.23	7401.44



14. Based on the above, annual fixed charges allowed in order dated 24.3.2017 stand revised as under:

(₹ in lakh)

	2009-10	2010-11	2011-12	2012-13	2013-14
Depreciation	2398.97	2404.34	2387.07	2368.97	2357.34
Interest on Loan	126.19	2.82	0.00	0.00	0.00
Return on Equity	19974.99	19743.53	19500.53	19482.00	19913.50
Interest on Working Capital	7188.55	7231.30	7294.73	7333.23	7401.44
O&M Expenses	15288.00	16161.60	17085.60	18068.40	19101.60
Cost of Secondary Fuel Oil	2457.17	2457.17	2463.90	2457.17	2457.17
Compensation Allowance	210.00	252.00	294.00	294.00	357.00
Special Allowance	0.00	0.00	0.00	0.00	0.00
Total	47643.86	48252.76	49025.83	50003.77	51588.04

15. All other terms of order dated 24.3.2017 shall remain unchanged.

16. Review Petition No. 23/RP/2017 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

