

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Coram:**

1. **Shri Ashok Basu, Chairman**
2. **Shri K.N. Sinha, Member**
3. **Shri Bhanu Bhushan, Member**
4. **Shri A.H.Jung, Member**

**Petition No.40/2005**

**In the matter of**

Approval of tariff of Nagarjuna Power Corporation Limited (1015 MW) for the period 1.9.2008 onwards.

**And in the matter of**

Nagarjuna Power Corporation Limited

**.....Petitioner**

Vs

1. Karnataka Power Transmission Corporation Limited, Bangalore
  2. Kerala State Electricity Board, Thiruvananthapuram
- ....Respondents**

**The following were present:**

1. Shri Mukesh Kumar Gupta, Consultant, NPCL
2. Shri Jami Satyanarayana, NPCL
3. Shri Manoj Verma, NPCL
4. Shri O. Samir Kumar, NPCL
5. Shri K.S. Balachandra, NPCL
6. Shri R.S. Pillai, NPCL
7. Shri Praveen Sinha, NPCL
8. Shri J. Satyanarayana, NPCL
9. Shri S. Pratap Kumar, Director (Procurement), KPTCL
10. Shri R. Balachandran, KSEB

**ORDER  
(DATE OF HEARING : 14.7.2005)**

The application has been made for approval of tariff of Nagarjuna Power Project, a mega power project, being established by the petitioner, for the period 1.9.2008 and onwards. The petitioner has proposed to sell power to Karnataka

Power Transmission Corporation Limited (KPTCL) and Kerala State Electricity Board (KSEB).

2. The petitioner has published notices in accordance with the regulations notified by the Commission on the subject. Certain objections have been received, the replies to which have also been filed on behalf of the petitioner.

3. We have heard Shri K.S. Balachandra for the petitioner, Shri S. Pratap Kumar for KPTCL and Shri R. Balachandran for KSEB. Shri K.S. Balachandran stated the salient features of the project. One of the important feature narrated by the petitioner was the firm cost of Rs.4299.82 crore for the project life except variation on account of interest rates (IDC) and tax rates only.

4. The respondents have not filed their replies to the petition on the ground that Power Purchase Agreement to be entered into with the petitioner has not yet been finalised. It has been stated by the representatives of the respondents that PPA may be finalised within a period of one month. The representative of KPTCL has stated that the draft PPA received from the petitioner has been under consideration with the State Government of Karnataka; KPTCL has already furnished its comments to the State Government. We direct that reply to the petition be filed by respondents latest by 20.8.2005 with a copy to the petitioner.

5. The petitioner is directed to place on record the following additional details, duly supported by affidavit, by 31.7.2005 with advance copy to the respondents who may file their reply, if any, along with the reply to the main petition, by 20.8.2005:

- (a) Details of international competitive bidding for main EPC contract, civil contract and contract for external coal handling system at port, including the names of all the bidders and the prices quoted by them;
- (b) A copy of the standard document published by PFC, indicating the criteria for categorisation of projects for the purpose of grant of loan and interest rate applicable to each category;
- (c) Any documentary evidence to the effect that the lending category of the petitioner would not be downgraded by PFC subsequently at the time of disbursement of the loan so that the interest rate is not revised;
- (d) A confirmation to the effect that the capital cost of Rs.4299.82 crore shall be the ceiling cost and may only vary to the extent it is affected by the change in rate of interest on the loan component, as applicable at the time of actual disbursement and taxes and rates;
- (e) Complete details of break-up of taxes and duties amounting to Rs.108 crore considered in the capital cost, listing each item, its capital cost, applicable tax, rate of tax and amount of tax.
- (f) Item-wise break-up of Rs.287.55 crore shown as lump sum expenses under the head of "Erection, Testing and Commissioning Expenses".
- (g) Computation of financial charges amounting to Rs.350.14 crore, indicating phasing of funds.
- (h) Coal escalation index applicable to coal prices after initial five years for the coal to be imported;
- (i) A confirmation that the petitioner shall not seek tariff revision on additional capitalisation, if any, during the useful life of the generating station and relaxation on the operational and performance norms

specified or to be specified by the Commission from time to time as part of the terms and conditions for determination of tariff;

- (j) A confirmation that the treatment/issue of capital expenditure on R&M/life extension after the useful life of the project, shall be as per the terms, if any, of the PPA and not otherwise;
- (k) Length of MGR, number of wagons, number of rail tracks, cost of jetty, unloading/ loading arrangements at the port, cost of civil works at port;
- (l) Capacity of coal handling and ash handling plants inside the generating station, along with the capital cost;
- (m) Capacity, cost and salient features of sea water intake system, including cost of civil works;
- (n) Capacity, salient features and capital cost of FGD plant, including cost of civil works;
- (o) Whether foreign exchange rate variation will have any impact on capital cost and/or any of the components of tariff and, if so, the details thereof;
- (p) Price variation provision, if any, proposed for lime and secondary fuel;
- (q) Latest audited accounts; and
- (r) Details of IDC calculation, including loan details, moratorium period, rate of interest, repayment schedule, etc.

7. List this petition on 25.8.2005. Notices for hearing for the next date shall also issue to the persons who have filed objections.

Sd/-  
**(A.H.JUNG)**  
**MEMBER**  
**CHAIRMAN**

Sd/-  
**(BHANU BHUSHAN)**  
**MEMBER**

Sd/-  
**(K.N.SINHA)**  
**MEMBER**

Sd/-  
**(ASHOK BASU)**

**New Delhi dated the 14<sup>th</sup> July, 2005**