

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. **Shri Ashok Basu, Chairperson**
2. **Shri Bhanu Bhushan, Member**
3. **Shri A.H.Jung, Member**

Petition No.1/2003

In the matter of

Petition for approval of tariff of Unit I & II of Talcher STPS Stage-II (4x500 MW)

And in the matter of

National Thermal Power Corporation Ltd.

... Petitioner

Vs

1. Transmission Corporation of Andhra Pradesh Ltd., Hyderabad
2. Tamil Nadu Electricity Board, Chennai
3. Karnataka Power Transmission Corporation Ltd., Bangalore
4. Kerala State Electricity Board, Thiruvananthapuram
5. Electricity Department, Govt. of Pondicherry, Pondicherry,

... Respondents

The following were present:

1. Shri V.B.K.Jain, GM(Comml.), NTPC
2. Shri I.J.Kapoor, NTPC
3. Shri S.K.Mondal, NTPC
4. Shri Ajay Garg, NTPC
5. Shri A.K.Juneja, DGM, NTPC
6. Shri B. Murali, SE/D/P&C, TNEB
7. Shri P.Sampath, EE, TNEB
8. Shri V.Bharatheeshal, Rao, KPTCL
9. Shri Chikkananjappa, SEE, KPTCL
10. Shri K.P.Kumli Marakar, KSEB

**ORDER
(DATE OF HEARING : 6.7.2006)**

The petitioner had made the application for approval of tariff in respect of Talchar STPS, Stage-II, Unit I for the period 1.8.2003 to 29.2.2004 and for Units I & II (combined) from 1.3.2004 to 31.3.2004. The Commission had approved the following annual fixed charges for the period 1.8.2003 to 31.3.2004 by order dated 13.6.2005:

(Rs. in lakh)

	Particulars	2003-04	
		1.8.2003 to 29.2.2004	1.3.2004 to 31.3.2004
1	Interest on Loan	11357	19715
2	Interest on Working Capital	1129	2046
3	Depreciation	5321	9465
4	Advance Against Depreciation	0	0
5	Return on Equity	7038	12486
6	O & M Expenses	3665	6503
	Total	28510	50215

2. The petitioner had filed an application (Petition No. 123/2005) for review of the order dated 13.6.2005. By order dated 9.5.2006, review was allowed on computation of interest on loan and depreciation components of the annual fixed charges. Accordingly, Petition No. 1/2003 was fixed for hearing on these two issues.

3. Heard the representatives of the parties present at the hearing.

4. The Commission in its order dated 13.6.2005 ibid had not considered the depreciation of leasehold land while computing weighted average rate of depreciation. This needs to be considered in accordance with the terms and condition for determination of tariff notified by the Commission. Similarly, while approving interest on loan component of annual fixed charges, surveillance charges of 0.03% of the loan amount required to be paid also need to be permitted in tariff, but not allowed in the order dated 13.6.2005. As a consequence, interest on loan and depreciation chargeable in tariff have been worked out afresh. Revision of interest on loan and depreciation does not have any significant impact on interest on working capital even though these two components of tariff are part of the working capital.

5. Accordingly, the table below para 16 of the order dated 13.6.2005 under the heading `interest on loan` shall be substituted as under:

Loan	(Rs. in lakh)	
	1.8.2003 to 29.2.2004	1.3.2004 to 31.3.2004
Gross Loan -Opening	102631	182090
Cumulative Repayment up to the previous year/period	1483	4983
Net Loan-Opening	101149	177107
Increase/ Decrease due to FERV	0	0
Increase/ Decrease due to ACE	0	0
Total	101149	177107
Repayment	3500	2625
Net Loan-Closing	97649	174482
Average loan	99399	175795
Rate of Interest	11.43%	11.221%
Interest	11361	19723

6. Similarly, consequent to revision of depreciation rate after accounting for depreciation on leasehold land, para 18 of the said order dated 13.6.2005 under the heading `Depreciation` shall be substituted as under:

“18. Depreciation for the tariff period has been calculated by taking the individual assets and their depreciation rates as per the notification dated 26.3.2001. Accordingly, the weighted average rate of depreciation as on 1.8.2003 and 1.3.2004 works out to 3.64% and 3.65% respectively as against weighted average rate of 3.65% claimed in the petition for the entire period. Depreciation has been considered at the average opening and closing gross block during the respective year. The weightage @ 1.01% has been calculated on account of leasehold land, the period of lease being 99 years. The petitioner’s entitlement to depreciation has been worked out as under:

Period	1.8.2003 to 29.2.2004	1.3.2004 to 31.3.2004
Capital (Historical) cost (Rs. in lakh)	146616	260128
Depreciation rate	3.64%	3.65%
Depreciation (Rs. in lakh)	5339	9483

7. Therefore, in suppression of the table of the total annual fixed charges given under para 25 of the order dated 13.6.2005, the following shall be substituted:

(Rs. in lakh)

	Particulars	2003-04	
		1.8.2003 to 29.2.2004	1.3.2004 to 31.3.2004
1	Interest on Loan	11361	19723
2	Interest on Working Capital	1129	2046
3	Depreciation	5339	9483
4	Advance Against Depreciation	0	0
5	Return on Equity	7038	12486
6	O & M Expenses	3665	6503
	Total	28532	50242

8. For a part of the year, the annual fixed charges approved above shall be worked out on pro rata basis.

9. In all other respects, the order dated 13.6.2005 shall govern tariff for the period 1.8.2003 to 31.3.2004.

sd-/
(A.H.JUNG)
MEMBER

sd-/
(BHANU BHUSHAN)
MEMBER

sd-/
(ASHOK BASU)
CHAIRPERSON

New Delhi dated the 13th July 2006