

**CENTRAL ELECTRICITY REGULATORY COMMISSION**

**RECORD OF PROCEEDINGS**

**I.A.No. 51/2006 in Petition No. 164/2004**

Revision of O&M expenses for Auraiya Gas Power Station (663.36 MW) for the period from 1.4.2004 to 31.3.2009.

**I.A.No. 52/2006 in Petition No. 160/2004**

Revision of O&M expenses for Anta Gas Power Station for the period from 1.4.2004 to 31.3.2009.

**I.A.No. 53/2006 in Petition No. 155/2004**

Revision of O&M expenses for Dadri Gas Power Station (829.78 MW) for the period from 1.4.2004 to 31.3.2009.

**I.A.No. 24/2008 in Petition No. 79/2005**

Revision of O&M expenses for Kawas Gas Power Station (656.20 MW) for the period from 1.4.2004 to 31.3.2009.

Coram: Dr. Pramod Deo, Chairperson  
Shri Bhanu Bhushan, Member  
Shri S.Jayaraman, Member

Petitioner: NTPC

Respondents: MPPTCL, UPPCL, MSEDCL, GUVNL, CSEB, JVVNL, JdVVNL, AVVNL, BSES-Rajdhani Ltd, BSES-Yamuna Ltd, HVPNL, PSEB, HPSEB, UPCL, Power Development Department, Govt of J&K, Power Development Department, Admn. Of Chandigarh, Electricity Department, Govt. of Goa, Electricity Department, Admn. of Daman & Diu, Electricity Department, Admn of Dadra & Nagar Haveli,

Date of hearing: 18.9.2008

Parties present: (1) Shri. S.N.Goel, NTPC  
(2) Shri. Ajay Dua, NTPC  
(3) Shri. V.K.Padha, NTPC  
(4) Shri. D.G.Salpekar, NTPC  
(5) Shri. S.K.Samui, NTPC  
(6) Shri. Deepak Srivastava, MPPTCL  
(7) Shri. T.K.Srivastava, UPPCL

The petitioner, NTPC Limited has made these applications for revision of O&M expenses for its gas-based generating stations (hereinafter referred to as “the generating stations”) for the period from 1.4.2004 to 31.3.2009.

2. In the petitions filed before the Commission for determination for tariff for the generating stations for the period 2004-09, the petitioner had claimed O&M expenses based on actuals since the normative O&M expenses specified in the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004, (hereinafter referred to as “the 2004 regulations”) were considered to be inadequate by it on account of:

- (i) *Higher repair and maintenance (R&M) expenses due to ageing, higher replacement cost of spares, equipment failure etc. and*
- (ii) *Inclusion of cost of spares consumed at actuals after the warranty period and inclusion of additional capitalisation disallowed.*

3. The Commission vide order dated 16.2.2006 directed the petitioner to place on record the following information before a view on the revision of O&M expenses for the generating stations was taken:

- (a) *Details of actual O&M expenses from the date of commercial operation of 1<sup>st</sup> GT of each of the generating stations to 2004-05,*
- (b) *O&M expenses recovered in tariff from the date of commercial operation of 1<sup>st</sup> GT to 2004-05;*
- (c) *Whether or not the capital spares issued at zero cost already included in the capital cost for the purpose of tariff; and*
- (d) *Basis of estimation of embedded cost of spares in respect of each of the above named gas based generating stations.*

4. The Commission while determining the tariff for the generating stations had further observed that the issue of revision of O&M expenses as claimed by the

petitioner would be considered on merits after filing of the information earlier called for vide order dated 16.2.2006, by the petitioner on a comprehensive examination of the issue in respect of all the generating stations.

5. In compliance with the above directions, the petitioner filed the information in respect of the generating stations through the IAs, presently under consideration.

6. During the hearing, the representative of the petitioner submitted that the 2004 regulations provided for two sets of O&M norms for gas/liquid fuel-based generating stations for the tariff period 2004-09. One set of norms are based on 2.5% of the current capital cost of the gas/liquid fuel based generating stations and are applicable to new stations only. The second set of norms are applicable to those generating stations of the petitioner which had invited bids for the erection, supply and commissioning of main plant packages with condition of free spares during the warranty period of 10 years. The four generating stations of the petitioner, namely, Anta, Auraiya, Kawas and Dadri GPS are covered under the latter referred norms.

7. The representative of the petitioner further submitted that the condition of 10 year warranty period or 50,000 EOH whichever was earlier had expired in respect of the generating stations long back. He informed that presently, the actual O&M expenses were in the order of 12lakh/MW, much higher than either of the norms prescribed in the 2004 regulations. He further submitted that the repairs and maintenance of the generating stations had become more prominent as compared to coal-based generating stations and the consumption of spares at the generating stations had also increased with the passage of time on account of ageing. He also submitted that out of the total O&M expenditure of Rs.1200 crore incurred for these four stations, only Rs.567 crore could be recovered based on the norms specified in the 2004 regulations. He submitted that the O&M expenses for the generating stations be determined on the basis of actuals of the last five years.

8. The representatives of UPPCL and MPPTCL who were present during the hearing submitted that copies of the applications filed by the petitioner had not been received by them and prayed for further time to make submissions, after receipt of the applications. The representative of the petitioner clarified that copies of the applications had already been served upon the respondents and that he could file the proof of service, if so directed by the Commission. The Commission, however, directed the petitioner to provide one more copy each of the applications to all the respondents since their copies were earlier sent long time back. The Commission further directed the petitioner to serve on the respondents detailed workings of the cost of the warranty spares estimated to be embedded in the capital cost of these generating stations. The respondents were allowed to file their responses by 3.10.2008.

9. The representative of UPPCL submitted that the present applications for revision of O&M expenses were not maintainable, since the final tariff for the generating stations for the period 2004-09 had already been determined. In response, the petitioner clarified that the applications for revision of O&M expenses for the generating stations were filed pursuant to the directions of the Commission in its orders to place on record certain additional information so as to enable the Commission to take a view on the question of revision of O&M expenses after comprehensive examination of the issue.

10. The petition will be listed on 20.11.2008 for further directions.

(K.S.Dhingra)  
Chief (Legal)