

CENTRAL ELECTRICITY REGULATORY COMMISSION

RECORD OF PROCEEDINGS

PETITION NO. 31/2008

Determination of impact of additional capital expenditure incurred during 2004-05, 2005-06 and 2006-07 for Talcher Thermal Power Station (460MW)

Date of hearing: **24.7.2008**

Petitioner: NTPC

Respondents: GRIDCO

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

Parties present: (1) Shri. S.N.Goel, NTPC
(2) Shri. G.K.Dua, NTPC
(3) Shri. V.Kumar, NTPC
(4) Shri. D.Kar, NTPC
(5) Shri. Balaji Dubey, NTPC
(6) Shri. R.B.Sharma, Advocate, GRIDCO
(7) Shri. S.K.Choudhury, GRIDCO

The petitioner has made this application for approval of revised fixed charges for the period 2004-2009, after considering the impact of additional capital expenditure incurred during 2004-05, 2005-06 and 2006-07, for

Talcher Thermal Power Station, (460 MW). The total expenditure involved is Rs.8582 lakh.

2. The station consists of 4x60 MW units in Stage-I which is about 40 years old and Stage-II of 2x110 MW which is 25 years old.

3. The representative of the petitioner submitted that the additional capitalization claimed pertains mainly to R&M works relating to ash disposal into mines, ash dyke work and coal handling plants with track hopper for unloading through bottom opening wagons for which expenditure has been incurred during the years 2004-05, 2005-06 and 2006-07. The petitioner also submitted that out of the total amount claimed, a sum of Rs.4500 lakh had been spent by it for augmenting the transportation of coal handling plant. The petitioner concluded its submissions stating that on account of R&M works undertaken, the performance of the plant in terms of PLF had improved to 86% (from 65%) during the last four years and prayed that its claim for additional capital expenditure incurred should be allowed.

4. In reply, the learned counsel for the respondent submitted that the entire claim for additional capitalization was for expenditure on R&M. However, the learned counsel took a preliminary objection, stating that the petition filed by the petitioner is deficient in information. According to him, the petition does not disclose the performance of the generating station and the benefits shared with the respondent, as a result of the improved performance, in accordance with the tariff policy notified by the Central Government. To substantiate, the learned counsel cited an order of the Commission dated 19.6.2006 in Petition No.62/2000, wherein it was held that "all kinds of R&M expenditure cannot be allowed as a "pass through"

as additional capital expenditure, unless the Commission was satisfied that it would result in corresponding benefit to the ultimate consumer". It was pointed out by the learned counsel that the petitioner had not submitted any proposal for sharing of the benefits of improvement in performance, as well as the capacity restoration of the generating station.

5. On the issue of capacity restoration, the learned counsel submitted that the CEA's 'Performance Review of Thermal Power Stations' indicated that the capacity of 60 MW units was re-rated to 62.5 MW. The learned counsel also pointed out that the petitioner had invested Rs.46900 lakh on R&M in addition to Rs.2713 lakh reimbursed by the respondent, to maintain lower tariff levels. The learned counsel also alleged that the petitioner had made huge investments on 4 units and the average R&M cost worked out to Rs.1.5 crore /MW without any corresponding benefits to the respondent and was higher than the amount prescribed by Ministry of Power in R&M Policy dated 3.2.2004, according to which R&M cost should be in the range of 0.8 to 1.25 cr /MW. Summing up, the learned counsel contended that the petitioner has been enjoying the benefits of tariff, performance and capacity restoration for the generating station, without sharing the benefits with the respondent, though the cost is refunded by the latter through the tariff.

6. In response, representative of the petitioner submitted that the respondent had placed incorrect facts before the Commission with regard to the re-rating of units. He submitted that prior to 2004-05, CEA was indicating installed capacity as well as de-rated capacity in its documents and from 2004-05 it had started indicating only the installed capacity. The petitioner brought to the notice of the Commission the order dated 4.3.2008 in Review Petition No.6/2007 (filed by the respondent against the Commission's order in Petition No.35/2004) regarding re-rating of 60 MW

units and stated that the letter of CEA (which was taken on record by the Commission) mentioned that it had not de-rated the units of the generating station, Stage-I from 62.5 MW to 60 MW and as per the latest review in the year 2005-06 by CEA, the installed capacity of Stage-I units stood at 62.5 MW. However, the representative of the petitioner pointed out, the Commission after taking cognizance of the letter of CEA, the provisions of PPA and the agreement with GRIDCO, decided to retain the capacity of units of Stage-I as 60 MW.

7. On the issue of sharing of benefits from the generating station with the respondent, the petitioner while agreeing in-principle that benefits needed to be shared, pointed out that at the time of take over, the performance of the generating station was as under:

Parameters	1994-95
PLF (%)	29.02
Heat Rate (Kcl/kwh)	4170
Specific Oil Consumption (ml/kwh)	14.02
Auxiliary Consumption (%)	13.63

8. The representative of the petitioner further submitted that for the last four years the generating station has been operating at 88% PLF with substantial improvement in the operating parameters, such as station heat rate, specific fuel oil consumption and auxiliary energy consumption as a result of which the respondent has been enjoying the benefits of cheaper power in the form of fixed charges @ 64 paise/kWh and energy charges @ 70 paise/kwh, and notably, from a 40 year old generating station. The representative of the petitioner also submitted that the benefits of R&M were always passed on to the respondent, through review of norms by the Commission, from time to time.

9. The representative of the petitioner further submitted that R&M of the generating station was taken up in phases, starting from its take over during 1995-96 and accordingly, Phases I & II, R&M of boiler, turbine and coal handling plant etc. of Stage-I units was taken up at an estimated cost of around Rs.43700 lakh and in Phase-III, estimated at Rs.22900 lakh, R&M of boiler of Stage-II units of 110 MW had been taken up. It was explained that R&M of turbine and C&I was due to be taken up. He submitted that all the 3 Phases of R&M was agreed to by the respondent and the expenditure claimed by it was within the total R&M estimate of Rs.66600 lakh in Phases I, II and III. The representative of the petitioner submitted that it had incurred the expenditures on R&M after exercising prudence, and the expenditure was necessary for the sustained operation of the generating station.

10. The learned counsel for the respondent prayed that the matter be heard again after the petitioner supplied further information, on the issues raised by it. The representative of the petitioner while submitting that it had provided adequate information, prayed leave of the Commission to file its response to the reply filed by the respondent vide affidavit dated 23.7.2008, within two weeks, which was granted by the Commission.

11. Meanwhile, the petitioner was directed to submit the following information, within two weeks, on affidavit, with copy to the respondent:

- (a) Asset-wise undischarged liability in the additional capital expenditure.

(b) Gross value of assets decapitalised/to be decapitalised along with cumulative depreciation recovered in respect of certain assets capitalized, such as, upgradation of IT system (SI.No 85, 86 for the year 2004-05 and SI.No. 53 for the year 2005-06) in whose case details of corresponding de-capitalisation of old assets are not indicated.

(c) Reconciliation of IDC.

12. Subject to the above, order in the petition was reserved.

Sd/-
(K.S.Dhingra)
Chief (Legal)