

CENTRAL ELECTRICITY REGULATORY COMMISSION

RECORD OF PROCEEDINGS

Petition No. 25/2008

Determination of impact of additional capital expenditure incurred during 2004-05, 2005-06 and 2006-07 on fixed charges of Vindhyachal Super Thermal Power Station, Stage-I (1260 MW).

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

Petitioner: NTPC

Respondents: MPPTCL, MSEDCL, GUVNL, CSEB, Electricity Department, Goa, Electricity Department, Admn. of Daman & Diu, Electricity Department, Admn. of Dadra & Nagar Haveli,

Date of hearing: **12.8.2008**

Parties present: (1) Shri. S.N.Goel, NTPC
(2) Shri. Guryog Singh, NTPC
(3) Shri. S.K.Sharma, NTPC
(4) Shri. A.S.Pandey, NTPC
(5) Shri. Deepak Srivastava, MPPTCL

The petitioner has made this application for approval of the 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 Vindhyachal Super Thermal Power Station, Stage-I (1260 MW), involving the total expenditure of Rs.2361 lakh.

2. The representative of the petitioner submitted that an amount of Rs 1722.16 lakh, had been claimed towards expenditure incurred during the years

2004-05, 2005-06 and 2006-07 on items/assets like Turbine, R.C.Bunker, Circuit Breaker, SWAS panel, Elevator, CHP, AVRs, Tube claining system, battery sets, transmitters etc. procured, for efficient and successful operation of the generating station, under the CEA approved R&M scheme. It was also submitted that out of the said amount of Rs 1722.16 lakh, an amount of Rs.135.45 lakh had been adjusted during the period 2004-07, for conducting RLA study on various R&M works relating to T&G and renovation of HPT/IPT (procurement of fasteners as emergency spares), and some portion of the R&M expenditure had been booked to profit and loss account as a charge to revenue and had not been capitalized.

3. On the issue of procurement of additional generator transformers (GTs), as spare, the representative of the petitioner submitted that one GT ordered for procurement in the year 2000 because of frequent failures was delivered and utilized in the year 2004-05, replacing the failed GT at Unit–III of the generating station. He also submitted that the failed GT was to be declared unserviceable. As the petitioner had not decapitalised the value of the failed GT, the Commission observed that its net value was to be decapitalised from capital cost.

4. The representative of the petitioner submitted that a capital expenditure of Rs.67.27 lakh had been claimed under the head “change in law” for the supply and installation of energy meters within the township, in compliance with the provisions of the Electricity Act, 2003. In response to the observation of the Commission as to whether the work involved replacement of old meters, the representative of the petitioner clarified that no meters had been installed for

supply of electricity in the township earlier and that new meters had been installed in the township as mandated by the Electricity Act, 2003. The expenditure was sought to be capitalised.

5. The representative of the petitioner pointed that there was a need for clarification on the application of clause (4) of Regulation 18 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004, which provides that “impact of additional capitalization in tariff revision may be considered by the Commission twice in a tariff period, including revision of tariff after the cut-off date”. According to the petitioner, the additional capital expenditure for the period 2008-09 could be determined only after 31.3.2009, on finalization of accounts for that year and the application for revision of tariff on account of the capital expenditure for that year could be made only after 1.4.2009. Hence, under clause (4) of Regulation 18, the petitioner should be permitted to approach the Commission for revision of tariff once prior to 31.3.2009 and once on finalization of accounts for the year 2008-09, for capital expenditure incurred during the year.

6. The representative of the MPPTCL objected to the above interpretation of the petitioner on the application of clause (4) of Regulation 18 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004. He also pointed out that the petitioner had not furnished any details of the undischarged liabilities in the gross block, as on 1.4.2004, and that the refund of

excess tariff recovered by the petitioner for the period 2001-04, had not been settled by the petitioner despite the orders of the Commission.

7. The representative of the petitioner clarified that it was open for a mutual discussion and settlement of the excess amount already recovered and in case the respondents were not satisfied they were at liberty to approach the Commission for appropriate relief. The representative of the petitioner also submitted that it had provided details of the undischarged liabilities in the claim for additional capitalisation and that the Commission in its various orders had allowed additional capitalization for some of its generating stations, only after deduction and adjustment of the undischarged liabilities.

8. The Commission directed the petitioner to submit the following information, within two weeks, on affidavit, with copy to the respondents:

- (a) Gross value of unserviceable assets (as indicated in Annexure-II of affidavit dated 30.6.2008) and assets decapitalised (under the head “exclusions”) along with the dates on which the assets were put in service and the cumulative depreciation recovered in respect of each asset;
- (b) Gross block of the replaced GT and the old elevator (SI.No.3 of 2005-06), along with cumulative depreciation recovered in respect of each of them;

- (c) Whether the amount of Rs.135.45 lakh shown to have been adjusted as per Annexure-9 of the petition had been adjusted in the R&M expenditure claimed under Regulation 18(2)(iv), and if so, specific references/details for such adjustment;
- (d) Detailed reference of undischarged liabilities;
- (e) Gross value of assets decapitalised for the assets replaced, such as, modern PLC base control system (SI.No.8 for the year 2005-06) SWAS panel (SI.No 10 for the year 2005-06), Turbine vibration measurement system (SI.No.14 for the year 2005-06) and Recirculation valves (SI.No.7 for the year 2006-07); along with cumulative depreciation recovered in respect of each of them;
- (f) Detailed calculations of IDC; and
- (g) Year-wise details of CWIP (opening and closing) and detailed working of the equity deployed.

9. The respondents were permitted to file their replies to the affidavit within further two weeks, after receipt of the affidavit from the petitioner.

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

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