

**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. 108/2005**

**In the matter of**

Revision of O&M expenses for the period 1.4.2001 to 31.3.2004 in respect of Talcher TPS

**And in the matter of**

National Thermal Power Corporation Ltd. .... **Petitioner**

Vs

Grid Corporation of Orissa Ltd .... **Respondent**

**The following were present:**

1. Shri V.B.K. Jain, NTPC
2. Shri I.J. Kapoor, NTPC
3. Shri G.K. Dua, NTPC
4. Shri Guryog Singh, NTPC
5. Shri P.B. Venkatesh, NTPC
6. Shri A.K. Satpathi, GRIDCO

**ORDER  
(DATE OF HEARING: 14.2.2006)**

The application is made by the petitioner, National Thermal Power Corporation Ltd. (NTPC) to seek revision of O&M expenses for the period 1.4.2001 to 31.3.2004 in respect of Talcher Thermal Power Station (Talcher TPS).

2. The petitioner had filed Petition No. 62/2000 for approval of tariff for Talcher TPS for the period 1.4.2000 to 31.3.2004. The tariff was approved by order dated 19.6.2002 and was subsequently revised vide order dated 5.11.2003..

3. In the present application, the petitioner has pleaded that it had actually incurred an expenditure of Rs.27189 lakh under O&M during the period 1.4.2001 to 31.3.2004, whereas the Commission has approved O&M expenses amounting to Rs.24017 lakh only, leaving an uncovered gap of Rs.3173 lakh. Accordingly, the petitioner has sought revision of O&M expenses allowed by the Commission. According to the petitioner, the difference between the expenses actually incurred and those allowed is for the reasons that the base "employee cost" considered was inadequate, and there was increase in traveling, insurance, security, professional and "other" expenses over that allowed in the tariff order dated 5.11.2003. While admitting the petition, by order dated 12.12.2005 the petitioner's contention for revision of O&M expenses on the alleged ground of inadequacy in "employee cost" considered was rejected. The petition was admitted for consideration of other grounds.

4. The tariff for the period 1.4.2001 to 31.3.2004 was regulated in terms of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2001 notified on 26.3.2001 (hereinafter referred to as "the notification"). As per the notification, O&M expenses for the generating stations in operation for five years or more in the base year of 1999-2000 were to be derived on the basis of actual O&M expenses, excluding abnormal O&M expenses, if any, for the years 1995-96 to 1999-2000 duly certified by the statutory auditors. The average of actual O&M

expenses for the years 1995-96 to 1999-2000 was considered as O&M expenses for the year 1997-98. The expenses for 1997-98 were escalated twice @ 10% per annum to arrive on O&M expenses for the base year 1999-2000. Thereafter, the base O&M expenses for the year 1999-2000 are further escalated @ 6% per annum to arrive at permissible O&M expenses for the relevant year. The notification further provides for adjustment of O&M expenses based on actual escalation factor, which is not relevant for the present proceedings and accordingly, the provision relating to adjustment of actual expenses is not being referred to.

5. The notification was preceded by the Commission's order dated 21.12.2000 in Petition No.4/2000 and other petitions. In the said order dated 21.12.2000 it was provided that any abnormal expenses incurred by the utilities in operating and maintaining their plants should not get reflected in the norms but should be dealt with separately on case to case basis through separate petitions. The Commission felt that this would provide an opportunity to the stakeholders to assess the merit of claims and to ensure transparency. The petitioner in support of its claim for revision of O&M expenses has relied on the observations made in the order dated 21.12.2000 *ibid*. The petitioner has submitted that the expenditure incurred was necessary to sustain the operating performance of the generating station.

### **Traveling Expenses**

6. The petitioner has submitted the following details of the actual traveling expenses incurred during 2001-04 and those allowed in tariff:

(Rs. In lakh)

Traveling Expenses	2001-02	2002-03	2003-04	Total
Actual expenses	176	186	196	558
As allowed by the Commission	98.06	100.70	105.36	304.12
Difference	77.94	85.30	90.64	253.88

7. The petitioner has explained that the increase in traveling expenses is for the reasons that most of the employees of erstwhile OSEB who were absorbed in Talcher TPS in E-4 grade with weightage in NTPC on promotion to E-5 grade in January, 2000 became entitled for facilities as per NTPC Rules and increase in rate of conveyance reimbursement due to pay revision;

#### **Insurance Expenses**

8. The details submitted by the petitioner under this head are as given below:

(Rs. In lakh)

Insurance	2001-02	2002-03	2003-04	Total
Actual expenses	140	193	222	555
As allowed by the Commission	152	156	163	471
Difference	-12	37	59	84

9. The petitioner has attributed the increase in expenditure to the following reasons, namely:

- (i) Sum assured was revised and also w.e.f. 1.5.2001 under Mega Insurance Policy covering perils like Earthquake was taken;
- (ii) Increase in 2003-04 over 2002-03 is due to additional policy against boiler explosion after R&M of steam generator;

## Security Expenses

10. The petitioner has submitted the following data of the actual security expenses incurred during 2001-04 and as allowed in tariff:

(Rs. in lakh)

Security Expenses	2001-02	2002-03	2003-04	Total
Actual expenses	371	398	415	1184
As allowed by the Commission	219	224	235	678
Difference	152	174	180	506

11. The increase in security expenses has been attributed to increase of CISF personnel from 168 to 309 as per the guidelines from Ministry of Home Affairs as indicated below:

		Cumulative
As on 30.6.1995	168	168
Induction in Fire Wing(CISF) in January 1999	25	193
Increase in Security Wing(CISF) in June,2000	80	273
Increase in Fire Wing (CISF) in June,2000	42	315
Reduction in Security Wing after re-survey in September 2004	-6	309

## Professional expenses

12. With regard to increase in professional expenses the petitioner has submitted the following details:

(Rs. in lakh)

Professional Expenses	2001-02	2002-03	2003-04	Total
Actual expenses	17	12	17	46
As allowed by the Commission	9.02	9.27	9.70	27.99
Difference	7.98	2.73	7.3	18.01

13. The increase in professional expenses has been attributed to (a) consultancy for fly-over at Rly. Crossing-Talcher TPS, (b) Energy Audit – Aux. Main Plant, and (c) Energy Audit – Water level & Conservation.

**“Other” Expenses**

14. While explaining increase under the head “Other” expenses the petitioner has submitted that the “Other” expenses include expenses incurred on community development, ash utilization, environment protection etc. During 2001-04 expenses incurred under the category of “Other” expenses and as allowed in tariff are as given below:

(Rs. in lakh)

Other Expenses	2001-02	2002-03	2003-04	Total
Actual expenses	611	911	733	2255
As allowed by the Commission	285.78	293.49	307.05	886.32
Difference	325.22	617.51	425.95	1368.68

15. The revision of “Other” expenses has been attributed to following reasons:

(i) The following expenditure being part of the “Other” expenses was not considered by the Commission while allowing tariff:

(Rs. in lakh)

Sl. No.	Particulars	Actual expenditure			Total
		2001-02	2002-03	2003-04	
i)	Loss on Assets decapitalised	263	490	282	1035
ii)	Community Development expenditure	28	34	28	90
iii)	Ash Utilization expenditure	11	20	16	47
iv)	Environment protection expenditure	5	4	4	13
	Total	307	548	330	1185

- (ii) Pollution Cess was increased by Govt. of Orissa during the year 2003-04 resulting in increase in expenditure as given below:

(Rs. in lakh)

Particulars	Actual expenditure			Total
	2001-02	2002-03	2003-04	
Pollution Cess	7	7	23	<b>37</b>

### **Analysis**

16. O&M expenses for the generating station were determined based on the methodology specified in the notification and referred to at para 4 above. The methodology clearly provides for normalization of O&M expenses after striking out spikes and abnormalities which was strictly followed in the determination of O&M expenses for the period 2001-04 by the Commission.

17. The petitioner's grievance as regards re-imburement of actual expenditure under the "Other" expenses is totally unfounded. In the first instance the petitioner has submitted that certain expenditure under this head was not allowed by the Commission while approving tariff. If that is so, the expenditure cannot be claimed to be reimbursed by initiating fresh proceedings as such a course is barred by the principles of res judicata and constructive res judicata. The petitioner has further sought to explain that increase was also because of additional cess imposed by the State Government during 2003-04. It is illogical that increase in pollution cess during 2003-04 would have any effect on the actual expenses for the previous years, that is 2001-02 and 2002-03. Similarly, in support of its claim for actual security expenses, the petitioner has not placed on record the guidelines of Ministry of Home Affairs, and

the circumstances necessitating additional deployment of CISF personnel at Talcher TPS.

18. O&M expenses allowed by the Commission for the period 2001-04 based on the above methodology, are already on the higher side as compared to other generating stations and after applying actual O&M escalation factors are as follows -

Year	Allowed by the Commission (Rs. in lakh)	Rs. in lakh/MW
2001-02	7744	16.8
2002-03	7953	17.3
2003-04	8320	18.1
Total (2001-04)	24017	

19. With regard to increase under different heads, the overall scenario is as follows-

(Rs. in crore)

	2001-02	2002-03	2003-04	Total
(a) Actual O&M of the station	82.14	97.53	92.23	271.89
(b) As allowed by the Commission	77.44	79.53	83.2	240.17
<b>(c) Difference claimed = (a)-(b)</b>	<b>4.70</b>	<b>18.00</b>	<b>9.03</b>	<b>31.73</b>
<b>Head-wise Details of increase</b>				
(d) Increase under Employee cost	1.57	14.98	3.91	20.46
(e) Increase under Traveling expenses	0.78	0.85	0.91	2.54
(f) Increase under Insurance expenses	(-)0.12	0.37	0.59	0.84
(g) Increase under Security expenses	1.52	1.74	1.80	5.06
(h) Increase under professional expenses	0.08	0.03	0.07	0.18
(i) Increase under "other" expenses	3.25	6.17	4.26	13.68
<b>(j) Total increase</b>	<b>7.08</b>	<b>24.14</b>	<b>11.54</b>	<b>42.76</b>
<b>(k) Increase, excluding increase in employee cost = (j)-(d)</b>	<b>5.51</b>	<b>9.16</b>	<b>7.63</b>	<b>22.3</b>
<b>(l) Decrease in other heads = (j)-(c)</b>	<b>2.38</b>	<b>6.14</b>	<b>2.51</b>	<b>11.03</b>
<b>(m) Net increase (k)-(l)</b>	<b>3.13</b>	<b>3.02</b>	<b>5.12</b>	<b>11.27</b>



20. It is observed that against an overall increase of Rs.31.73 crore, the head-wise increase is Rs.42.76 crore. This clearly indicates that there is decrease of 11.03 crore in actual expenditure under other heads constituting O&M expenses on which the petitioner is silent. If we exclude (as per the Commission's decision as per order dated 12.12.2005 in the present petition) the increase of Rs.20.46 crore in employee cost from the total increase of Rs.42.76 crore, the net increase in O&M expenses works out to Rs.22.3 crore. Further, increase in "other" expenses of Rs.13.68 crore includes Rs.10.35 crore on account of "Loss on decapitalised assets", of which no explanation has been furnished explained by the petitioner. After further reducing the decrease of Rs.11.03 crore, the net increase works out to Rs.11.27 crore only. In case the increase in other expenses of Rs.13.68 crore are not found admissible, then there will be no net increase over and above the normative O&M expenses allowed by the Commission.

21. It was stated at the hearing that the escalation factor as determined by the Commission for recovery of O&M expenses (the basis for the present application) has been further revised by the Appellate Tribunal in the petitioner's favour. As such, the so called gap between the actual expenses and those recovered in tariff will be bridged. This will mitigate the grievances, if any, of the petitioner.

### **Result**

22. As a result, the present application fails and is dismissed.

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

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

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

Sd/-  
**(ASHOK BASU)**  
CHAIRPERSON

**New Delhi dated 27<sup>th</sup> February 2006**