

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. Shri Ashok Basu, Chairman
2. Shri K.N. Sinha, Member
3. Shri Bhanu Bhushan, Member

Petition No.143/2004

In the matter of

Approval of revised fixed charges on account of additional capital expenditure for the period 1.4.2001 to 31.3.2004 in respect of Feroze Gandhi Unchahar Thermal Power Station Stage-II

And in the matter of

National Thermal Power Corporation Ltd. ... Petitioner

Vs

1. **Uttar Pradesh Power Corporation Ltd., Lucknow**
2. **Jaipur Vidyut Vitran Nigam Ltd., Jaipur**
3. **Ajmer Vidyut Vitran Nigam Ltd., Jaipur**
4. **Jodhpur Vidyut Vitran Nigam Ltd., Jaipur**
5. **Delhi Transco Ltd., New Delhi**
6. **Haryana Vidyut Prasaran Nigam Ltd., Haryana**
7. **Punjab State Electricity Board, Patiala**
8. **Himachal Pradesh State Electricity Board., Shimla**
9. **Power Development Department, Govt.of J&K, Srinagar**
10. **Power Department, Chandigarh**
11. **Uttaranchal Power Corporation Ltd., Dehradun..... Respondents**

The following were present:

1. Shri R.S. Sharma, ED, NTPC
2. Shri I.J. Kapoor, GM, NTPC
3. Shri V.B.K. Jain, GM, NTPC
4. Shri Balaji Dubey, Dy. Manager (Law), NTPC
5. Shri D.G. Salpekar, DGM(C), NTPC
6. Shri P.K. Gupta, DTL
7. Shri B.K. Paliwal, DTL

**ORDER
(DATE OF HEARING: 30.11.2004)**

Through this petition, the petitioner seeks approval for the revised fixed charges in respect of Feroz Gandhi Unchahar Thermal Power Station Stage –II

(FGUTPS-II) for the period 1.4.2001 to 31.3.2004 after considering the impact of additional capital expenditure incurred during the period.

2. FGUTPS-II comprises of two units of 210 MW each. One unit was commissioned on 1.3.2000 and the other unit on 1.1.2001. The Central Government in Ministry of Power by its letter dated 13.10.1999 had accorded approval for the cost estimate of Rs.1379.19 Crore, excluding working capital margin of Rs.32.90 Crore.

3. The terms and conditions for determination of tariff for the period 1.4.2001 to 31.3.2004 were notified by the Commission on 26.3.2001 in terms of the Central Electricity Regulatory Commission (Terms & Conditions of Tariff) Regulations 2001 (hereinafter referred to as "the notification dated 26.3.2001"). A petition (No.1/2000) was filed by the petitioner for approval of tariff, including the period from 1.4.2001 to 31.3.2004, the basis for which was stated to be the notification dated 26.3.2001. In the tariff claimed, the petitioner had considered the impact of additional capitalisation for the period 1.4.2001 to 31.3.2004. The tariff was approved by the Commission by its order dated 18.6.2004. For the purpose of tariff, the capital cost of Rs.1234.82 Crore as on 1.4.2001 was considered. The additional capitalisation claimed by the petitioner was not considered since it was based on the estimated capital expenditure was without the supporting auditor's certificate.

3. The year-wise details of additional capitalisation claimed with reference to the balance sheet are as follows:

(Rs. in Crore)				
	2001-02	2002-03	2003-04	Total
Total additional expenditure on FGUTPS-II as per reconciliation of accounts between Stage-I and Stage-II (A)	(-)4.148	40.050	27.847	63.749
Exclusions				
FERV capitalized (B)	(-)2.869	29.841	13.634	40.607
Additional capital expenditure Claimed (A-B)	(-)1.280	10.209	14.213	23.142

4. Based on the above, the petitioner has claimed the revised fixed charges.

5. The petitioner's claim for additional capitalisation and the revised fixed charges is based on Clause 1.10 of the notification dated 26.3.2001, reproduced hereunder:

“1.10 Tariff revisions during the tariff period on account of capital expenditure within the approved project cost incurred during the tariff period may be entertained by the Commission only if such expenditure exceeds 20% of the approved cost. In all cases, where such expenditure is less than 20%, tariff revision shall be considered in the next tariff period.”

6. The response to the petition has been filed by Haryana Vidyut Prasaran Nigam Ltd (HVPNL), Uttar Pradesh Power Corporation Ltd. (UPPCL) and Punjab State Electricity Board (PSEB). The common ground running through these responses is that tariff revision as claimed by the petitioner on account of additional capital expenditure incurred during the tariff period cannot be entertained in view of Clause 1.10 of the notification dated 26.3.2001, reproduced above, since the additional capital expenditure does not exceed 20% of the

approved capital cost. Some of the respondents have questioned the manner of computation of the revised fixed charges.

7. In the first instance, we consider the admissibility of additional capital expenditure claimed in the present petition.

Additional Capitalisation

8. Additional capitalisation as per books of accounts is Rs.63.749 Crore. However, as the impact of FERV is being claimed separately from the respondent beneficiaries, the total claim after excluding FERV is Rs.23.142 Crore. The year-wise and category-wise break up of additional expenditure claimed by the petitioner is as follows:

(Rs. in Crore)*				
Details of additional capitalization claim	2001-02	2002-03	2003-04	Total
(A) Within the Scope of approved Cost/Admi				
(B) Tted works				
Balance payment against works admitted by GOI/CERC (Category 10A)	(-)7.854	-0.295	0.589	-7.560
New works within approved RCE (Category 21A)	6.084	9.642	6.354	22.079
Spares within approved cost(Category 22A)	0.432	0.862	6.875	8.170
Sub-total (A)	(-)1.338	10.209	13.818	22.689
(B) Others				
Replacement (Category 23)	0.059	0	0	0.059
Inter-unit transfer (category 11)	0	0	0.393	0.393
Rearrangement (Category 24)	0	0	0.001	0.001
Sub-total (B)	0.059	0.000	0.394	0.453
Total of additional capitalisation claimed (A+B)	(-)1.280	10.209	14.213	23.142

*There may be minor difference in decimal places due to rounding off of the corresponding figures in Crore.

9. The expenditure claimed for additional capitalisation and our decisions thereon have been discussed as under:

(a) **Balance payment against admitted works**

The balance payment of Rs.(-)7.560 Crore against works has been allowed as the expenditure is within the scope of approved cost.

(b) **New Works within the approved cost**

The petitioner has claimed capital expenditure of Rs.22.079 Crore on new works within the scope of approved cost. The items covered under this head are of miscellaneous nature; for example, office equipment, hospital equipment, IT facilities, accommodation for employees, communication equipment and recreation facilities for employees and family members, furniture for plant employees and payments to project affected persons. The expenditure on these items is considered to be essential for the establishment and smooth operation of the generating station and is also within the scope of approved cost. Therefore, expenditure on these items has been allowed to be capitalised, particularly when the items have been procured within a period of three years from the date of commercial operation of the generating station, that is, 1.1.2001.

(c) **Spares within the approved cost**

The petitioner has claimed additional capitalisation of Rs.8.17 Crore for spares within the original approved cost. The Commission in the order dated 18.6.2004 *ibid* had noted that the project cost included

capitalised initial spares Rs.9.84 Crore considered in that order for tariff purposes, of. The cost of these spares is less than the initial spares of Rs.29.23 Crore included in the approved cost. The petitioner has now purchased spares for an amount of Rs.8.17 Crore.

We have considered the matter. The capitalisation of spares amounting to Rs.8.17 Crore presently claimed qualify for capitalisation being within the scope of project cost approved by the competent authority and capitalisation on that account has been allowed accordingly.

(d) **Other expenditure**

(i) **Replacement:** The additional capital expenditure of Rs.5,89,814/- has been claimed for replacement of Ambassador Cars as per the following details:

Asset	Amount(Rs.)
AMBASSDOR CAR	7,47,763
AMBASSDOR CAR	-1,26,514
AMBASSADOR UGB-1610 MODEL 1986	-35,435
Total	5,85,814

It appears that an amount of Rs.7,47,763/- has been incurred on two cars since the residual cost of two cars has been decapitalised. It is noted that an amount of Rs.35,435 has been decapitalised on account of Ambassador Car (1986 Model) which seems to correspond to its depreciated value.

In fact, the gross value of the asset needed to be decapitalised. Taking the gross value as Rs.1,26,514/-, equivalent to the other car decapitalised, the amount decapitalised against the 1986 Model is also taken as Rs.1,26,514/-. Thus, a total amount of Rs.4,94,735/- (Rs.0.049 Crore) has been allowed to be capitalised against the petitioner's claim for capitalisation of Rs.5,85,814/-.

(ii) Inter-unit transfer: An amount of Rs.0.393 Crore has been claimed on inter-unit transfer of Gantry Crane from Kahalgaon STPS. During the course of the hearing, it was confirmed by the representative of the petitioner that value of this asset has been decapitalised from the books of accounts pertaining to Kahalgaon STPS. This being the position, capitalisation of Rs.0.390 Crore has been allowed.

(iii) Rearrangement: An amount of Rs.12,876/- has been claimed to be capitalised on rearrangement of account codes. The normal total amount on rearrangement of account codes should remain 'zero'. Therefore, capitalisation of Rs.12,876/- under the head of "rearrangement" has not been allowed.

10. In the light of above disussion, the following additional capital expenditure has been allowed:

(Rs. in Crore)

Details of additional capitalization claim	2001-02	2002-03	2003-04	Total
(A) Within the Scope of approved Cost/Admitted works by GOI/CERC				
Balance payment against works (Category 10A)	-7.854	-0.295	0.589	-7.560
New works within approved cost (Category 21A)	6.084	9.642	6.354	22.079
Spares within approved cost (Category 22A)	0.432	0.862	6.875	8.170
Sub-Total (A)	-1.338	10.209	13.818	22.689
(B) Others				
Replacement (Category 23)	0.049	0	0.	0.049
Inter-unit Transfer (Category 11)	0	0	0.393	0.393
Rearrangement (Category 24)	0	0	0	0
Sub-Total (B)	0.049	0.000	0.393	0.442
Total of Add. Cap allowed (A+B)	-1.289	10.209	14.211	23.132

*There may be minor differences in decimal places due to rounding off corresponding to figures in Crore.

11. Next arises the question of revision of fixed charges for the period 1.4.2001 to 31.3.2004. In the order dated 31st March 2005 in Petition No. 139/2004, (National Thermal Power Corporation Ltd Vs Uttar Pradesh Power Corporation Ltd and others) the Commission has held that the additional capital expenditure incurred during the tariff period, not exceeding 20% of the approved capital cost, does not qualify for retrospective revision of tariff. In the present case, the additional capital expenditure approved is less than 20% of the approved cost. For the reasons given in the said order dated 31st March 2005, the retrospective revision of fixed charges for the period 1.4.2001 to 31.3.2004 is not warranted. However, the additional capital expenditure approved shall be added to the gross block as on 1.4.2001 to arrive at the gross block as on 1.4.2004 for the purpose of fixation of tariff for the tariff period 2004-05 to 2008-09.

12. Further, for the reasons recorded in order dated 31.3.2005 in Petition No.139/2004, the petitioner shall be entitled to earn return on equity @ 16% on the equity portion of additional capitalisation now approved by us. Similarly, the petitioner shall also be entitled to interest on loan at the rate, as applicable, during the relevant period. Return on equity and interest shall be worked out on the additional capitalisation from 1st April of the financial year following the financial year to which additional capital expenditure relates and up to 31.3.2004. The lump sum of the amount of return on equity and interest on loan so arrived shall be payable by the respondents along with the tariff for the period 2004-09 to be approved by the Commission. The exact entitlement of the petitioner on this account shall be considered by the Commission while approving tariff for the period 2004-09.

13. After taking into account additional capitalisation allowed, the opening gross block as on 31.3.2004 works out as follows:

(Rs. in Crore)	
Capital cost as on 1.4.2001	1234.820
Additional capitalisation for 2001-04	23.132
Capital cost as on 31.3.2004	1257.952

14. With the above observations, the petition stands disposed of.

Sd/-
(BHANU BHUSHAN)
MEMBER

Sd/-
(K.N. SINHA)
MEMBER

Sd/-
(ASHOK BASU)
CHAIRMAN

New Delhi dated the 4th April, 2005