

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram:

1. **Shri Ashok Basu, Chairperson**
2. **Shri K.N. Sinha, Member**
3. **Shri Bhanu Bhushan, Member**
4. **Shri A.H.Jung, Member**

Petition No.119/2005

In the matter of

Approval of generation tariff for Indira Sagar Project under Section 79(1) of the CERC (Conduct of Business), Regulations 1999 and Section 79 (1) (a) of the Electricity Act, 2003.

And in the matter of

Narmada Hydro Electric Development Corporation Ltd., Bhopal ...**Petitioner**

Vs

1. Madhya Pradesh State Electricity Board, Jabalpur
2. Narmada Valley Development Department, Bhopal ...**Respondents**

The following were present:

1. Shri R.P. Pathak, NHDC
2. Shri Harish Aggarwal, NHDC
3. Shri Anurag Gupta, NHDC
4. Shri M. Siva Kumar, NHDC
5. Shri Vivek Pandey, NHDC
6. Shri V.K. Jangra, NHDC
7. Shri D.D. Khandelwal, A.C.E., MPSEB
8. Shri Deepak Shrivastava, E.E., MPSEB
9. Shri S.K. Khiyani, NVDD
10. Shri Neeraj Vyas, NVDD

**ORDER
(DATE OF HEARING 28.2.2006)**

Heard the representatives of the parties present at the hearing.

2. It is noticed that tariff has been claimed based on capital cost of Rs.2,903.67 crore as on the date of commercial operation, that is, 25.8.2005 on the basis of provisionally audited accounts. The approval of tariff based on

provisionally audited accounts cannot be considered. Therefore, the petitioner is directed to file an amended petition based on final audited accounts as on the date of commercial operation. While filing the amended petition, the petitioner shall take into account the following :

(a) The capital cost of the generating station as on 30.3.2005, the date of commissioning of all the eight machines is stated to be Rs. 2887.26 crore, including an amount of Rs. 302.86 crore towards capital works in progress (Form 5-B of the petition refers). Similarly, cost on the date of commercial operation of the generating station as on 25.8.2005 has been considered as Rs. 2903.67 crore in the petition, which also includes an expenditure of Rs. 12.60 crore on capital works in progress. Since this expenditure was not capitalized on the date of commercial operation, it should be excluded from the capital cost to be taken for tariff purpose.

(b) Total expenditure of Rs. 2903.67 crore claimed has been incurred on completion of dam and subsequently on achieving the MCR of the generating station (25.8.2005), which is less than the sanctioned cost of Rs 3527.54 crore for power component of the project. However, it has been observed that the actual expenditure incurred and capitalized under the following heads of the power component of the project (Form 5-B of the petition refers) are higher than the corresponding sanctioned cost, which needs to be justified by the petitioner :

| (Rs. In crore) | | | |
|------------------------------------|---|-----------------------------|-----------|
| Head | Revised Cost approved by CCEA (March, 2002) | Actual Expenditure incurred | Variation |
| 1. Major civil works | 818.66 | 1326.44 | 507.78 |
| 2. Plant & equipment | 624.31 | 727.48 | 103.17 |
| 3. Establishment & other overheads | 360.67 | 538.49 | 177.82 |

(c) The petitioner has submitted that the balance works in progress amounting to Rs. 281.58 crore would be completed by 31.3.2008, and has worked out Annual Fixed Charges during the years 2006-07 to 2008-09 after adding the anticipated expenditure of Rs. 281.58 crore relating to balance works in progress. As per the terms and conditions for determination of tariff, capital cost on the date of commercial operation is to form the basis for computing tariff for the period 2004-09. Accordingly, in respect of any expenditure incurred and capitalized after the date of commercial operation, revision of tariff on account of additional expenditure is to be claimed as per the provisions of Regulation 34 (4) of the CERC tariff notification dated 26.3.2004.

(d) As per the terms and conditions for determination of tariff applicable for the tariff period 2004-09, date of commercial operation in relation to a unit means the date declared by the generator after

demonstrating the Maximum Continuous Rating (MCR) or installed capacity through a successful trial run and in relation to the generating station, the date of commercial operation means the date of commercial operation of the last unit of the generating station. In case of hydro stations, the dam is generally completed first and the generating units are commissioned thereafter. However, in this particular case, the generating units were commissioned before the completion of dam with gates. In this manner, the generating company has utilized the available water for power generation and helped the grid by providing peak power though at a lower output. Even after completion of dam (being lean inflow season) there was not sufficient water so that MCR of the individual machine or the generating station could not be achieved. As per the submission of the petitioner at the hearing of the petition, all the eight machines were commissioned by 30.3.2005, the dam with radial gates was completed by the end of April, 2005 and when the required head was available MCR of 125 MW of each machine and 1000 MW of the station was declared w.e.f. 25.8.2005. Under these circumstances, a question arises what should be the date of commercial operation of the generating station. The petitioner while filing the amended petition should deliberate on the issue so that the respondents also get an opportunity to respond.

(e) The cost of the Indira Sagar Project after apportionment, as sanctioned on 28.3.2002, given as Rs. 3527.54 crore, includes interest during construction (IDC) of Rs. 488.37 crore. The petitioner

needs to clarify whether IDC pertains to power component of the project or it includes IDC for other components also.

(f) For calculations of interest on working capital for the period 14.1.2004 to 31.3.2004, the details of actual maintenance spares consumed should be submitted by the petitioner.

(g) Justification for Debt- Equity ratio of 62:38 considered, also needs to be given.

(h) The expenditure capitalized (excluding works in progress) as on the date of commercial operation of each machine and as on 25.8.2005 when the generating station achieved MCR needs to be furnished separately.

(i) As the tariff claimed is for two different tariff periods governed by two different sets of regulations, filing of two different sets of prescribed forms for the tariff periods 14.1.2004 to 31.3.2004 and 2004-09 respectively is required.

(j) Repayment schedule mentioned in Annexure XIV, Statement of Accounts for the period ending 2005 and in prescribed forms 7, 8 and 13 do not match with each other. This should be reconciled.

(k) Cumulative repayment of Rs. 293.00 lakh and Rs. 4135.00 lakhs has been shown for the years 2004-05 and 2005-06 respectively.

However, as claimed repayment of all loans starts from 31.12.2007.

The petitioner may clarify the issue.

(l) Actual loan status as on the date of commercial operation of each machine with all details as specified by the formats applicable for the period from date of commercial operation of first machine and up to 31.3.2004 and for the period 1.4.2004 onwards separately for each individual loan shall be submitted for calculating the weighted average rate of interest on loan.

3. The petition will be processed after filing of the amended petition by the petitioner in keeping with the above observations.

Sd/-

(A.H. JUNG)
MEMBER

Sd/-

(BHANU BHUSHAN)
MEMBER

Sd/-

(K.N. SINHA)
MEMBER

Sd/-

(ASHOK BASU)
CHAIRPERSON

New Delhi dated the 4th April 2006