

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Coram

1. **Shri D.P. Sinha, Member**
2. **Shri G.S. Rajamani, Member**
3. **Shri K.N.Sinha, Member**

Petition No.87/2001

In the matter of

Fixation of tariff for Ranganadi Hydro Electric Project of NEEPCO.

And in the matter of

North Eastern Electric Power Corporation Ltd. Petitioner
VS	
Assam State Electricity Board & Others Respondents

The following were present:

1. Shri P. Das, E.D (CE), NEEPCO
2. Shri S.R. Nath, ED (CF), NEEPCO
3. Shri A.G. West, DGM (F), NEEPCO
4. Shri P.K. Singha, Sr. Mgr. (EL), NEEPCO

**ORDER
(DATE OF HEARING: 8.3.2002)**

We have heard Shri P.Das, ED along with Shri S.R. Nath, ED on behalf of the petitioner. None appeared on behalf of the respondents despite notice.

2. In our order dated 25.1.2002, the petitioner was given the following directions:

- (a) To place on record the actual date of commissioning of the project.

- (b) To furnish reasons for time and cost over-run and also the documents relating to the original project sanction.
- (c) To file its views on the proposal of the Commission to consider the lowest variable charges of the central sector coal based stations in Eastern Region for calculating the rate of primary energy supplied from Ranganadi HEP.

3. In compliance of the directions of the Commission, an affidavit was filed on 18.2.2002. Subsequently, however, a fresh affidavit was filed on 7.3.2002 whereby the petitioner proposed to substitute the proformae earlier filed by him along with the affidavit. We direct that the fresh details as contained in the proformae filed by the petitioner on 7.3.2002 be taken on record. Shri Das appearing on behalf of the petitioner has confirmed that a copy of the affidavit has been sent to the respondents.

4. In support of time and cost over-run, the petitioner has stated that the reasons for time and cost over-run were earlier examined by the appropriate authority and under the directions of CCEA, an enquiry was conducted to fix responsibility for time and cost over-run of the project. The process was duly complied with and the matter stood settled. We are not satisfied with the explanation furnished by the petitioner. In order to arrive at proper tariff, it is necessary for the Commission to consider the factors responsible for delay as also the reasons for excess expenditure over the approved expenditure.

Therefore, the petitioner is once again directed to file an affidavit by the date indicated in para 9 explaining the reasons for delay in execution of the project as also for the cost over-run, separately for each item in the format given below. While explaining the reasons for cost over-run, the cost approved by the CEA shall be taken as the base line.

Sl. No.	Project	Cost as approved by CEA	Actual cost	Variation	Reasons clearly indicating as to why the cost-over run was not attributable to the Corp.
(1)	(2)	(3)	(4)	(5)	(6)

5. On the question of rate of primary energy, the petitioner has explained that the transportation cost of coal to a mean distance point in the North Eastern Region should be factored in order to arrive at the lowest variable charge of central sector coal based stations in the Eastern Region. At the hearing, however, the representative of the petitioner could not explain the exact factor to be applied on account of transportation cost. It was, however, suggested that the cost of transmission of power in the Eastern Region could be validly taken into account for the purpose of factorisation. We are of the view that the transmission charges of Eastern Region shall be added to 90% of the lowest variable cost of a central thermal generating station in Eastern Region to arrive at the primary energy rate for hydro stations in the North Eastern Region.

6. The project has been approved by the Central Government at a revised cost of Rs.1455.45 crores. The petitioner has claimed tariff based on the revised

cost of Rs. 1455.45 crores. However, as per the details given in the Government sanction dated 15.6.2001 the revised cost adds up to Rs.1555.45 crores. When asked to explain the discrepancy, the representative of the petitioner stated that there seemed to be a casting error and for the purpose of tariff, revised cost of Rs.1455.45 crores should be considered. The Commission is dismayed on noticing this kind of error in the Cabinet paper. Draft Cabinet paper must have been vetted by various agencies, Finance Division of MOP, Plan Finance Division of MOF, Cabinet Secretariat, etc. The Commission expresses its concern over such a casting error in a document which has passed through several hands and stages and finally approved by the Cabinet. The Commission further observed that if any interest bearing investment during construction is converted into the equity at the time of COD, it will amount to payment of return on equity during construction. In normal business practice ROE is available only after commercial operation. Accordingly, IDC should be calculated on the loan portion only and no IDC is allowed on equity portion during construction.

7. In the form 9 A filed on 7.3.2002 by the petitioner, it is mentioned that an amount of Rs.269.28 lakhs was approved by CEA as environmental costs. Out of this, an expenditure of Rs.199.16 lakhs had already been incurred. However, no explanation whatsoever has been furnished for the remaining amount of Rs.70.12 lakhs. The petitioner is directed to file an affidavit with proper explanation.

8. The petitioner is directed to file the following details:
- i) Revised capital cost approval by the Authority as well as Govt. of India duly indicating debt, equity, scheduled COD, financial package indicating loan from each source, Repayment schedule, rate of interest, moratorium period etc.
 - ii) Asset wise reconciliation of actual capital expenditure vis-à-vis approved cost.
 - iii) If loans were taken at corporate level, details of allocation made from the Corporate Office along with
 - a) Date and amount of drawal
 - b) Rate of interest – Justification with documentary evidence
 - c) Repayment schedule along with documentary evidence
 - d) Whether there is any moratorium in repayment schedule of the loan, and justification thereof
 - e) Reconciliation of the loan taken at the corporate level and allocation made to various projects.
 - iv) Reasons of deviation from source of funding from the investment approval of RCE-II as per GOI letter No. 2/16/93-NE.II dt. 15.6.2001
 - v) Reasons & details of reschedulement of MHA loan
 - vi) Documentary proof regarding payment of interest on working capital and rate thereof.

- vii) Documents required as per notification dated 26.3.2001 not submitted by the petitioner:
- Stationwise/corporate audited balance sheet with all the schedules & annexes from the Financial Year 1998-99 onwards
 - Copy of loan documents as required in Form Nos. 8 & 10.
- viii) Confirm that there are no changes in the information furnished in the petition after finalisation of audited accounts as on 31.3.2001.
- ix) Monthwise design energy of the project
- x) The findings of the Standing Committee constituted by M/O Home Affairs together with justification given by NEEPCO to the Committee on the issue of time and cost over run.

9. It is also observed that the Design Energy has been indicated as 1577 GWh in form 2 of the petition whereas the original petition indicated the Design Energy as 1874 GWh. The Design Energy should correspond to the figure indicated in the TEC of the Authority. Any change to the Design Energy can be done only when the Authority revises the same.

9. The information called for shall be filed by the petitioner latest by 25.4.2002 with copy to the respondents. No further hearing on this petition is considered

necessary and a final order will be issued on consideration of the details to be furnished by the petitioner.

10. The representative of the petitioner clarified that no PPA had been signed with the beneficiaries for supply of power from Ranganadi HEP. On the question of transmission constraints pointed out on behalf of the Meghalaya State Electricity Board in the counter-reply, the representative of the petitioner stated that a 132 KV line already existed and another 400 KV switchyard was likely to be executed by the petitioner by April, 2002. He clarified that the share of Meghalaya State can be delivered under the existing arrangements. We have considered it appropriate to record these facts.

12. Meanwhile, we direct that from the date of commercial operation of the respective unit, the petitioner shall be entitled to 80% of the tariff, both on account of fixed charges as well as the variable charges, claimed by it in the present petition as an interim measure which is subject to adjustment in the light of final determination of tariff by the Commission.

Sd/-
(K.N. Sinha)
Member

Sd/-
(G.S. Rajamani)
Member

Sd/-
(D.P. Sinha)
Member

New Delhi dated the 11th April, 2002.