

CENTRAL ELECTRICITY REGULATORY COMMISSION

RECORD OF PROCEEDINGS

Petition No.129/2009 with I.A.39/2009

Subject: Determination of impact of additional capital expenditure incurred during 2008-09 on fixed charges of Feroze Gandhi Unchahar TPS, Stage-I (420 MW) - Interlocutory application has been filed for amendment of Annexure-I to the petition.

Date of hearing: 10.11.2009

Coram: Shri R.Krishnamoorthy, Member
Shri S.Jayaraman, Member
Shri V.S.Verma, Member

Petitioner: NTPC Ltd

Respondents: UPPCL, JVVNL, AVVNL, JoVVNL, NDPL, BSES–Rajdhani Power Ltd, BSES-Yamuna Power Ltd, HPPC, PSEB, HPSEB, PDD, Govt. of J&K, PDD Chandigarh and UPCL

Parties present: Shri V.K.Padha, NTPC
Shri D.G.Salpekar, NTPC
Shri S.Saran, NTPC
Shri Manoj Saxena, NTPC
Shri A.S.Pandey, NTPC
Shri Manish Garg, UPPCL

This petition has been filed by the petitioner, NTPC for determination of impact of additional capital expenditure incurred during the year 2008-09 for Feroze Gandhi Unchahar TPS, Stage-I (420 MW) (hereinafter referred to as “the generating station”) based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 (hereinafter referred to as “the 2004 regulations”).

2. The representative of the petitioner submitted that it had incurred additional capital expenditure on schemes approved by CEA and on certain other works which were required for efficient and successful operation of the generating station. The representative of the petitioner submitted that the interlocutory application had been filed for amendment of Annexure-I of the petition taking into account the revised calculations for annual fixed charges, based on the additional capital expenditure incurred for the year 2008-09 and the principles laid down in the judgments of the Appellate Tribunal dated 13.6.2007 and 16.3.2009 in Appeal Nos. 139,140 etc of 2006

and Appeal Nos.133, 135 etc of 2008 respectively, and prayed that the application be taken on record and tariff determined accordingly. The representative of the petitioner submitted that it had filed the additional information as directed by the Commission and had served copy on the respondents.

3. The representative of respondent No.1, UPPCL submitted that most of the items sought to be capitalized by the petitioner under Regulation 18 (2)(iv) of the 2004 regulations could not be considered within the original scope of work of the generating station . He pointed out that the claim of the petitioner for capitalization of expenditure for replacement of condenser tubes under Regulation 18 (2) (iv) should not be allowed, as the expenditure formed part of O&M expenses. Referring to the expenditure incurred by the petitioner on replacement of assets, he submitted that spares were neither available nor adequate measures were taken by the petitioner to maintain sufficient stock. The representative also submitted that the excess depreciation recovered had not been adjusted towards repayment of loan. He further submitted that the impact of enhancement of useful life of the generating station on account of the expenditure towards renovation and replacement has not been considered by the petitioner.

4. In response, the representative of the petitioner submitted that it had undertaken certain capital works after the evaluation and approval of CEA and hence such expenses could not form part of the O&M expenses. As regards replacement of condenser tubes, the representative of the petitioner clarified that the condenser tubes had worn out and hence it was felt necessary to replace them for the efficient running of the generating station.

5. On a specific query from the Commission as to the necessity for replacement of all condenser tubes, the representative of the petitioner clarified that the items were required for efficient running of the generating station. He also clarified that major part of the condenser tubes failed in its functions after continuous operation and replacement of the condenser tubes in part was considered not beneficial to the generating station. The representative further submitted that in terms of the judgment of the Appellate Tribunal, depreciation recovered has not been considered as deemed repayment of loan.

6. The prayer of the petitioner in the I.A. for amendment was allowed and the amended calculations were taken on record. The tariff, as per the amended petition will be considered in accordance with law.

7. The petitioner was directed to submit the following information on affidavit, along with soft copies, latest by 27.11.2009, with advance copy to the respondents:

- (a) Amount of interest transferred to revenue and the interest charged to CWIP;
- (b) Amount of interest included in the opening CWIP, addition to CWIP, CWIP capitalized and closing CWIP, in respect of the stages (and the period) under consideration;

- (c) Soft copy (editable) of original petition along with Annexure-I (amended);
- (d) Details in respect of capital spares consumed during the period 2002-03 to 2006-07 over and above the routine O&M spares, the cost of which was listed at Sl. No. 14 titled “capitalized spares consumed-not included in A-1 above”(refer Annexure-V for arriving at the O&M norms for the period 2009-14) as per the format below:

Sl.No	Name of the capital spares/component	Code	Cost (Rs. in lakhs)	Year of capitalization in books

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

Sd/-
(T.Rout)
Joint Chief (Legal)