

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

RECORD OF PROCEEDINGS

Petition No.60/2010

Subject: Approval of generation tariff for Dulhasti Hydroelectric Project (Stage-II) for the period from 1.4.2009 to 31.3.2014.

Date of hearing: 20.7.2010

Coram: Dr. Pramod Deo, Chairperson
Shri S.Jayaraman, Member
Shri V.S.Verma, Member
Shri M.Deena Dayalan, Member

Petitioner: NHPC Ltd

Respondent: PSEB, HPPC (DHBVNL &UHBVNL), BSES-BRPL, BSES-BYPL, UPPCL, RRVPNL, NDPL, JVVNL, JoVVNL, UPCL, AVVNL, UT-Chandigarh, PDD-Jammu,

Parties present: Shri N.K.Chadha, NHPC
Shri Prashant Kaul, NHPC
Shri Ansuman Ray, NHPC
Shri Surendra Kumar Meena, NHPC
Ms. Reshma Hemrajan, NHPC
Ms. Niti Singh, NHPC
Shri Padamjit Singh, HPPC
Shri T.P.S.Bawa, HPPC

This petition has been filed by the petitioner, NHPC for approval of tariff for Dulhasti Hydroelectric Project (Stage-II) (hereinafter referred to as "the generating station") for the period from 1.4.2009 to 31.3.2014, based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2009 (hereinafter referred to as 'the 2009 regulations").

2. The learned counsel for the petitioner referred to Regulation 15 (2) of the 2009 regulations which provides that Return on Equity (RoE) shall be computed on pre-tax basis, at the base rate of 15.5%, to be grossed up in accordance with clause (3) thereof, and submitted as under:

(a) Instead of the MAT tax rate of 11.33% applicable for the year 2008-09, as per regulations, RoE based on the MAT tax rate of 16.995% for the year 2009-10 has been considered in the petition, in view of the increase in MAT tax rate through the Finance Act, 2009. Moreover, the MAT tax rate would be 19.931% for the year 2010-11.

- (b) The above said increased MAT tax rate for the years 2009-10 and 2010-11 may be considered by the Commission for determination of tariff for the generating station.
- (c) Any deferment in the application of the revised MAT tax rates would cause burden on the consumers.

In addition to the above, the representative of the petitioner submitted as under:

- (d) The present petition has been filed taking into account the revised completion cost as approved by the Commission in order dated 30.11.2009 in Petition No. 72/2009.
- (e) The petitioner has claimed a projected additional capitalization of Rs 94.89 crore for the period 2009-14.
- (f) The additional information sought for by the Commission, had been filed and copies served on the respondents.

3. The representative of the respondent, HPPC submitted as under:

- (a) A detailed reply has been filed and copy served on the petitioner.
- (b) There is a mismatch in the specification of FRL indicated in page 11 of the petition (1266.5 m) and page 8 (Sl.no.40) of the affidavit dated 10.5.2010 (1262 m). In view of this, it could be considered that the reservoir level has not been raised to the full design level and thus the full peaking capability of the generating station has not been utilized. It needs to be clarified by the petitioner as to whether the reservoir has been filled up and utilized up to the maximum design full reservoir level.
- (c) As the amount of live storage capacity of the generating station is stated as 9.38 million cubic metres, it is expected that the generating station could provide 12 hours peaking power, instead of the three hours indicated by the petitioner. The beneficiaries are entitled to extra peaking power from the generating station considering the live storage.
- (d) The petitioner in page 11 of the petition has indicated the MW capability at FRL as 390 MW. However, from the SEM data from NRLDC collected for high flow months, it was noticed that the generating station generated 410 to 412 MW of peaking power. Since 10 % overload capacity can be utilized for peaking purposes and as the capital cost for the generation station is abnormally high, the beneficiaries are entitled to 10% extra power.
- (e) The claim for additional capitalization for ₹ 443.63 lakh, for underwater parts, runner, labyrinth etc, was to be covered under O&M charges. However, as there was no mention of silt conditions, the silt levels could be considered as normal. The petitioner needs to clarify as to why replacement of underwater parts were undertaken at the earliest, in the absence of any dangerous silt conditions and specially when the life of the generating stations was 35 years ,

as per regulations specified by the Commission and since the equipments were in use only for a period of about three years.

- (f) The specification and test results of generator and turbine to know whether there was any overload capacity in the units, should be made known by the petitioner;
- (g) There was no justification for capitalization of the equipment 'wheel dozer' amounting to ₹ 471 lakh when the civil and construction works were complete.
- (h) An expenditure of ₹ 150 lakh for black start of power station may not be permitted, as a DG set which may be available in the generating station, could give auxiliary supply to start up the first generating unit.
- (i) The date of commercial operation of the generating station was March, 2007 and hence the equipments like 'Exciter' and 'Controller spares' amounting to Rs 133.06 lakh, has given an operational service of only three years and there was no justification for replacement.
- (j) Detailed objections to the claim for additional capital expenditure have been submitted in the reply, which may be considered by the Commission.

4. In response, the representative of the petitioner submitted as under:

- (a) Copy of the reply, filed by the respondent HPPC, has not been received;
- (b) As regards the mismatch of FRL, the petitioner has declared the FRL as 1262m since water level was not raised for constructing path for upstream to provide passage to local inhabitants on other side of the Chenab River. Earlier, while raising the water level to 1262 m, the suspension bridge got submerged.
- (c) The generation of about 410 to 412 MW (instead of 390 MW) by the generating station has helped the grid at low frequency conditions. However, copy of the SEM data of NRLDC has not been served.
- (d) The inherent design for peaking power of the generating station, as approved by CEA was 3 hours, and not 10 /12 hours, considering the optimum utilization of available water over the year after monsoon is over.
- (e) Details of the additional capital expenditure claimed have been provided in the petition. Most of the claims for additional capitalization under the head 'capital spares' shown in the remark column, have been deducted, since the expenditure has been made from the profits of the generating station, except for the items/assets like 'wheel dozers' and 'black start'. Wheel dozers are necessary for the removal of snow for proper approach and operation of the generating station and black start was required in terms of the scheme of NRLDC.

5. The petitioner has submitted that the claim for additional capitalization for ₹ 443.63 lakh for under water parts, runners, labyrinth etc., was on account of

heavy silt. Hence, the Commission directed the petitioner to furnish the details of the silt level in comparison with the normal silt level, latest by 13.8.2010.

6. The Commission also directed the respondent, HPPC to serve copy of its reply to the petitioner within a week. Rejoinder, if any, by the petitioner, latest by 13.8.2010.

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

Sd/-
T. Rout
Joint Chief (Legal)