

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Record of Proceedings

Petition No.182/2009

Subject: Petition for determination of revised fixed charges due to additional capital expenditure incurred during 2006-07, 2007-08 and 2008-09 at Rihand Super Thermal Power Station, Stage-I (1000MW).

Date of hearing: 6.5.2010

Coram: Shri S.Jayaraman, Member
Shri M.Deena Dayalan, Member

Petitioner: NTPC Ltd, New Delhi

Respondents: UPPCL, JVVNL, AVVNL, JoVVNL, DTL, NDPL, BSES-BRPL, BSES-BYPL, HPPC, PSEB, HPSEB, PDD J&K, PD Chandigarh, UPCL.

Parties present: 1. Shri V.K.Padha, NTPC
2. Shri S.K.Sharma, NTPC
3. Shri Manish Garg, NTPC
4. Shri V.K.Tandon, NTPC
5. Shri Ajay Dua, NTPC
6. Shri Manoj Saxena, NTPC
7. Shri Sankar Saran, NTPC
8. Shri S.Agarwal, NTPC
9. Shri Sachin Jain, NTPC
10. Shri V.K.Garg, NTPC
11. Ms, Shilpa Agarwal, NTPC
12. Shri Manish Garg, UPPCL

This petition has been filed by the petitioner NTPC, for revision of fixed charges due to additional capital expenditure incurred during 2006-07, 2007-08 and 2008-09 at Rihand Super Thermal Power Station, Stage-I (1000MW) (hereinafter referred to as "the generating station") based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004.

2. The learned counsel for the petitioner submitted that the petition has been filed for revision of fixed charges after considering the additional capital expenditure incurred during the period 2006-09 and after taking into account the orders of the Commission 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. 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 the respondent No.1, UPPCL, pointed out that Regulation 18(2)(iv) of the 2004 regulations provides for admission of capital expenditure incurred after the cut-off date in respect of "Any additional works/services which have become necessary for the efficient and useful operation of the generating station, but not included in the original project cost" and submitted that the claim of the petitioner for Rs 32.48 crore on replacement of assets was in the nature of R&M /refurbishment/replacement and may not be considered for additional capitalization. The representative further submitted that the depreciation recovered by the petitioner in excess of loan repayment shall be accounted for in the capital cost as per Clause 10(3) of the CERC (Terms and conditions of Tariff) Regulations, 2009 (the 2009 regulations) or credit may be reimbursed to the beneficiaries against this depreciation reserve at the disposal of the petition. He also submitted that an amount of Rs.24.90 crore for replacement of "MAIN EXCITER ROTOR COMPLETE" has been capitalized by the petitioner during the year 2007-08, and the corresponding de-capitalization of the said asset has been effected during the year 2008-09, which cannot be considered. The representative further submitted that the petitioner has not furnished any details/outcome of study report in respect of the amount of Rs. 80 lakh claimed towards RLA studies and hence may not be allowed. He also added that the petitioner may be directed to file details of revenue requirement for the generating station in terms of the regulations under the "Procedures for calculating the expected revenue from tariffs and charges Regulations, 2010", notified by the Commission.

4. In response to the objection of the respondent for inclusion of the expenditure on replacement of assets in the original project cost, the representative of the petitioner clarified that the provisions under Note-2 of Regulation 18 of the 2004 regulations allow such expenditure on replacement of assets, after writing off the gross value of the replaced assets. As regards depreciation reserve, the representative clarified that the instant petition has been filed in terms of the 2004 regulations and that the reliance upon Regulation 10(3) of the 2009 regulations by the respondent was untenable, as there was no provision in the 2004 regulations to account for the depreciation reserve over and above the loan repayment. As regards submission of details of revenue requirement, the petitioner submitted that the same would be furnished in due course of time.

5. On a specific query by the Commission as regards the claim for Rs 5.11 crore for installation of "on- line condenser tube cleaning system", and the benefits accrued to the respondents, the representative of the petitioner clarified that the conventional method of cleaning of condenser by backwashing with water required the reduction of

load to about 40% if the intake quality of water was bad and the same was to be done for every 4-5 days, which resulted in less generation. He also added that, with the installation of the on-line condenser tube cleaning system, the availability of the generating station increased, resulting in more energy being sent out to the respondents/beneficiaries.

6. On a further query by the Commission as regards public buildings in which the "Solar Power System" was installed, the representative of the petitioner clarified that the solar power system had been installed in the canteen building/school building within the premises of the generating station. On another query by the Commission as to why such expenditure was sought to be capitalized in view of the fact that there would be reduction in the auxiliary consumption of the generating station which would benefit the generator only and in view of the normative annual energy charges allowed in tariff period 2009-14, the representative of the petitioner clarified that the reduced annual energy charges would manifest itself in the normative annual energy charges for the next tariff period and would ultimately benefit the respondents/beneficiaries.

7. The Commission directed the petitioner to submit the following information, on affidavit, latest by 21.5.2010:

- (a) Excess generation which will become available during a year after the installation of the on-line condenser tube cleaning system;
- (b) De-capitalization amount, if any, pertaining to the existing system which was replaced by the on-line condenser tube cleaning system.

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

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