

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

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

Date of hearing: 31.1.2012

Petition No. 201/2011

Sub: Increase in operation and maintenance expenses on account of wage Revision from 1.1.2007 in respect of NLC-TPS I Expansion (2X210 MW) and impact on capacity charges thereof.

Petitioner : Neyveli Lignite Corporation Limited

Respondents : TANGEDCO, State Power Purchase Co-ordinate Centre,
Kerala State Electricity Board and Puducherry Electricity
Department

Petition No.202/2011

Sub: Increase in operation and maintenance expenses on account of wage Revision from 1.1.2007 in respect of NLC-TPS-II-Stage I (3X210 MW) and NLC-TPS-II-Stage II (4X210 MW) and impact on capacity charges thereof.

Petitioner : Neyveli Lignite Corporation Limited.

Respondents: TANGEDCO, State Power Purchase Co-ordinate Centre,
Kerala State Electricity Board, Puducherry Electricity
Department and Transmission Corporation of Andhra
Pradesh.

Petition No. 203/2011

Sub: Increase in operation and maintenance expenses on account of wage Revision from 1.1.2007 in respect of NLC-TPS-I (600 MW) and impact on capacity charges thereof.

Petitioner : Neyveli Lignite Corporation Limited.

Respondents: TANGEDCO

Parties present: Shri N.Rathinasabapathy, NLC
Shri R.C.Natarajan, NLC
Shri S.Balaguru, TANGEDCO

Record of Proceedings

During the hearing the representative of the petitioner, NLC submitted as under:

- (i) In the Regulations specified by the Commission for the period 2004-09, the additional expenditure towards pay revision had not been factored in.
- (ii) The Commission, in its order dated 5.2.2009 in P.Nos.162/2008, 164/2008 and 165/2008 had taken note of this issue in the prayer of the petitioner and had observed that a holistic view needs to be taken in the matter at a later stage in accordance with law.
- (iii) The increase in the O&M expenses due to implementation of the pay revision has an impact on the working capital of the petitioner.
- (iv) Pay revision of employees of the petitioner was implemented on the basis of guidelines of the Department of Public Enterprises (DPE) and Ministry of Power.
- (v) The net profit of the petitioner should not be taken as a whole. The Income from sale of lignite to IPPs, external sales and other income have to be deducted from the petitioner company's income to compare the real impact of the wage revision.
- (vi) The actual impact of wage revision when compared to norms fixed by the Commission works out to Rs.359.23 crore and the extra payment made by the petitioner is Rs.224 crore, which is a huge amount and may be allowed.

2. The learned counsel for Respondent No.1, TANGEDCO submitted as under:

- (i) The claim of the petitioner for consideration of the impact of pay revision of the employees of the thermal stations is in complete contrast to the stand of the petitioner in Review Petition No.17/2011 in Petition No. 118/2007, wherein it has been pleaded by the petitioner that it is an integrated entity having mines and thermal stations along with service units and medical facilities to cater to its need.

- (ii) The petitioner can meet out the expenditure related to employee costs from its internal sources as there is an increase in Net Operating Profit After Tax (NOPAT) as reflected in its Profit and Loss account statements for the financial years 2006-07 to 2010-11.
- (iii) The submission of the petitioner that wage revision of its employees has increased the employee cost substantially is not tenable.
- (iv) The expenditure towards employee cost was taken care of in the norms fixed by the Commission for determination of tariff for the period 2004-09, wherein escalation rate was allowed towards the normative O&M expenses.
- (v) The 'Power to relax' envisaged under regulation 12 of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 pertains to determination of tariff for the period 2004-09 and the petitioner is barred from reopening the same in these petitions.

3. The representative of the petitioner clarified that merely because the petitioner company is earning profit, it should not be denied reimbursement of employee cost, which has resulted due to the pay revision of employees on the basis of guidelines issued by Department of Public Enterprises (DPE) and Ministry of Power. He prayed the Commission to allow the impact of wage revision on the employee cost of the petitioner company.

4. The Commission, after hearing the parties, reserved its order in the petitions.

By order of the Commission

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

