

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 258/GT/2014

Subject : Revision of tariff of Ratnagiri Power Station (1967.08MW) for the period from 1.4.2009 to 31.3.2014 after truing-up exercise.

Date of hearing : **14.5.2015**

Coram : Shri A.K.Singhal, Member
Shri A.S. Bakshi, Member

Petitioner : Ratnagiri Gas and Power Private Limited

Respondents : Maharashtra State Electricity Distribution Co. Ltd & 3 ors

Parties present : Shri Arshad Jilani, RGPPL
Shri Krishan Aggarwal, RGPPL
Shri Aditya Dewan, Advocate, MSEDCL
Shri Varun Pathak, MSEDCL
Ms. Swapna Seshadri, Advocate, DNHPDCL & Elect. Deptt.,
Daman

Record of Proceedings

During the hearing, the representative of the petitioner submitted that in compliance with the directions of the Commission vide ROP dated 3.2.2015, additional information containing details of the actual capital expenditure incurred along with reconciliation statement of the capital cost with books of accounts, duly certified by auditor, has been filed and copies have been served on the respondents. Accordingly, he prayed that tariff of the generating station may be revised by the Commission.

2. The learned counsel for the respondent, MSEDCL submitted as under:

(i) There is a huge variation in the O&M expenses incurred by the petitioner (as per audited accounts) and the O&M expense norms allowed by the Commission. Hence, the Commission may reconsider the O&M expense norms allowed in order dated 18.8.2010 and the expenses based on audited accounts may be allowed.

(ii) The income from other sources (sale of tender, insurance claims, interest from banks etc) may have been included in the cost at the time of determination of tariff. Hence the same may be adjusted in tariff as they form part of the expenditure. The insurance claim in relation to equipment may be deducted from O&M cost or as revenue to be adjusted in tariff.

(iii) As regards the declaration of availability on costly RLNG by the petitioner for recovery of full capacity, the matter is pending before the Appellate Tribunal for

Electricity and the same may be considered while revising the fixed charges of the generating station.

(iv) Certain capital expenditure on new items which were not claimed earlier has been claimed by the petitioner which may not be allowed by the Commission.

(v) Return on Equity (pre-tax) subject to prudence check may be allowed and the tax may be grossed up only in the year in which the provision for tax is made.

(vi) As decided by the Commission in some of the tariff orders for other generating stations/transmission system, the impact of de-capitalization of assets may be considered and the Return on Equity may be reduced in proportion to the de-capitalization of the said assets.

(vii) Reply filed in the petition may be considered. Copy of the additional information filed by the petitioner has not been received and the petitioner may be requested to provide a copy of the same. Also, the respondent may be granted liberty to file reply to the additional information filed by the petitioner.

3. The learned counsel for the respondent, DNHPDCL submitted as under:

(a) Though the entire additional capital expenditure as claimed by the petitioner has been allowed vide order dated 18.8.2010, the petitioner had not incurred most of the additional capital expenditure allowed. Also, some of the additional capital expenditure incurred is much lesser than those allowed by the Commission. Hence, in terms of the decision of the Commission in order dated 1.8.2013 (tariff of Kawas GPS of NTPC) not to allow the additional capitalization which had earlier been allowed in tariff but not incurred by the generating company and upheld by the Appellate Tribunal for Electricity in its judgment dated 17.4.2014 in Appeal No.245/2013, the additional capitalization may be reduced from the capital cost of the generating station.

(b) Only the additional capitalization allowed on projected basis by the Commission in the original petition is required to be trued-up at the end of the tariff period and no new claims can be considered for capitalization.

(c) Regulations 9(1)(ii) and 9(2)(vi) of the 2009 Tariff Regulations are not applicable in respect of the additional capitalization claims made by the petitioner. The Commission in order dated 18.8.2010 had allowed additional capitalization of assets under Regulation 9(1)(ii) in exercise of its 'Power to relax' and no further relaxation can be made. Also, the claims under Regulation 9(2)(vi) cannot be permitted as the generating station has not completed 15 years of operation.

(d) The expenditure claimed by the petitioner for computers, AC, refrigerators etc., are in the nature of O&M expenses and is not permissible in terms of the proviso to Regulation 9(2) of the 2009 Tariff Regulations

4. The Commission directed the petitioner to handover a copy of the additional information to the respondents' which was agreed to by the representative of the petitioner. Accordingly, the Commission directed the respondents to file its reply to the additional information on or before 1.6.2015, with copy to the petitioner, who shall file its rejoinder by 8.6.2015. No extension of time shall be granted for any reason whatsoever.

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

By Order of the Commission

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