CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI

Petition No. 434/GT/2020

Coram:

Shri P.K. Pujari, Chairperson
Shri I.S. Jha, Member
Shri Arun Goyal, Member

Date of Order: 8th March, 2021

IN THE MATTER OF

Petition for revision of tariff of Ratnagiri Power Station (1967.08 MW) for the period from 1.4.2014 to 31.3.2019 after truing-up exercise

AND

IN THE MATTER OF

Ratnagiri Gas and Power Private Limited,
The Landmark Building, 2nd Floor, A-35,
Sector-2, Noida-201301 **…Petitioner**

Vs

1. Maharashtra State Electricity Distribution Company Limited,
   5th Floor, Prakashgad, G-9, Prof. Anant Kanekar Marg,
   Bandra (East), Mumbai-400051

2. Dadra & Nagar Haveli Power Distribution Corporation Limited,
   Opposite Secretariat, Amli, Silvasa-396230,
   Dadra & Nagar Haveli

3. Electricity Department,
   Daman & Diu, Plot No. 35, Somnath
   Nani Daman-396210

4. Electricity Department,
   Govt. of Goa, 3rd Floor, Vidyut Bhawan,
   Panaji, Goa-403001 ...**Respondents**

Parties Present:

Shri Shankar Saran, RGPPL
Shri Arvind Jhalani, RGPPL
Shri Arshad Jilani, RGPPL

ORDER

This petition has been filed by the Petitioner, RGPPL for revision of tariff of Ratnagiri Power Station (1967.08 MW) (hereinafter referred to as 'the generating station') for the period 2014-19, based on the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (“the 2014 Tariff Regulations”).

2. The Petitioner, a joint venture company of NTPC Ltd, GAIL, MSEB Holding Company, ICICI, IDBI, SBI and Canara Bank and established as a Special Purpose Vehicle (SPV), had taken over the generating station from Dabhol Power Company. The generating station of the Petitioner is an inter-State generating station, having arrangement for sale of electricity in more than one State. The generating station has been designed to operate on LNG as the main fuel for generation of electricity and GAIL has been entrusted with the responsibility of sourcing LNG on long term basis. The actual dates of commercial operation of the different blocks of the generating station are as under:

Blocks (Units)	Capacity (MW)	COD
Block – II	663.54	1.9.2007
Block – III	663.54	21.11.2007
Block – I	640.00	19.5.2009

3. Petition No. 263/GT/2014 was filed by the Petitioner for approval of tariff of the generating station for the 2014-19 tariff period and the Commission vide its order dated 21.3.2017 had approved the capital cost and annual fixed charges as under:

Capital Cost

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Capital Cost	876786.21	877454.40	877760.40	882474.40	895993.40
Admitted Projected Additional Capital expenditure including discharges	668.19	306.00	4714.00	13519.00	5830.00
Closing Capital Cost	**877454.40**	**877760.40**	**882474.40**	**895993.40**	**901823.40**
Average Capital Cost	877120.30	877607.40	880117.40	889233.90	898908.40

Annual Fixed Charges

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	46040.66	46066.23	46197.98	46676.51	47184.33
Interest on Loan	36909.55	32685.47	28586.54	24854.12	21122.82
Return on Equity	27885.41	27908.06	28024.77	28448.69	28898.56
Interest on Working Capital	19494.62	19692.76	19868.70	20111.36	20377.73
O&M Expenses	52225.97	55786.39	59582.85	63635.04	67982.28
Total	**182556.21**	**182138.91**	**182260.84**	**183725.71**	**185565.72**

4. The present petition has been filed by the Petitioner for truing-up of tariff for the 2014-19 tariff period in terms of Regulation 8 of the 2014 Tariff Regulations. The trued-up capital cost and the annual fixed charges claimed by the Petitioner are as under:

Capital Cost

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Capital Cost	876786.21	878970.00	879350.88	904253.38	910080.84
Admitted Projected Additional Capital expenditure including discharges	2203.30	83.91	24904.30	6436.44	6573.78
Less: De-capitalization during the year/period	22.11	9.03	1.80	611.38	76.82
Less: Reversal during the year/period	0.00	0.00	0.00	0.00	0.00
Add: Discharges during the year/period	2.60	306.00	0.00	2.40	0.00
Closing Capital Cost	**878970.00**	**879350.88**	**904253.38**	**910080.84**	**916577.80**
Average Capital Cost	877878.11	879160.44	891802.13	907167.11	913329.32

Annual Fixed Charges

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	46172.88	46241.20	46912.36	47726.06	47807.31
Interest on Loan	38969.23	33821.19	30417.30	24669.60	20711.41
Return on Equity	27920.65	27980.28	28568.11	29282.59	29569.13
Interest on Working Capital	19546.69	19705.92	19965.00	20227.94	20496.56
O&M Expenses	52225.97	55830.19	59829.44	64409.71	69014.76
Total	**184835.41**	**183578.77**	**185692.21**	**186315.90**	**187599.18**
Additional O&M Expenses					
Impact of Employee Pay Revision	0.00	0.00	157.81	590.59	595.08
Impact of CISF Pay Revision	0.00	43.80	88.78	57.77	34.63
GST Impact	0.00	0.00	0.00	126.31	208.77
Total annual fixed charges	**184835.41**	**183622.57**	**185938.80**	**187090.57**	**188437.66**

5. The petition was heard on 13.8.2020 and the Commission, after directing the Petitioner to submit certain additional information, reserved its order on the petition. In response, the Petitioner vide affidavit dated 30.9.2020**,** has filed the additional information and has served copies on the Respondents. None of Respondents have filed their replies. Based on the documents available on record, we proceed to determine the tariff of the generating station after prudence check, as stated in the subsequent paragraphs.

<u>Capital Cost</u>

6. Regulation 9(3) of the 2014 Tariff Regulations provides as under:

"9 (3) The Capital cost of an existing project shall include the following:

(a) the capital cost admitted by the Commission prior to 1.4.2014 duly trued up by excluding liability, if any, as on 1.4.2014;

(b) additional capitalization and de-capitalization for the respective year of tariff as determined in accordance with Regulation 14; and

(a) expenditure on account of renovation and modernization as admitted by this Commission in accordance with Regulation 15.

7. The annual fixed charges claimed by the Petitioner is based on the opening capital cost of ₹876786.21 lakh (excluding un-discharged liabilities of ₹826.61 lakh) as on 1.4.2014 (approved vide order dated 21.3.2017 in Petition No. 263/GT/2014) which is as approved on 31.3.2014 vide Commission's order dated 21.6.2016 in Petition No. 258/GT/2014 (wherein tariff was trued-up for 2009-14 period). Further, the Petitioner vide affidavit dated 30.9.2020 has furnished the value of capital cost and liabilities as on 1.4.2014, as per books in Form-9E/9CB of the petition. The details of liabilities and the capital cost have been reconciled with the information available with the records of the Commission as under:

(₹ in lakh)

	As per Form-9E	**As per records of Commission**	**Difference**
Total capital cost as on 1.4.2014	1194519.52	1194519.52	0.00
Less: Cost of LNG Terminal as on 1.4.2014	314840.10	314907.45	(-) 67.34
Less: Head office cost as on 1.4.2014	404.72	404.72	0.00
Cost of Power Block as on 1.4.2014	879274.70	# 879207.36	67.34
Liabilities included in the above	826.61	826.61	0.00

 # corresponding admitted capital cost is ₹876786.21 lakh.

8. The variation of ₹67.34 lakh in capital cost is due to Inter head adjustment between Power Block and LNG terminal. However, the Petitioner has not claimed this amount for the purpose of tariff in the instant as well as the preceding tariff petitions. Accordingly, the approved capital cost of ₹876786.21 lakh approved for Power Block as on 31.3.2014 will remain unchanged as on 01.04.2014.

9. It is further observed that the total capital cost as on 1.4.2014, includes an amount for ₹404.72 lakh (i.e. 0.03388% of the total capital cost) towards head office expenses. Normally, the head office expenses do form part of the capital cost up to COD, in case of companies with multiple power projects. However, the Petitioner, being a company with single power project, the head office expenses up to COD has been considered for the purpose of tariff, after adjusting the head office expenses towards LNG terminal for ₹106.67 lakh (i.e. ₹404.72 x ₹314907.45 ÷ ₹1194519.52 lakh). Also, the entire liability of ₹826.61 lakh, as on 1.4.2014, corresponds to the approved capital cost of ₹876786.21 lakh (on cash basis) as on 31.3.2014. Accordingly, the capital cost approved on 1.4.2014 is as under:

(₹ in lakh)

Capital cost admitted as on 31.3.2014 on cash basis	876786.21
Less: Head offices expenses corresponding to LNG Terminal	106.67
Less: Assets procured up to 31.3.2014 and transferred to Konkan LNG Private Limited in 2017-18	578.62
Capital cost as on 1.4.2014 (on cash basis)	*** 876100.92**

** Corresponding un-discharged liabilities is ₹826.61 lakh.*

Additional Capital Expenditure

10. Regulations 14(3) of the 2014 Tariff Regulations provides as under:

"(3) The capital expenditure, in respect of existing generating station or the transmission system including communication system, incurred or projected to be incurred on the following counts after the cut-off date, may be admitted by the Commission, subject to prudence check:

(5916) *Liabilities to meet award of arbitration or for compliance of the order or decree of a court of law;*

(ii) Change in law or compliance of any existing law;

(iii) Any expenses to be incurred on account of need for higher security and safety of the plant as advised or directed by appropriate Government Agencies of statutory authorities responsible for national security/internal security;

(iv) Deferred works relating to ash pond or ash handling system in the original scope of work;

(v) Any liability for works executed prior to the cut-off date, after prudence check of the details of such undischarged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments etc.;

(vi) Any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments;

(vii) Any additional capital expenditure which has become necessary for efficient operation of generating station other than coal/lignite based stations or transmission system as the case may be. The claim shall be substantiated with the technical justification duly supported by the documentary evidence like test results carried out by an independent agency in case of deterioration of assets, report of an independent agency in case of damage caused by natural calamities, obsolescence of technology, up-gradation of capacity for the technical reason such as increase in fault level;

(viii) In case of hydro generating stations, any expenditure which has become necessary on account of damage caused by natural calamities (but not due to flooding of power house attributable to the negligence of the generating company) and due to geological reasons after adjusting the proceeds from any insurance scheme, and expenditure incurred due to any additional work which has become necessary for successful and efficient plant operation;

(ix) In case of transmission system, any additional expenditure on items such as relays, control and instrumentation, computer system, power line carrier communication, DC batteries, replacement due to obsolesce of technology, replacement of switchyard equipment due to increase of fault level, tower strengthening, communication equipment, emergency restoration system, insulators cleaning infrastructure, replacement of porcelain insulator with polymer insulators, replacement of damaged equipment not covered by insurance and any other expenditure which has become necessary for successful and efficient operation of transmission system; and

(x) Any capital expenditure found justified after prudence check necessitated on account of modifications required or done in fuel receiving system arising due to non-materialization of coal supply corresponding to full coal linkage in respect of thermal generating station as result of circumstances not within the control of the generating station:

Provided that any expenditure on acquiring the minor items or the assets including tools and tackles, furniture, air-conditioners, voltage stabilizers, refrigerators, coolers, computers, fans, washing machines, heat convectors, mattresses, carpets etc. brought after the cut-off date shall not be considered for additional capitalization for determination of tariff w.e.f. 1.4.2014:

Provided further that any capital expenditure other than that of the nature specified above in (i) to (iv) in case of coal/lignite based station shall be met out of compensation allowance:

Provided also that if any expenditure has been claimed under Renovation and Modernization (R&M), repairs and maintenance under (O&M) expenses and Compensation Allowance, same expenditure cannot be claimed under this regulation.

(4) In case of de-capitalization of assets of a generating company or the transmission licensee, as the case may be, the original cost of such asset as on the date of decapitalization shall be deducted from the value of gross fixed asset and corresponding loan as well as equity shall be deducted from outstanding loan and the equity respectively in the year such de-capitalization takes place, duly taking into consideration the year in which it was capitalized."

11. The Petitioner has not revised Form-1(I), Form-1(II) and Form-9A. However, the Petitioner vide affidavit dated 30.9.2020 has furnished revised Form-9CB and Form-9I (auditor certified), indicating the additional capital expenditure claimed for the 2014-19 tariff period, as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Closing Gross Block as per audited books of accounts	1196762.53	1197330.56	1221704.62	912688.74	919170.13
Opening Gross Block as per audited books of accounts	1194519.52	1196762.53	1222734.86*	1221704.62	912688.74
Additional capital expenditure as per audited books of accounts	2243.00	568.03	(-)1030.24	(-) 309015.87	6481.39
Less: IND AS adjustment	0.00	0.00	0.00	0.00	0.00
Additional capital expenditure as per books of accounts (as per IGAAP)	2243.00	568.03	(-) 1030.24	(-) 309015.87	6481.39
Less: Additional capital expenditure pertaining to LNG terminal included above	56.00	493.16	(-) 1564.97	(-) 314863.02	0.00
Less: Additional pertaining to Head Office expenses included above	0.00	0.00	(-) 2.20	22.09	(-)15.82
Additional capital expenditure as per books of accounts pertaining to Power Block (as per IGAAP)	2187.01	74.88	536.93	5825.06	6497.21
Less: Exclusions	0.00	0.00	0.00	593.89	0.00
Additional capital expenditure as per books of accounts pertaining to Power Block (as per IGAAP) claimed on accrual basis	2187.01	74.88	536.93	5231.17	6497.21
Less: Un-discharged liabilities included in above	5.81	0.00	0.00	0.00	0.25
Additional capital expenditure as per books of accounts pertaining to Power Block (as per IGAAP) on cash basis	2181.19	74.88	536.93	5231.17	6496.96
Add: Discharges of un-discharged liabilities	2.60	306.00	0.00	2.40	0.00
Net additional capital expenditure claimed on cash basis	**2183.79**	**380.88**	**536.93**	**5233.57**	**6496.96**

****Amount Inclusive of spares capitalized as on 1.4.2016 for ₹25404.30 lakh (₹24365.57 lakh pertaining to Power block and ₹1038.73 lakh pertaining to LNG Terminal)***

12. In consideration of Form-9D, Form-9Bi and Form-9A, it is observed that exclusion during 2017-18 is pertaining to inter-unit transfer of assets to Konkan LNG Private Limited (KLPL) and has been considered to be de-capitalized at Form-9A and which may have been wrongly depicted as exclusion at Form-9C and Form-9D.

Accordingly, the exclusion during 2017-18 has not been considered for the purpose of tariff and ₹5827.46 lakh has been considered as actual additional capital expenditure for 2017-18.

13. The break-up of the actual additional capital expenditure claimed during the 2014-19 tariff period as per Form-9A is as under:

(₹ in lakh)

S No.		2014-15	2015-16	2016-17	2017-18	2018-19
A	**Claimed items**					
A.1	**Items allowed in 2014-19**					
1	Station Service Transformer	541.36	0.00	0.00	0.00	0.00
2	Generator Transformer	1622.62	0.00	0.00	0.00	0.00
3	Hydra	0.00	3.20	0.00	0.00	0.00
4	CW load Centre Transformer	0.00	0.00	0.00	53.53	0.00
5	Windows Up-gradation: HMI & Historian upgrade for all GTs to migrate from Window-xp	0.00	0.00	0.00	409.11	0.00
6	Construction of additional foundation for all new TELK transformers at SST-2 yard	0.00	0.00	0.00	0.00	2.10
7	DCS Foxpro system up gradation	0.00	0.00	0.00	0.00	194.45
8	Manual Forklift	0.00	0.00	0.00	0.00	1.04
9	Installation of additional cable feeder for intake well pump house & colony	0.00	0.00	0.00		12.40
	Sub-total A1	**2163.98**	**3.20**	**0.00**	**462.64**	**209.98**
A.2	**New Claims**					
1	Desiccant type dehumidification unit for preservation of Steam turbine system	35.82	6.89	0.00	0.00	0.00
2	Nitrogen generator for boiler tube preservation	0.00	25.17	0.00	0.00	0.00
3	HP Server	0.00	17.30	0.00	0.00	0.00
4	Server Software	0.00	3.42	0.00	0.00	0.00
5	Chlorine leak detection system	0.00	0.00	2.90	0.00	0.00
6	Hand held Gas detector	0.00	0.00	1.68	0.00	0.00
7	UPS for AAQMS	0.00	0.00	2.58	0.00	0.00
8	Internal Security & Bandwidth Management Device	0.00	0.00	4.38	0.00	0.00
9	Server client Access License	0.00	0.00	2.79	0.00	0.00
10	Transformer oil filtration machine	0.00	0.00	0.00	35.64	0.00
11	Portable battery charger	0.00	0.00	0.00	1.94	0.00
12	50 kVA UPS system	0.00	0.00	0.00	20.46	0.00

13	Shed & flooring for two-wheeler parking	0.00	0.00	0.00	0.00	6.12
14	Building/Garden for employee	0.00	0.00	0.00	0.00	14.49
15	Up-gradation of processor of DM plant	0.00	0.00	0.00	0.00	42.48
16	5 kVA UPS for DM plant & cooling water intake	0.00	0.00	0.00	0.00	1.76
17	Online Total Suspended Solid Analyser Monitoring System	0.00	0.00	0.00	0.00	3.10
18	Submersible pump for rain harvesting	0.00	0.00	0.00	0.00	7.43
19	Fully Automatic Transformer oil BDV test kit	0.00	0.00	0.00	0.00	8.37
20	Portable Circuit Breaker timing kit	0.00	0.00	0.00	0.00	1.15
21	Air to Air Heat Exchanger	0.00	0.00	0.00	0.00	55.79
22	TCD based portable hydrogen gas purity analyser	0.00	0.00	0.00	0.00	3.14
23	Contract Labour information Management system	0.00	0.00	0.00	0.00	8.10
24	Video Conferencing system	0.00	0.00	0.00	0.00	15.52
	Sub-total A2	**35.82**	**52.77**	**14.32**	**58.03**	**167.15**
A.3	MBOA & Capital Spares					
25	MBOA	3.51	27.08	59.65	55.04	207.33
26	Capital Spares	0.00	0.86	24830.33	5860.73	5989.32
	Sub-total A3	**3.51**	**27.94**	**24889.97**	**5915.77**	**6196.65**
A.4	De-capitalisation of Spares (as part of capital cost)	**(-) 22.11**	**(-) 9.03**	**(-) 1.80**	**(-) 611.38**	**(-) 76.82**
A.5	Discharge of Liabilities	**2.60**	**306.00**	**0.00**	**2.40**	**0.00**
	Total Additional Capital Expenditure claimed	**2183.79**	**380.88**	**24902.50**	**5827.46**	**6496.96**

14. The cut-off date of the generating station is 31.3.2012 and, hence, the admissibility of the capital expenditure for the 2014-19 tariff period is governed by the provisions of Regulation 14(3) of the 2014 Tariff Regulations and the same is examined in following paragraphs.

2014-15

15. The actual additional capital expenditure claimed in 2014-15 is summarized as under:

(₹ in lakh)

S No.	Items	Regulation	Justification	Amount
1	Station Service Transformer	14(3)(vii)	Commission has allowed the item vide its order dated 21.3.2017 in Petition No. 263/GT/2014	541.36
2	Desiccant Type Dehumidification Unit for Preservation of Steam Turbine System	14(3)(vii)	It is submitted that as per OEM the unit/ module is to be preserved when taken under long shut down. The OEM prescribes a certain level of humidity to be maintained during preservation for healthiness of equipment. As the station is located in coastal area, the relative humidity is on higher side. In order to maintain the humidity as per OEM recommendations, Dehumidification units have been installed.	35.81
3	Miscellaneous Bought Out Assets (MBOA)	14(3)(vii)	As submitted under para 23, 24 & 25 of the main petition, Commission may please allow the expenditure.	3.51
4	De-capitalisation of Assets **-** (DG Set)	14(4)	-	(-) 22.11
5	New Claim (Generator Transformer)	14(3)(vii), Regulations 54 & 55	The Generator Transformer is very critical and important part that serves the purpose of stepping up the generation voltage and matching the same with the transmission system voltage, failure of which leads to generation loss. There are nine transformers consisting of three of each Power Block. Life of the entire nine Generator Transformer (GT) since commissioning has been exceeded more than 15 years. The failure of any transformer will directly affect the generation of the plant. One GT was procured as spare for 9 existing GTs. It is pertinent to mention that the same was claimed by RGPPL for the tariff period 2014-19, however, it has been rejected by Commission in its order dated 21.3.2017.	1622.62
6	**Total**		---	**2181.193**
7	Discharge of liability	14(3)(vi)	-	2.60
8	**Total claim**		----	**2183.79**

16. The Petitioner has claimed additional capital expenditure of ₹541.36 lakh towards ‘Station Transformer’ under Regulation 14(3)(vii) of 2014 Tariff Regulations. The Commission in its order dated 21.3.2017 in Petition No. 263/GT/2014 had allowed an expenditure of ₹527.10 lakh towards ‘Station Transformer’ after observing that (i) the same could not be installed and capitalized by the Petitioner within the cut-off date due to paucity of funds and that (ii) the expenditure on said asset was necessary for the smooth and successful operation of the generating station. Considering the fact that the

Commission had earlier allowed the projected additional capital expenditure ₹527.10 lakh for this asset, we allow the actual additional capital expenditure ₹541.36 lakh capitalized on the ground that the said expenditure is necessary for efficient operation of the generating station.

17. The Petitioner has claimed actual additional capital expenditure of ₹35.81 lakh (expenditure of ₹37.01 lakh – un-discharged liability of ₹1.20 lakh) towards "Desiccant Type Dehumidification Unit for Preservation of Steam Turbine System" for shut down period under Regulation 14(3)(vii) of the 2014 Tariff Regulations. We note that the Regulation 14(3)(vii) of the 2014 Tariff Regulations provides for additional capital expenditure for efficient operation of generating station. In our view, the amount claimed by the Petitioner does not fall in that category as the generating station is not under operation during the shutdown period. It is also pertinent to mention that the Petitioner is entitled to annual fixed charges including normative Operation & Maintenance (O&M) expenses for the period for which the generating station was under shut down provided it is declaring capacity on day to day basis. We are of the considered view that the Petitioner should meet such expenses from the normative O&M expenses. In view of this, the claimed additional capital expenditure of ₹35.81 lakh claimed is not allowed.

18. The Petitioner has also claimed actual additional capital expenditure ₹3.51 lakh towards 'Miscellaneous Bought Out Assets' (MBOA) in terms of Regulations 54 and 55 of the 2014 Tariff Regulations. The Petitioner has submitted that during the period, it was unable to realize fixed charges from the beneficiaries and that with the limited availability of funds sufficient only to pay for fuel purchase and day to day expenses, the miscellaneous expenditure on purchase of equipment for office, laboratories, and hospital etc. could not be completed within the 2009-14 tariff period and had to be extended to the 2014-19 tariff period. We notice that the proviso to Regulation 14(3) of the 2014 Tariff Regulations provide that minor assets and spares which are procured

after the cut-off date, shall not be allowed for the purpose of tariff. In our view, the non-realization of fixed charges from the beneficiaries cannot be a reason for allowing the expenditure under the said Regulations. Accordingly, the actual additional capital expenditure of ₹3.51 lakh is not allowed.

19. Further, the Petitioner has claimed actual additional capital expenditure of ₹1622.62 lakh (expenditure of ₹1627.23 lakh-un-discharged liability of ₹4.61 lakh) incurred towards Generator Transformer under Regulation 14(3)(vii) read with Regulations 54 and 55 of the 2014 Tariff Regulations. The Petitioner had projected an additional capital expenditure of ₹1503.98 lakh towards Generator Transformer while tariff for 2014-19 period was approved in Petition No. 263/GT/2014, wherein the Commission in its order dated 21.3.2017 had rejected the same as under:

> *"15. The matter has been examined. It is observed that the generator transformer claimed by the Petitioner is for keeping the same as a standby in case of failure of any existing generator transformer which are under operation. Since, capital spares claimed after the cut-off date of the generating station is not admissible in terms of the 2014 Tariff Regulations, the projected additional capital expenditure of ₹1503.98 lakh claimed by the Petitioner is not allowed."*

20. In line with the above decision, the actual additional capital expenditure of ₹1622.62 lakh claimed is not allowed.

21. Based on the above discussions, the actual additional capital expenditure allowed in 2014-15 is ₹541.36 lakh.

2015-16

22. The actual additional capital expenditure claimed in 2015-16 is summarized as under:

(₹ in lakh)

S No.	Items	Regulation	Justification	Amount
1	Hydra (Part of Crane and Lifting Equipment)	14(3)(vii)	This is part of item Crane & Lifting Equipment allowed by Commission vide its order dated 21.3.2017 in Petition No. 263/GT/2014.	3.20
2	Desiccant Type Dehumidification Unit for	14(3)(vii)	It is submitted that as per OEM the unit/ module is to be preserved when taken under long shut down. The OEM prescribe	6.89

	Preservation of Steam Turbine System		a certain level of humidity to be maintained during preservation for healthiness of equipment. As the station is located in coastal area, the relative humidity is on higher side. In order to maintain the humidity as per OEM recommendations, Dehumidification units have been installed. The OEM recommendations are enclosed.	
3.	Nitrogen Generator for Boiler Tube Preservation	14(3)(vii)	Nitrogen Generators are essential for filling Nitrogen in Boiler during preservation for ensuring healthiness of turbines & boiler in dry preservation of power station as per OEM guidelines. The OEM (GE) Guidelines are enclosed.	25.17
4.	HP Server	14(3)(vii)	The server along with operating system software was procured to replace the earlier server which had become obsolete. The server is utilised for mail service, domain server, FINMAT database.	17.30
5.	Server Software	14(3)(vii)		3.42
6.	Miscellaneous Bought Out Assets (MBOA)	14(3)(vii), 54 & 55	As submitted under para 23, 24 & 25 of the main petition, Commission may please allow the expenditure.	27.08
7.	Capital Spares	14(3)(vii), 54 &55	As submitted under para 23, 24 & 25 of the main petition, Commission may please allow the expenditure.	0.86
8.	De-capitalisation of Assets	14(4)		(-) 9.03
9.	**Total**	---	**---**	**74.88**
10.	Discharge of liability	14(3)(vi)	**---**	306.00
11.	**Total claimed**	---	---	**380.88**

23. The Petitioner has claimed actual additional capital expenditure of ₹3.20 lakh towards Hydra (part of crane and lifting equipment) under Regulation 14(3)(vii) of 2014 Tariff Regulations. The Commission vide its order dated 21.3.2017 in Petition No. 263/GT/2014 had allowed an expenditure of ₹370 lakh towards Crane and lifting equipment in 2018-19. Considering the fact that the Commission had earlier allowed the expenditure on this asset on projection basis, the actual additional capital expenditure of ₹3.20 lakh claimed is allowed.

24. The Petitioner has claimed actual additional capital expenditure of ₹6.89 lakh and ₹25.17 lakh towards "Desiccant Type Dehumidification Unit for Preservation of Steam Turbine System" and "Nitrogen Generator for Boiler" respectively under Regulation 14(3)(vii) of 2014 Tariff Regulations. As already discussed in paragraph 17 above, the claim of additional capital expenditure of ₹6.89 lakh and ₹25.17 lakh are not allowed.

25. The Petitioner has claimed actual additional capital expenditure ₹17.30 lakh and ₹3.42 lakh towards "HP Server" and "Server Software" respectively under Regulation 14(3)(vii) of the 2014 Tariff Regulations. The Petitioner has submitted that the said assets were procured to replace the earlier server which had become obsolete. It has also stated that these assets are required for the efficient and safe operation of the generating station, as the utilization of these IT systems in Finance and Materials Management, mail service for effective communication etc., improves the performance of the generating station. In view of the above submissions, the expenditure towards capitalization of "HP Server" and "Server Software" is allowed.

26. Further, the Petitioner has claimed actual additional capital expenditure ₹27.08 lakh towards MBOA and ₹0.86 lakh towards capital spares under Regulation 14(3)(vii) read with Regulations 54 and 55 of the 2014 Tariff Regulations. The Petitioner has submitted that during the period, it was unable to realize fixed charges from the beneficiaries and that with limited availability of funds that was just sufficient to pay fuel purchase and day to day expenses, the miscellaneous expenditure on purchase of equipment for office, laboratories, and hospital etc., could not be completed within the 2009-14 tariff period and had to be extended to 2014-19 tariff period. It has also submitted that 2014 Tariff Regulations do not provide any compensation allowance for gas stations for purchase of such assets. It also stated that even the procured capital spares which would have been received in time to be part of capital cost were deferred and spread over a period. In our view, the non-realization of fixed charges from the beneficiaries cannot be a reason for permitting the capitalization of such expenditure under the said Regulations. Also, the 2014 Tariff Regulations do not provide for capitalization of minor assets (MBOAs) and spares for the purpose of tariff procured

after the cut-off date. In view of this, the actual additional capital expenditure of ₹27.08 lakh claimed towards MBOA and ₹0.86 lakh towards capital spares is not allowed.

27. Based on the above, the total additional capital expenditure allowed for 2015-16 is ₹23.92 lakh.

2016-17

28. The actual additional capital expenditure claimed in 2016-17 is summarized as under:

(₹ in lakh)

Sl. No.	Items	Regulation	Justification	Amount
1	Chlorine Leak Detection System	14(3)(iii)	Chlorine is hazardous for humans. Under the disaster Management Plant, the Chlorine leak detection System has been installed towards safe working condition.	2.90
2	Hand held Gas Detector	14(3)(iii)	As gas is very inflammable, this is essential for timely detection of any leakage of gas and to take proactive action for safety of human life and equipment.	1.68
3.	UPS for Ambient Air Quality Monitoring System	14(3)(iii)	Ambient Air Quality monitoring system is essential part of environment clearance. UPS is required for smooth operation of AAQMS. This is required as per Consent to Operate of State Pollution Control Board.	2.58
4.	Internal Security & Bandwidth Mgmt. Device	14(3)(vii)	Firewall for security of RGPPL network & bandwidth management (cyber security tool) has been procured to ensure safety of critical data and safe operation of network.	4.38
5.	Server Client Access License	14(3)(vii)		2.78
6.	Miscellaneous Bought Out Assets (MBOA)	14(3)(vii), Regulations 54 & 55	As submitted under para 23, 24 & 25 of the main petition, Commission may please allow the expenditure.	59.65
7.	Capital Spares	14(3)(vii), Regulations 54 &55	As submitted under para 23, 24 & 25 of the main petition, Commission may please allow the expenditure.	24830.33
8.	De-capitalization of assets	14(4)	--	(-) 1.80
9.	**Total**	**--**	**--**	**24902.50**
10.	Discharge of liability	--	--	0.00
11.	**Total claimed**	**--**	--	**24902.50**

29. The Petitioner has claimed additional capital expenditure ₹2.90 lakh, ₹1.68 lakh and ₹2.58 lakh towards "Chlorine Leak Detection System", "Handheld Gas Detector" and for "UPS for Ambient Air Quality Monitoring System" under Regulation 14(3)(iii) of 2014 Tariff Regulations i.e. expenditure incurred on account of need for higher security

and safety of the plant as advised or directed by the appropriate Government agency. Considering the fact that these safety related items are required for the safe and efficient operation of the generating station and would ensure the safety of personnel and reliability of the equipment, we allow the actual additional capital expenditure incurred by the Petitioner, as above, on these assets.

30. In respect of the additional capital expenditure of ₹4.38 lakh and ₹2.78 lakh claimed towards "Internal Security & Bandwidth Management Device" and "Server Client Access License" respectively, the Petitioner has submitted that these assets have been procured to ensure the safety of critical data and safe operation of network. Considering the fact that the expenditure claimed is necessary for the safe and efficient operation of the generating station, we allow the capitalisation of these assets under Regulation 14(3)(vii) of 2014 Tariff Regulations.

31. The Petitioner has claimed actual additional capital expenditure of ₹59.65 lakh towards MBOA and ₹24830.33 lakh towards Capital spares under Regulation 14(3)(vii) read with Regulation 54 and 55 of the 2014 Tariff Regulations. The Petitioner has submitted that with limited availability of funds sufficient to pay fuel for purchase and day to day expenses, the miscellaneous expenditure on purchase of equipment for Office, laboratories, and hospital etc., could not be completed within the 2009-14 tariff period and had to be extended to the 2014-19 tariff period. The Petitioner has also submitted that the 2014 Tariff Regulations do not provide any Compensation allowance for gas stations for purchase of such assets. It also stated that the procured capital spares which would have been received in time to be part of capital cost, were deferred and spread over a period. As stated earlier, the proviso to Regulation 14(3) of the 2014 Tariff Regulations clearly provide that capitalization of minor assets and spares procured after the cut-off date is not to be allowed for the purpose of tariff. Accordingly,

the actual expenditures of ₹59.65 lakh towards MBOA and ₹24830.33 lakh towards Capital spares are not allowed to be capitalized.

32. Based on the above, the total additional capital expenditure allowed for 2016-17 is ₹14.32 lakh.

2017-18

33. The actual additional capital expenditure claimed in 2017-18 is summarized as under:

(₹ in lakh)

S. No.	Items	Regulation	Justification	Amount
1	CW Load Centre Transformer	14(3)(vii)	The Commission has allowed the item vide its order dated 21.3.2017 in Petition No. 263/GT/2014	53.53
2	Windows Up-gradation: HMI & Historian upgrade for all GTs to migrate from Windows-XP	14(3)(vii)	The Commission has allowed the item vide its order dated 21.3.2017 in Petition No. 263/GT/2014	409.11
3	Transformer Oil Filtration Machine	14(3)(vii)	The system is required for filtration of transformer oil to ensure safe &reliable operation of transformer.	35.64
4	Portable Battery Charger	14(3)(vii)	Battery charger is used for DC battery banks of station and is essential for maintaining reliable DC supply.	1.94
5	50 KVA UPS System	14(3)(vii)	The UPS is required as Power backup for ensuring supply to critical control & instrumentation systems.	20.46
6	Miscellaneous Bought Out Assets (MBOA)	14(3)(vii), Regulations 54 & 55	As submitted under para 23, 24 & 25 of the main petition.	55.04
7	Capital Spares	14(3)(vii), Regulations 54 &55	As submitted under para 23, 24 & 25 of the main petition.	5860.73
8	De-Capitalisation of assets	14(4)	---	(-) 17.49
9	Inter-Unit Transfer	14(4)	--	(-) 593.89
10	**Total**		--	**5825.06**
11	Discharge of liability	14(3)(vi)	--	2.40
12	**Total claimed**	--	--	**5827.46**

34. As regards the claim for actual additional capital expenditure of ₹53.53 lakh and ₹409.11 lakh towards “CW Load Centre Transformer” and “Windows Up-gradation” respectively, the Commission vide its order dated 21.3.2017 in Petition No. 263/GT/2014 had allowed the capitalization of an expenditure of ₹62 lakh towards “CW

Load Centre Transformer” on the ground that the said assets could not be installed and capitalized within the cut-off date due to paucity of funds and an expenditure of ₹732 lakh towards “Windows Up-gradation” was allowed to be capitalised due to obsolescence of the existing system. The Petitioner has submitted that the expenditure on these assets was necessary for the smooth and successful operation of the generating station. Considering the fact that the Commission had allowed the additional capital expenditure on these assets, on projection basis, in order dated 21.3.2017, the actual additional capital expenditure claimed in this petition has been allowed.

35. As regards the actual additional capital expenditure of ₹35.64 lakh claimed towards Transformer oil Filtration machine, the Petitioner has submitted that this asset is required for filtration of transformer oil in order to ensure the safe and reliable operation of Transformer. Considering the fact that the generating station is located in the coastal area, humidity in the air is high as compared to the generating stations located inland. Further, a substantial number of transformers in the generating station require frequent filtration of oil in order to maintain the required moisture level which is necessary for the smooth and successful operation of the generating station. Considering the fact that these assets are necessary for the smooth and successful operation of the generating station, we allow the capitalisation of the expenditure under Regulation 14(3)(vii) of 2014 Tariff Regulations.

36. As regards the additional capital expenditure claimed towards ‘Portable battery charger’ for ₹1.94 lakh and UPS system for ₹20.46 lakh, we are of the considered view that their installation and operation should form part of the project cost and should have been procured prior to the cut-off date of the generating station. According to us, these are minor assets which are not permitted to be capitalized after the cut-off date in terms of the proviso to Regulation 14 (3) of the 2014 Tariff Regulations. The Petitioner has also not furnished any justification for the requirement to install such assets during the

operation period. In the absence of any proper details, justification and supporting documents, the actual additional capital expenditure of ₹1.94 lakh and ₹20.46 lakh claimed by the Petitioner is disallowed.

37. The Petitioner has claimed actual additional capital expenditure ₹55.04 lakh towards MBOA and ₹5860.73 lakh towards Capital Spares under Regulation 14(3)(vii) read with Regulations 54 and 55 of the 2014 Tariff Regulations. The Petitioner has submitted that during the period, it was unable to realize fixed charges from the beneficiaries and that with limited availability of funds that was just sufficient to pay fuel purchase and day to day expenses, claimed assets could not be procured within the 2009-14 tariff period and had to be extended to 2014-19 tariff period. In our view, the non-realization of fixed charges from the beneficiaries cannot be the reason for permitting the capitalization of such expenditure under the said Regulations. Also, the 2014 Tariff Regulations do not provide for capitalization for the purpose of tariff of minor assets and spares procured after the cut-off date. Accordingly, the actual expenditure of ₹55.04 lakh towards MBOA and ₹5860.73 lakh towards Capital spares is not allowed to be capitalized.

38. Based on the above, the total additional capital expenditure of ₹498.28 lakh is allowed for 2017-18.

2018-19

39. The actual additional capital expenditure claimed in 2018-19 is summarized as under:

(₹ in lakh)

Sl No.	Items	Regulation	Justification	Amount
A.1	**Already allowed items**			
1	Construction of additional foundation for New TELK transformer at SST-2 Yard	14(3)(vii)	The Commission has allowed the item vide its order dated.21.3.2017 in Petition No. 263/GT/2014 (Amount allowed on projection basis was ₹527 lakh for Station Transformer)	2.10

2	DCS Foxboro system upgradation	14(3)(vii)	The Commission has allowed the item vide its order dated .21.3.2017 in Petition No. 263/GT/2014 (amount allowed on projection basis was ₹500 lakh)	194.45
3	Manual Forklift (Part of Cranes & Lifting Equipment's)	14(3)(iii)	This is part of item Crane & Lifting Equipment allowed by the Commission vide its order dated. 21.3.2017 in Petition No. 263/GT/2014. (Amount allowed on projection basis was ₹370 lakh, allowed in 2015-16 ₹3.19 lakh, total till current year ₹4.23 lakh on actual basis)	1.04
4	Installation of additional Cable feeder for Intake Well Pump House & Colony	14(3)(vii)	The Commission has allowed the item vide its order dated.21.3.2017 in Petition No. 263/GT/2014. (Amount allowed on projection basis was ₹50 lakh)	12.40
A.2	**New Claim**			
1	Shed & Flooring for two-wheeler parking	14(3)(vii)	Vehicle parking shed is basic facility for employees, workers & visitors.	6.12
2	Building/Garden for Employees	14(3)(vii)	Building infrastructure for employees in plant area	14.49
3	Upgradation of Processor of DM Plant	14(3)(vii)	To overcome obsolescence of DM plant PLCs, the work has been undertaken.	42.48
4	5 KVA UPS for DM Plant & Cooling water Intake	14(3)(vii)	Power backup for ensuring supply to critical control & instrumentation systems in DM Plant and Cooling water intake area	1.76
5	Online Total Suspended Solids Analyser Monitoring System	14(3)(vii)	The system has been installed as per MPCB requirement for effluent monitoring system. A copy of Consent to Operate is enclosed.	3.10
6	Submersible Pumps for Rain Harvesting	14(3)(vii)	Rain water harvesting critical for water conservation. The pumps are required for recycling rain water into earth.	7.43
7	Fully Automatic Portable Transformer Oil Breakdown Voltage (BDV) Test Kit	14(3)(vii)	Analyzer for measuring generator hydrogen purity	8.37
8	Portable Circuit Breaker Timing Kit	14(3)(vii)	The equipment is required for carrying out maintenance work	1.15
9	Air to Air Heat Exchanger (COOLER)	14(3)(vii)	This is Cooler for HT motor of seawater intake pumps	55.79
10	TCD based Portable Hydrogen Gas Purity Analyser	14(3)(vii)	Analyzer for measuring generator hydrogen purity	3.14
11	Contract Labour Information Management System	14(3)(vii)	The system is required for proper access control, optimization of contract workmen and emergency data during disaster management.	8.10
12	Video Conferencing System	14(3)(vii)	For coordination between RGPPL offices in Noida, Mumbai & Site.	15.52
13	Miscellaneous Bought Out Assets (MBOA)	14(3)(vii), 54 & 55	As submitted under para 23, 24 & 25 of the main petition, Commission may please allow the expenditure.	207.33
14	Capital Spares	14(3)(vii), 54 &55	As submitted under para 23, 24 & 25 of the main petition, Commission may please allow the expenditure.	5989.32
15	De-capitalisation of assets	14(4)	-	(-) 76.82
16	**Total**		**-**	**6496.96**

17	Discharge of Liability	14(3)(vi)	-	0.00
18	**Total claimed**		-	**6496.96**

40. As regards the actual additional capital expenditure of ₹2.10 lakh incurred for the construction of foundation for Service Transformer, it is observed that the Commission in its order dated 21.3.2017 in Petition No. 263/GT/2014 had allowed an amount of ₹527 lakh, on projection basis, considering the fact that the said asset was necessary for operation of the plant. Against this, an actual expenditure of ₹541.36 lakh has also been allowed to be capitalized in 2014-15 by this order. For the same reason, the claim of the Petitioner for actual additional capital expenditure of ₹2.10 lakh in 2018-19 is allowed.

41. As regards the actual additional capital expenditure incurred on assets namely "DCS system up-gradation", "Manual Forklift (part of crane & Lifting equipment)" and "Installation of additional Cable feeder for Intake Well Pump House & Colony", it is observed that the same was allowed on projection basis, vide order dated 21.3.2017 in Petition No. 263/GT/2014 on the ground of efficient operation of the generating station. Since the actual expenditure incurred is within the projected expenditure allowed vide order dated 21.3.2017, the same is permitted to be capitalized.

42. The Petitioner has also claimed various assets like parking and garden for employees, up-gradation of processor for D.M plant, UPS for DM plant, various kits for performance monitoring of various power plant equipment, pumps for rain harvesting in 2018-19. In our view, most of these assets should have been capitalized prior to the COD of the generating station or should have been procured within the cut-off date of the generating station (i.e. 31.3.2011). Also, no justification with supporting documents has been furnished by the Petitioner for incurring the expenditure on these assets. In view of this, the claim of the Petitioner for capitalization of these assets is not allowed.

43. As regards actual additional capitalization of ₹3.10 lakh towards procurement of "Online total Suspended Solids Analyser Monitoring System" the Petitioner has submitted as under:

> *"The system has been installed as per MPCB requirement for effluent monitoring system. A copy of Consent to Operate is enclosed*."

44. The generating station is in operation since 2009 and the Petitioner must have been obtaining "Consent to Operate" (CTO) on yearly basis. However, the Petitioner has not clarified as to how the CTO for the year 2018-19 is different from the CTO granted earlier, with regard to the need for procurement/ installation of Effluent Monitoring System, especially after expiry of ten (10) years from COD. In view of this, claimed additional capital expenditure of ₹3.10 lakh is not allowed.

45. The Petitioner has claimed actual additional capital expenditure of ₹207.33 lakh towards MBOA with un-discharged liability is ₹0.25 lakh and actual additional capital expenditure of ₹5989.32 lakh towards Capital Spares under Regulation 14(3)(vii) read with Regulations 54 and 55 of the 2014 Tariff Regulations. The Petitioner has submitted that during the period, it was unable to realize fixed charges from the beneficiaries and that with limited availability of funds that was just sufficient to pay fuel purchase and day to day expenses, claimed assets could not be procured within the 2009-14 tariff period and had to be extended to 2014-19 tariff period. The Petitioner has submitted that the 2014 Tariff Regulations do not provide any Compensation Allowance for gas stations for purchase of such assets. It has also stated that even the procured capital spares which would have been received in time to be part of capital cost were deferred and spread over a period. In our view, the non-realization of fixed charges from the beneficiaries cannot be the reason for permitting the capitalization of such expenditure under the said Regulations. Also, the 2014 Tariff Regulations do not provide for capitalization for the purpose of tariff of minor assets and spares procured

after the cut-off date. Thus, the actual capital expenditure claimed under this head is not allowed.

46. Based on the above, the total additional capital expenditure of ₹209.98 lakh is allowed in 2018-19.

De-capitalisation of assets

47. The Petitioner has claimed de-capitalization of assets as under:

(₹ in lakh)

2014-15	2015-16	2016-17	2017-18	2018-19
22.11	9.03	1.80	611.38	76.82

48. The de-capitalization of assets amounting to ₹22.11 lakh in 2014-15, ₹9.03 lakh in 2015- 16, ₹1.80 lakh in 2016-17 and ₹76.82 lakh in 2018-19 is in order. Out of the total de-capitalization of ₹611.38 lakh in 2017-18, assets worth ₹593.89 lakh (₹578.62 lakh out of assets procured and allowed upto 31.3.2014 and ₹0.06 lakh and ₹15.22 lakh out of assets procured during the year 2014-15 and 2016-17 respectively) pertain to transfer of assets to Konkan LNG Private Ltd (KLPL) and the balance amount of ₹17.49 lakh are the normal de-capitalization during the year. Since the de-capitalized amount of ₹578.62 lakh is pertaining to LNG Terminal and is forming part of admitted capital cost as on 1.4.2014, the same has been disallowed as on 1.4.2014. Therefore, the same has not been considered for the purpose of tariff for 2017-18. As regards the de-capitalization of assets amounting to ₹0.06 lakh and ₹15.22 lakh procured during the years 2014-15 and 2016-17 respectively, the same pertains to LNG terminal and hence capitalization of the same is not considered for the purpose of tariff during the years 2014-15 and 2016-17. Accordingly these de-capitalizations have not been considered for the purpose of tariff for 2017-18. Also, from the Petitioner’s submission, it is not possible to establish a direct correlation of these de-capitalized assets, with the details of assets claimed at Form-9A for 2014-15 and 2016-17 respectively. Accordingly, keeping in view the interest of consumer, ₹0.06 lakh and ₹14.33 lakh (lower of ₹15.22

lakh being cost of assets de-capitalized and ₹14.33 lakh being positive addition allowed for 2016-17) has been disallowed from other assets admitted during the years 2014-15 and 2016-17 respectively. Further, the de-capitalization balance of ₹17.49 lakh for 2017-18 has been considered for the purpose of tariff.

Discharge of Un-discharged Liabilities

49. Out of the discharges claimed by the Petitioner, an amount of ₹2.60 lakh in 2014-15, ₹306.00 lakh in 2015-16 and ₹1.20 lakh in 2017-18 have been discharged against the admitted capital cost admitted upto 31.3.2019 and considered for the purpose of tariff. The balance un-discharged liabilities against the admitted capital cost as on 31.3.2019 is "nil".

50. In view of the above, the net additional capital expenditure allowed for the purpose of tariff, is as under:

(₹ in lakh)

	2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Add: Addition during the year/period	541.30	23.92	0.00	498.28	209.98
Less: De-capitalisation during the year/period	22.11	9.03	1.80	17.49	76.82
Less: Reversal during the year/period	0.00	0.00	0.00	0.00	0.00
Add: Discharges during the year/period	2.60	306.00	0.00	1.20	0.00
Net Additional Capital Expenditure	**521.79**	**320.89**	**(-) 1.80**	**481.99**	**133.17**

51. Accordingly, the capital cost allowed for the period 2014-19 is as under:

(₹ in lakh)

	2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Opening Capital Cost	876100.92	876622.71	876943.60	876941.80	877423.79
Add: Additional capital expenditure	521.79	320.89	(-) 1.80	481.99	133.17
Closing Capital Cost	**876622.71**	**876943.60**	**876941.80**	**877423.79**	**877556.96**
Average Capital Cost	876361.82	876783.16	876942.70	877182.80	877490.37

Debt–Equity Ratio

52. Regulation 19 of the 2014 Tariff Regulations provides as under:

"(1) For a project declared under commercial operation on or after 1.4.2014 the debt equity ratio would be considered as 70:30 as on COD. If the equity actually deployed is more than 30% of the capital cost equity in excess of 30% shall be treated as normative loan:

Provided that:
(i) where equity actually deployed is less than 30% of the capital cost actual equity shall be considered for determination of tariff:

(ii) the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment:

(iii) any grant obtained for the execution of the project shall not be considered as a part of capital structure for the purpose of debt-equity ratio.

Explanation **-** *The premium if any raised by the generating company or the transmission licensee as the case may be while issuing share capital and investment of internal resources created out of its free reserve for the funding of the project shall be reckoned as paid up capital for the purpose of computing return on equity only if such premium amount and internal resources are actually utilised for meeting the capital expenditure of the generating station or the transmission system.*

(2) The generating Company or the transmission licensee shall submit the resolution of the Board of the company or approval from Cabinet Committee on Economic Affairs (CCEA) regarding infusion of fund from internal resources in support of the utilization made or proposed to be made to meet the capital expenditure of the generating station or the transmission system including communication system as the case may be.

(3) In case of the generating station and the transmission system including communication system declared under commercial operation prior to 1.4.2014 debt equity ratio allowed by the Commission for determination of tariff for the period ending 31.3.2014 shall be considered.

(4) In case of generating station and the transmission system including communication system declared under commercial operation prior to 1.4.2014 but where debt: equity ratio has not been determined by the Commission for determination of tariff for the period ending 31.3.2014 the Commission shall approve the debt: equity ratio based on actual information provided by the generating company or the transmission licensee as the case may be.

(5) Any expenditure incurred or projected to be incurred on or after 1.4.2014 as may be admitted by the Commission as additional capital expenditure for determination of tariff and renovation and modernization expenditure for life extension shall be serviced in the manner specified in clause (1) of this regulation.

53. Accordingly, the gross normative loan and equity amounting to ₹696980.57 lakh and ₹179805.64 lakh, respectively as on 31.3.2014 as considered in the order dated 21.3.2017 in Petition No. 263/GT/2014 has been considered as gross normative loan and equity as on 1.4.2014. The effective debt-equity ratio as on 1.4.2014 works out to 79.49:20.51. The capital cost adjusted as on 1.4.2014 on account of Head office expenses corresponding to LNG (₹106.67 lakh) and assets de-capitalized during the year 2017-18 on account of transfer to Konkan LNG Private Limited (₹578.62 lakh) has been adjusted to gross normative loan and equity as on 1.4.2014 in the debt-equity ratio of 79.49:20.51. Accordingly, the gross normative loan and equity as on 1.4.2014 works out to ₹696435.82 lakh and ₹179665.11 lakh, respectively. Since, there is no

fresh drawl of loans during the 2014-19 tariff period, the additional capital expenditure allowed above has been allocated in debt-equity ratio of 70:30.

Return on Equity

54. Regulation 24 of the 2014 Tariff Regulations provides as under:

> *"(1) Return on equity shall be computed in rupee terms on the equity base determined in accordance with regulation 19.*
>
> *(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating stations transmission system including communication system and run of river hydro generating station and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run of river generating station with pondage:*
>
> *Provided that:*
> *(i) in case of projects commissioned on or after 1st April 2014 an additional return of 0.50% shall be allowed if such projects are completed within the timeline specified in Appendix-I:*
>
> *(ii) the additional return of 0.5% shall not be admissible if the project is not completed within the timeline specified above for reasons whatsoever:*
>
> *(iii) additional ROE of 0.50% may be allowed if any element of the transmission project is completed within the specified timeline and it is certified by the Regional Power Committee / National Power Committee that commissioning of the particular element will benefit the system operation in the regional/national grid:*
>
> *(iv) the rate of return of a new project shall be reduced by 1% for such period as may be decided by the Commission if the generating station or transmission system is found to be declared under commercial operation without commissioning any of the Restricted Governor Mode Operation (RGMO) / Free Governor Mode Operation (FGMO) data telemetry communication system up to load dispatch centre or protection system:*
>
> *(v) as and when any of the above requirement are found lacking in a generating station based on the report submitted by the respective RLDC ROE shall be reduced by 1% for the period for which the deficiency continues:*
>
> *(vi) additional ROE shall not be admissible for transmission line having length of less than 50 kilometres.*

55. Regulation 25 of the 2014 Tariff Regulations provides as under:

> *"25. Tax on Return on Equity:*
>
> *(1) The base rate of return on equity as allowed by the Commission under Regulation 24 shall be grossed up with the effective tax rate of the respective financial year. For this purpose the effective tax rate shall be considered on the basis of actual tax paid in the respect of the financial year in line with the provisions of the relevant Finance Acts by the concerned generating company or the transmission licensee as the case may be. The actual tax income on other income stream (i.e. income of non-generation or non-transmission business as the case may be) shall not be considered for the calculation of "effective tax rate".*
>
> *(2) Rate of return on equity shall be rounded off to three decimal places and shall be computed as per the formula given below:*
>
> *Rate of pre-tax return on equity = Base rate / (1-t)*

Where "t" is the effective tax rate in accordance with Clause (1) of this regulation and shall be calculated at the beginning of every financial year based on the estimated profit and tax to be paid estimated in line with the provisions of the relevant Finance Act applicable for that financial year to the company on pro-rata basis by excluding the income of non-generation or non-transmission business as the case may be and the corresponding tax thereon. In case of generating company or transmission licensee paying Minimum Alternate Tax (MAT) "t" shall be considered as MAT rate including surcharge and cess.

Illustration.

(i) In case of the generating company or the transmission licensee paying Minimum Alternate Tax (MAT) @ 20.96% including surcharge and cess:

Rate of return on equity = 15.50/(1-0.2096) = 19.610%

(ii) In case of generating company or the transmission licensee paying normal corporate tax including surcharge and :

(a) Estimated Gross Income from generation or transmission business for FY 2014-15 is Rs 1000 crore
(b) Estimated Advance Tax for the year on above is Rs 240 crore
(c) Effective Tax Rate for the year 2014-15 = Rs 240 Crore/Rs 1000 Crore = 24%
(d) Rate of return on equity = 15.50/ (1-0.24) = 20.395%

(3) The generating company or the transmission licensee as the case may be shall true up the grossed up rate of return on equity at the end of every financial year based on actual tax paid together with any additional tax demand including interest thereon duly adjusted for any refund of tax including interest received from the income tax authorities pertaining to the tariff period 2014-15 to 2018-19 on actual gross income of any financial year. However penalty if any arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the generating company or the transmission licensee as the case may be. Any under-recovery or over recovery of grossed up rate on return on equity after truing up shall be recovered or refunded to beneficiaries or the long term transmission customers/DICs as the case may be on year to year basis.

56**.** The Petitioner has claimed Return on Equity (ROE) considering the base rate of 15.5% and effective tax rate of "nil" for the 2014-19 tariff period. As the actual tax outgo for the period is "nil", the same has been considered for the purpose of tariff. Accordingly, ROE has been worked out as under:

(₹ in lakh)

	2014-15	**2015-16**	**2016-17**	**2017-18**	**2018-19**
Normative Equity- Opening	179665.11	179821.64	179917.91	179917.37	180061.97
Addition to Equity on account of additional capital expenditure	156.54	96.27	(-) 0.54	144.60	39.95
Normative Equity - Closing	179821.64	179917.91	179917.37	180061.97	180101.92
Average Normative Equity	179743.37	179869.78	179917.64	179989.67	180081.94
Rate of Return on Equity (Base Rate)	15.500%	15.500%	15.500%	15.500%	15.500%
Effective Tax Rate	0.000%	0.000%	0.000%	0.000%	0.000%
Rate of Return on Equity (Pre Tax)	15.500%	15.500%	15.500%	15.500%	15.500%
Return on Equity (Pre Tax)-(annualized)	**27860.22**	**27879.82**	**27887.23**	**27898.40**	**27912.70**

Interest on loan

57. Regulation 26 of the 2014 Tariff Regulations provides as under:

"26. Interest on loan capital:

(1) The loans arrived at in the manner indicated in regulation 19 shall be considered as gross normative loan for calculation of interest on loan.

(2) The normative loan outstanding as on 1.4.2014 shall be worked out by deducting the cumulative repayment as admitted by the Commission up to 31.3.2014 from the gross normative loan.

(3) The repayment for each of the year of the tariff period 2014-19 shall be deemed to be equal to the depreciation allowed for the corresponding year/period. In case of de-capitalization of assets the repayment shall be adjusted by taking into account cumulative repayment on a pro rata basis and the adjustment should not exceed cumulative depreciation recovered upto the date of de-capitalisation of such asset.

(4) Notwithstanding any moratorium period availed by the generating company or the transmission licensee as the case may be the repayment of loan shall be considered from the first year of commercial operation of the project and shall be equal to the depreciation allowed for the year or part of the year.

(5) The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio after providing appropriate accounting adjustment for interest capitalized:

Provided that if there is no actual loan for a particular year but normative loan is still outstanding the last available weighted average rate of interest shall be considered:

Provided further that if the generating station or the transmission system as the case may be does not have actual loan then the weighted average rate of interest of the generating company or the transmission licensee as a whole shall be considered.

(6) The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.

(7) The generating company or the transmission licensee as the case may be shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the beneficiaries and the generating company or the transmission licensee as the case may be in the ratio of 2:1.

(8) The changes to the terms and conditions of the loans shall be reflected from the date of such re-financing.

(9) In case of dispute any of the parties may make an application in accordance with the Central Electricity Regulatory Commission (Conduct of Business) Regulations 1999 as amended from time to time including statutory re-enactment thereof for settlement of the dispute:

Provided that the beneficiaries or the long term transmission customers /DICs shall not withhold any payment on account of the interest claimed by the generating company or the transmission licensee during the pendency of any dispute arising out of re-financing of loan."

58. Interest on loan has been worked out as mentioned below:

(i) The gross normative loan of ₹696435.82 lakh has been considered as on 1.4.2014;

(ii) Cumulative repayment of ₹266968.37 lakh as on 31.3.2014 as considered in Commission's order dated 21.6.2016 in Petition No. 258/GT/2014 has been considered as on 1.4.2014;

(iii) Accordingly, the net normative opening loan as on 1.4.2014 works out to ₹429467.45 lakh;

(iv) Addition to normative loan on account of additional capital expenditure allowed above has been considered;

(v) Depreciation allowed has been considered as repayment of normative loan during the respective year of the 2014-19 tariff period;

(vi) The Petitioner has claimed Weighted Average Rate of Interest (WAROI) of 9.5584%, 9.3326%, 9.3685%, 8.5561% and 8.4497% for the years 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19, respectively. It is observed that the Petitioner has considered rate of interest applicable on sustainable loans to un-sustainable loans as well. At Note-52 of the Audited Financial Statement for FY 2018-19, it is observed that as per the approved demerger scheme and business plan of the RGPPL, out of total outstanding loan (including interest liability) of ₹8906.75 crores as on 1st January 2016, ₹5596.68 crores has been retained in RGPPL and restructured by banks and financial institutions as ₹1900 crores of sustainable loan and ₹3696.68 crores as un-sustainable loan. Further, as per business plan the un-sustainable loan of ₹3696.68 crores, on which no interest is chargeable and payable from 1st January 2016 itself, is to be converted into 0.01% Cumulative Redeemable Preference shares in due course. Accordingly, the rate of interest corresponding to un-sustainable loans has been considered as "nil" for the purpose of calculating WAROI. Further, considering the details of loans as submitted by the Petitioner along with the Audited Financial Statements and in line with the methodology adopted by the Commission, WAROI works out to 9.0837%, 7.7458%, 3.1796%, 2.7910% and 2.6368% for the years 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19 respectively and the same has been considered for the purpose of tariff.

59. Necessary calculation of interest on loan is as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Gross Normative Loan - Opening	696435.82	696801.07	697025.69	697024.43	697361.82
Cumulative repayment of loan upto previous year / period	266968.37	312900.77	358289.98	404313.47	450212.81
Net Normative Loan – Opening	429467.45	383900.30	338735.71	292710.96	247149.01
Addition to Normative Loan on account of additional capital expenditure	365.25	224.62	(-) 1.26	337.39	93.22
Repayment of loan during the year	45940.40	45391.12	46024.33	45908.39	45674.88

Less: Repayment adjustment on account of de-capitalization of assets	7.99	1.92	0.84	9.06	31.45
Net Repayment during the year	45932.40	45389.20	46023.50	45899.34	45643.44
Net Loan Closing	383900.30	338735.71	292710.96	247149.01	201598.79
Average Loan	406683.87	361318.01	315723.34	269929.99	224373.90
Weighted Average Rate of Interest on Loan	9.0837%	7.7458%	3.1796%	2.7910%	2.6368%
Interest on Loan	**36941.87**	**27986.81**	**10038.83**	**7533.67**	**5916.19**

Depreciation

60. Regulation 27 of the 2014 Tariff Regulations provides as under:

"27. Depreciation

(1) Depreciation shall be computed from the date of commercial operation of a generating station or unit thereof or a transmission system including communication system or element thereof. In case of the tariff of all the units of a generating station or all elements of a transmission system including communication system for which a single tariff needs to be determined the depreciation shall be computed from the effective date of commercial operation of the generating station or the transmission system taking into consideration the depreciation of individual units or elements thereof.

Provided that effective date of commercial operation shall be worked out by considering the actual date of commercial operation and installed capacity of all the units of the generating station or capital cost of all elements of the transmission system for which single tariff needs to be determined.

(2) The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission. In case of multiple units of a generating station or multiple elements of transmission system weighted average life for the generating station of the transmission system shall be applied. Depreciation shall be chargeable from the first year of commercial operation. In case of commercial operation of the asset for part of the year depreciation shall be charged on pro rata basis.

(3) The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset:

Provided that in case of hydro generating station the salvage value shall be as provided in the agreement signed by the developers with the State Government for development of the Plant:

Provided further that the capital cost of the assets of the hydro generating station for the purpose of computation of depreciated value shall correspond to the percentage of sale of electricity under long-term power purchase agreement at regulated tariff:

Provided also that any depreciation disallowed on account of lower availability of the generating station or generating unit or transmission system as the case may be shall not be allowed to be recovered at a later stage during the useful life and the extended life.

(4) Land other than the land held under lease and the land for reservoir in case of hydro generating station shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.

(5) Depreciation shall be calculated annually based on Straight Line Method and at rates specified in Appendix-II to these regulations for the assets of the generating station and transmission system:

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from the effective date of commercial operation of the station shall be spread over the balance useful life of the assets.

(6) In case of the existing projects the balance depreciable value as on 1.4.2014 shall be worked out by deducting the cumulative depreciation as admitted by the Commission upto 31.3.2014 from the gross depreciable value of the assets.

(7) The generating company or the transmission license as the case may be shall submit the details of proposed capital expenditure during the fag end of the project (five years before the useful life) along with justification and proposed life extension. The Commission based on prudence check of such submissions shall approve the depreciation on capital expenditure during the fag end of the project.

(8) In case of de-capitalization of assets in respect of generating station or unit thereof or transmission system or element thereof the cumulative depreciation shall be adjusted by taking into account the depreciation recovered in tariff by the decapitalized asset during its useful services."

61. Accordingly, the cumulative depreciation amounting to ₹266968.37 lakh as on 31.3.2014 as considered in Commission's order dated 21.6.2016 in Petition No. 258/GT/2014 has been considered for the purpose of tariff. Further, the value of freehold land included in the average capital cost has been adjusted while calculating the depreciable value for the purpose of tariff. The balance depreciable value (before providing depreciation) for the year 2014-15 works out to ₹521767.34 lakh. Since, as on 1.4.2014, the elapsed life of the generating station (i.e. 5.95 years) is less than 12 years from the effective COD of generating station of 18.4.2008, depreciation has been calculated by applying the Weighted Average Rate of Depreciation (WAROD). The Petitioner has claimed depreciation considering WAROD of 5.2596%, 5.2597%, 5.2604%, 5.2610% and 5.2344% for the years 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19, respectively. However, considering the rate of depreciation as specified in Appendix-II to the 2014 Tariff Regulations, WAROD works out as 5.2422%, 5.1770%, 5.2483%, 5.2336% and 5.2052% respectively. This has been considered for the purpose of tariff. Necessary calculations in support of depreciation are as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Capital Cost	876100.92	876622.71	876943.60	876941.80	877423.79
Add: Net Additional Capital Expenditure	521.79	320.89	(-) 1.80	481.99	133.17
Closing Capital Cost	876622.71	876943.60	876941.80	877423.79	877556.96

Average Capital Cost	876361.82	876783.16	876942.70	877182.80	877490.37
Value of freehold land included above	29.91	29.91	29.91	29.91	29.91
Value of software & IT Equipment's included above	369.96	380.58	407.81	407.80	390.94
Aggregated depreciable value	788735.71	789115.98	789262.29	789478.38	789753.51
Remaining aggregate depreciable value at the beginning of the year	521767.34	476215.21	430972.32	385164.91	339540.70
No. of completed years at the beginning of the year	5.95	6.95	7.95	8.95	9.95
Balance useful life at the beginning of the year	19.05	18.05	17.05	16.05	15.05
Weighted Average Rate of Depreciation (WAROD)	5.2422%	5.1770%	5.2483%	5.2336%	5.2052%
Combined depreciation during the year	45940.40	45391.12	46024.33	45908.39	45674.88
Cumulative depreciation at the end of the year (before adjustment for de-capitalization)	312908.77	358291.89	404314.31	450221.87	495887.69
Less: Depreciation adjustment on account of de-capitalization	7.99	1.92	0.84	9.06	31.45
Cumulative depreciation at the end of the year	**312900.77**	**358289.98**	**404313.47**	**450212.81**	**495856.25**

O&M Expenses

62. The Petitioner has claimed the following Operation and Maintenance (O&M) expense in Form 3A of the petition:

(₹ in lakh)

		2014-15	2015-16	2016-17	2017-18	2018-19
1	O&M expenses under Regulation 29(1) of 2014 Tariff Regulations	52225.97	55786.39	59582.85	63635.04	67982.28
2	O&M expenses under Regulation 29(2) of 2014 Tariff Regulations i.e. Water Charges	0.00	0.00	0.00	0.00	194.00
	Sub-Total	**52225.97**	**55786.39**	**59582.85**	**63635.04**	**68176.28**
3	**Additional O&M Expenditure**					
3a	Employee Pay Revision Impact	0.00	0.00	157.81	590.59	595.08
3b	CISF Pay Revision Impact	0.00	43.80	88.78	57.77	34.63
3c	GST Impact	0.00	0.00	0.00	126.31	208.77
	Total O&M Expenditure	**52225.97**	**55830.19**	**59829.44**	**64409.71**	**69014.76**

63. Regulation 29(2) of the 2014 Tariff Regulations provides as under:

"29.(2) The Water Charges and capital spares for thermal generating stations shall be allowed separately:

Provided that water charges shall be allowed based on water consumption depending upon type of plant, type of cooling water system etc., subject to prudence check. The details regarding the same shall be furnished along with the petition:

Provided that the generating station shall submit the details of year wise actual capital spares consumed at the time of truing up with appropriate justification for incurring the *same and substantiating that the same is not funded through compensatory allowance or special allowance or claimed as a part of additional capitalization or consumption of stores and spares and renovation and modernization."*

64. The Commission vide its order dated 21.3.2017 in Petition No. 263/GT/2014 has allowed O&M and Water Charges as under:

"Water Charges
67. The Petitioner has submitted that the water supply system of the generating station is maintained by MAHAGENCO on behalf of MSEDCL and no amount is being charged to them. Accordingly, no claim for water charges has been projected for the period 2014-19. In view of this, water charges have not been considered in this order. However, the claim of the Petitioner shall be considered on merits, if any, after prudence check at the time of truing-up."

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
O&M Expenses as allowed	52225.97	55786.39	59582.85	63635.04	67982.28
Water Expenses as allowed	0.00	0.00	0.00	0.00	0.00
Total O&M expenses allowed	**52225.97**	**55786.39**	**59582.85**	**63635.04**	**67982.28**

65. The Commission vide ROP of the hearing dated 13.8.2020 directed the Petitioner to furnish, amongst others, the following:

"*(i) Year-wise computation of water charges claimed for the 2014-19 and 2019-24 tariff periods, including the:*

(i) Actual quantity of water consumed;

(ii) Rate (₹/M3) charged by the State authorities;

(iii) Any other charges included in the Water charges in addition to the charges calculated based on the (i) & (ii) above

(iv) Auditor certificate to the effect that such other charges as in (iii) above were booked under the head 'Water charges' during the period from 2008-09 to 2012-13"

66. In compliance of the above, the Petitioner vide affidavit dated 30.9.2020 has furnished the audited details of water charges as under:

(₹ in lakh)

		2014-15	2015-16	2016-17	2017-18	2018-19
A	**Water supply from State Authority (Mahagenco)**					
(i)	Quantity of water consumed (m^3)	1271227	597620	832170	459900	21000
(ii)	Cost towards water consumed (lakh)	0.00	0.00	0.00	0.00	0.00
B	**Water supply from alternative source (Road tankers)**					
(i)	Quantity of water consumed (m^3)	0.00	0.00	0.00	0.00	29363.00
(ii)	Cost of water consumed (lakh)	0.00	0.00	0.00	0.00	194.00

67. In view of the above, the actual expenditure of ₹194 lakh incurred towards water charges for 2018-19 is allowed.

Additional O&M Expenses (Employee Pay Revision Impact, Central Industrial Security Force Pay Revision Impact, Goods & Services Tax impact):

68. The Petitioner has submitted that it has incurred additional O&M expenses as a result of pay revision of its employee's w.e.f. 1.1.2017 and that of the staff of the Central Industrial Security Force (CISF) w.e.f. 1.1.2016 in respect of the generating station for the 2014-19 tariff period. Accordingly, the Petitioner has requested for recovery of this additional expenditure on the following grounds:

(i) Increase in O&M cost is a subsequent development: the increase in the salaries and wages forms part of the Operation & Maintenance Expenses of the generating station. However, the said expenditure was notified post issuance of the 2014 Tariff Regulations and, therefore, was not considered for the purpose of specifying the normative O&M expenditure. The said increase is a result of the implementation of the 7th Pay Commission recommendations and decision of the Government of India communicated vide Office Memorandum of Department of Public Enterprise (DPE) dated 3.8.2017 in regard to recommendation of the 3rd Pay Revision Committee for CPSUs. The 2014 Tariff Regulations stipulates the norms and parameters for the tariff determination for the period 1.4.2014 to 31.3.2019. The Regulation 29(1)(a) of the 2014 Tariff Regulations provides for O&M norms which include the employees cost besides repair & maintenance and, administrative & general expenses.

(ii) The Commission while specifying the said Regulations was of the view that the increase in employee expenses on account of pay revision in case of central generating stations and private generating stations are to be considered on a case to case basis, so that the interest of generating stations and consumers are balanced. The O&M norms for the 2019-24 tariff period were determined by the Commission considering the actual O&M expenditure of various thermal stations for the period 2012-13 to 2017-18. The Commission, while deriving O&M norms for the 2019-24 tariff period had considered the impact of employees pay revision separately as mentioned at para 14.5.2 in the Explanatory Memorandum to the 2019 draft Tariff Regulations.

69. The Petitioner has further submitted that during the 2014-19 tariff period, it has implemented the recommendation of the 7th Pay Commission and the recommendations of the 3rd Pay Revision Committee for CPSUs and has made actual payment of the increased salary & wages to its employees, including the CISF staff employed in the generating station. The impact of pay revision of employees and CISF

staff for the generating station for the 2014-19 tariff period as submitted by the Petitioner are as under:

(₹ in lakh)

		RGPPL employees	CISF Staff	Total
1.1.2016 - 31.3.2016	Pre-revised	0.00	622.42	622.42
	Post Revision	0.00	666.22	666.22
	Wage revision impact	0.00	**43.80**	**43.80**
1.4.2016 - 31.3.2017	Pre-revised	414.86	708.85	1123.70
	Post Revision	572.65	797.63	1370.28
	Wage revision impact	**157.81**	**88.78**	**246.58**
1.4.2017- 31.3.2018	Pre-revised	1683.25	779.74	2462.99
	Post revision	2273.84	837.51	3111.35
	Wage revision impact	**590.59**	**57.77**	**648.36**
1.4.2018 - 31.3.2019	Pre-revised	1700.5	857.72	2558.22
	Post revision	2295.58	892.35	3187.93
	Wage revision impact	**595.08**	**34.63**	**629.71**
Total Impact during the period	**Pre-revised**	0.00	0.00	0.00
	Post revision	0.00	0.00	0.00
	Wage revision impact	**1343.47**	**224.98**	**1568.45**

70. Accordingly, the Petitioner has prayed that the increased O&M expenses on account of the implementation of the 7th Pay Commission recommendations/ Office Memorandum of DPE, GOI with effect from 1.1.2017 may be allowed in exercise of the power under Regulations 54 and 55 of the 2014 Tariff Regulations. The Petitioner vide affidavit dated 30.9.2020 has furnished a comparative statement of the normative O&M expenses allowed to the generating station for the 2014-19 tariff period and the actual audited O&M expenses incurred for the said period as under:

(₹ in lakh)

	Normative O&M expenses	Actual O&M expenses (audited) incurred
2014-15	52225.97	6769.09
2015-16	55786.39	8937.87
2016-17	59582.85	20531.26
2017-18	63635.04	6906.70
2018-19	67982.28	9444.92
Total	**299212.53**	**52589.84**

71. It is observed that the actual audited O&M expenses incurred for the 2014-19 tariff period is ₹52589.84 lakh (17.57% only) as against the normative O&M expenses of ₹299212.53 lakh allowed by the Commission for the 2014-19 tariff period. The Petitioner, in support of the abnormally low actual O&M expenses, has vide affidavit dated 30.9.2020, submitted that the normative O&M allowed by the Commission is towards the entire capacity (1967.08 MW) which comprise of 2 Gas Turbines (GT) and 1 (one) Steam Turbine (ST) with Power Block-1 of 640 MW (2x205+1x230) capacity, Power Block 2 & 3 of 663.54 MW (2x213+1x237.54) capacity. It has stated that the generating station is presently running 540 MW (approx.) with one module of 663.54 MW capacity and with the other module of 663.54 MW capacity, as a standby. The Petitioner has added that the actual O&M expenses incurred corresponds to one module (663.54 MW) only as against the normative O&M expenses allowed for the installed capacity of 1967.08 MW. The Petitioner has stated that in order to keep the remaining module in a healthy available condition, the modules are taken in service in a rotational manner and, therefore, the effective running hour of the GT is less in a year. The Petitioner has also stated that the maintenance of GT is linked with their operating hour and the schedule for maintenance is normally taken within a year, which is carried out after a period of more than a year. Therefore, as per accounting practice, the O&M expenses incurred for maintenance are considered as capitalized and do not reflect in the yearly O&M expenses.

72. As regards the impact of the Goods and Services Tax (GST), the Petitioner has submitted that the normative parameters including O&M expenses for the 2014-19 tariff period were based on actuals for the period 2008-09 to 2012-13. It has further stated that the enactment of GST with effect from 1.7.2017 constitutes a change in law event, as it has resulted in changes in the input cost required for the O&M of the power plants. The Petitioner has stated that the change in tax regime has a positive as well as

negative impact i.e., taxes to be paid on certain services/ goods increased, whereas on certain services/ goods taxes have decreased. However, the overall impact due to change in tax regime was on the positive side i.e. the net taxes paid by the Petitioner has increased for carrying out O&M activities such as sourcing goods/ material from vendors/ OEMs, etc. The details of GST impact as submitted by the Petitioner are as under:

(₹ in lakh)

2017-18 (1.7.2017 to 31.3.2018)	**2018-19**
126.31	208.77

73. The matter has been examined. The Commission vide its order dated 14.3.2018 in Petition No. 13/SM/2017 has held that the introduction of GST and the consequent subsuming/ abolishing of various taxes/ cesses amounts to a Change in Law event. As regards the impact of wage revision in O&M expenses, paragraph 29(4) of the draft 2014 Tariff Regulations had proposed as under:

> *"29 (4) The impact of wage revision if any, during the tariff period shall be allowed in due consideration of Government of India, Department of Public Enterprise guidelines and considering following percentage of O&M as employee cost:*
> *Coal/Lignite based Stations: 40%*
> *Gas/liquid fuel based stations: 32%*
> *Hydro Generating Stations: 46%*
> *Transmission system: 40%"*

74. However, in paragraph 33.2 of the Statement of Reasons (SOR) to the 2014 Tariff Regulations notified by the Commission, it was observed as follows:

> *"33.2 The draft Regulations provided for a normative percentage of employee cost to total O&M expenses for generating stations and transmission system with an intention to provide a ceiling limit so that the same should not lead to any exorbitant increase in the O&M expenses resulting in spike in tariff. The Commission shall examine the increase in employee expenses on case to case basis and shall consider the same if found appropriate, to ensure that overall impact at the macro level is sustainable and thoroughly justified. Accordingly, clause 29(4) proposed in the draft Regulations has been deleted. The impact of wage revision shall only be given after seeing impact of one full year and if it is found that O&M norms provided under Regulations are inadequate/insufficient to cover all justifiable O&M expenses for the particular year including employee expenses, then balance amount may be considered for reimbursement."*

75. Regulation 8(3) of the 2014 Tariff Regulations provides as under:

“8. Truing up
xxxx
(3) The Commission shall carry out truing up of tariff of generating station based on the performance of following Uncontrollable parameters:

i) Force Majeure;
ii) Change in Law; and
iii) Primary Fuel Cost.
xxx

(7) The financial gains and losses by a generating company or the transmission licensee, as the case may be, on account of uncontrollable parameters shall be passed on to beneficiaries of the generating company or to the long term transmission customers/DICs of transmission system, as the case may be. ”

76. The Petitioner has reiterated that the O&M expenses incurred is low due to the fact that (i) majority of the O&M expenses was being booked in the capital cost of the project as the annual maintenance period was more than one year (ii) the plant was running on part capacity i.e. one block/ module of 663.54 MW out of three blocks was being used for supply of 500 MW to 620 MW to Indian Railways out of installed capacity of 1967.08 MW. It has also stated that the generating station is not running at its full capacity as the beneficiaries were not scheduling since the beginning of the 2014-19 tariff period and, with the intervention of MOP, GOI, the Petitioner has made alternate arrangements for power supply to Indian Railways. It has also submitted that the matter of non-payment of annual fixed charges by the beneficiaries for the previous tariff period (2009-14) is *sub judice* before the Hon’ble Supreme Court.

77. We notice that the supply of 663.54 MW capacity from the generating station represents 34% (approx.) of the total installed capacity of 1967.08 MW, whereas the total actual O&M expenses (₹52589.84 lakh) incurred represents only 17% of the normative expenses (₹299212.53 lakh) allowed during the 2014-19 tariff period in terms of the said Regulations. Even considering the fact that the actual O&M expenses incurred represents the O&M of only one block, the same represents one half of the corresponding pro-rata normative O&M expenses. In this background, we find no reason to allow the impact of wage revision for employees and the CISF staff including

GST as additional normative O&M expenses as claimed by the Petitioner, in exercise of the power under Regulations 54 and 55 of the 2014 Tariff Regulations. Accordingly, the total O&M expenses allowed for the generating station in terms of the 2014 Tariff Regulations is as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
O&M Expenses allowed	52225.97	55786.39	59582.85	63635.04	67982.28
Water Expenses allowed	0.00	0.00	0.00	0.00	194.00
Impact of wage revision	0.00	0.00	0.00	0.00	0.00
Impact of GST	0.00	0.00	0.00	0.00	0.00
Total O&M expenses allowed	**52225.97**	**55786.39**	**59582.85**	**63635.04**	**68176.28**

<u>Interest on Working Capital</u>

78. Regulation 28 of the 2014 Tariff Regulations provides as under:

"28. Interest on Working Capital:

(1) The working capital shall cover:

(a) Coal-based/lignite-fired thermal generating stations:

(i) Cost of coal or lignite and limestone towards stock if applicable for 15 days for pit-head generating stations and 30 days for non-pit-head generating stations for generation corresponding to the normative annual plant availability factor or the maximum coal/lignite stock storage capacity whichever is lower;

(ii) Cost of coal or lignite and limestone for 30 days for generation corresponding to the normative annual plant availability factor;

(iii) Cost of secondary fuel oil for two months for generation corresponding to the normative annual plant availability factor and in case of use of more than one secondary fuel oil cost of fuel oil stock for the main secondary fuel oil;

(iv) Maintenance spares @ 20% of operation and maintenance expenses specified in regulation 29;

(v) Receivables equivalent to two months of capacity charges and energy charges for sale of electricity calculated on the normative annual plant availability factor; and

(vi) Operation and maintenance expenses for one month.

(b) Open-cycle Gas Turbine/Combined Cycle thermal generating stations:

(i) Fuel cost for 30 days corresponding to the normative annual plant availability factor duly taking into account mode of operation of the generating station on gas fuel and liquid fuel;

(ii) Liquid fuel stock for 15 days corresponding to the normative annual plant availability factor and in case of use of more than one liquid fuel cost of main liquid fuel duly taking into account mode of operation of the generating stations of gas fuel and liquid fuel;

(iii) Maintenance spares @ 30% of operation and maintenance expenses specified in Regulation 29;

(iv) Receivables equivalent to two months of capacity charge and energy charge for sale of electricity calculated on normative plant availability factor duly taking into account mode of operation of the generating station on gas fuel and liquid fuel; and

(v) Operation and maintenance expenses for one month.

(c) Hydro generating station including pumped storage hydroelectric generating station and transmission system including communication system:

(i) Receivables equivalent to two months of fixed cost;

(ii) Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 29; and

(iii) Operation and maintenance expenses for one month.

(2) The cost of fuel in cases covered under sub-clauses (a) and (b) of clause (1) of this regulation shall be based on the landed cost incurred (taking into account normative transit and handling losses) by the generating company and gross calorific value of the fuel as per actual for the three months preceding the first month for which tariff is to be determined and no fuel price escalation shall be provided during the tariff period.

(3) Rate of interest on working capital shall be on normative basis and shall be considered as the bank rate as on 1.4.2014 or as on 1st April of the year during the tariff period 2014-15 to 2018-19 in which the generating station or a unit thereof or the transmission system including communication system or element thereof as the case may be is declared under commercial operation whichever is later.

(4) Interest on working capital shall be payable on normative basis notwithstanding that the generating company or the transmission licensee has not taken loan for working capital from any outside agency."

79. The Petitioner has claimed the Interest on working capital in Form 13B as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Fuel Cost	31034.13	31034.13	31034.13	31034.13	31034.13
Liquid fuel stock	0.00	0.00	0.00	0.00	0.00
O&M expenses (one month)	4352.16	4652.52	4985.79	5367.48	5751.23
Maintenance Spares	15667.79	16749.06	17948.83	19322.91	20704.43
Receivables	93736.21	93534.07	93920.11	94112.07	94336.59
Total Working Capital	**144790.29**	**145969.77**	**147888.86**	**149836.58**	**151826.37**
Rate of Interest	13.50	13.50	13.50	13.50	13.50
Interest on Working Capital	**19546.69**	**19705.92**	**19965.00**	**20227.94**	**20496.56**

Fuel Cost and Energy Charges

80. The Commission vide its order dated 21.3.2017 in Petition No.263/GT/2014 had allowed the fuel cost, based on the price and GCV of APM gas for preceding three months from January 2014 to March 2014 as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Fuel Cost	31028.31	31028.31	31028.31	31028.31	31028.31
Liquid fuel stock	0.00	0.00	0.00	0.00	0.00

81. Accordingly, the fuel cost for 30 days and Liquid fuel stock for 15 days as allowed by the Commission in order dated 21.3.2017 has been considered in this order.

82. The rate of Energy Charge of ₹2.644/kWh as allowed vide Commission's order dated 21.3.2017 in Petition No. 263/GT/2014 has been allowed.

Maintenance Spares

83. The Petitioner has claimed the following maintenance spares in the working capital:

(₹ in lakh)

2014-15	2015-16	2016-17	2017-18	2018-19
15667.79	16749.06	17948.83	19322.91	20704.43

84. Regulation 28(1)(b)(iii) of the 2014 Tariff Regulations provide for maintenance spares @30% of the operation & maintenance expenses as specified in Regulation 29. Since there is revision of the O&M expenses allowed to the generating station due to inclusion of water charges of ₹194 lakh in 2018-19, the maintenance spares @30% of normative O&M expenses is worked out and allowed as under:

(₹ in lakh)

2014-15	2015-16	2016-17	2017-18	2018-19
15667.79	16735.92	17874.86	19090.51	20452.89

O&M expenses for 1 month

85. Regulation 28(1)(b)(v) of the 2014 Tariff Regulations provide for O&M expenses for one month calculated based on the operation & maintenance expenses as specified in Regulation 29. Since there is revision of the O&M expenses allowed to the generating station due to inclusion of water charges of ₹194 lakh in 2018-19, the O&M expenses for one month is worked out and allowed as under:

(₹ in lakh)

2014-15	2015-16	2016-17	2017-18	2018-19
4352.16	4648.87	4965.24	5302.92	5681.36

Receivables

86. Receivables equivalent to two months of fixed and energy charges has been worked out and allowed as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Variable Charges - for two months*	62930.31	63102.72	62930.31	62930.31	62930.31
Fixed Charges – for two months	30410.16	29435.42	27161.31	27442.97	27944.18
Total	**93340.47**	**92538.15**	**90091.62**	**90373.28**	**90874.49**

**Variable charges for two months have been calculated based on ECR of Rs.2.644/kWh (reference para 82 above)*

Rate of interest on working capital

87. In terms of clause (3) of Regulation 28 of the 2014 Tariff Regulations, the rate of interest on working capital has been considered as 13.50% (Bank rate 10.00 + 350 bps). Accordingly, Interest on working capital has been computed as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Fuel cost – 30 days	31028.31	31028.31	31028.31	31028.31	31028.31
Liquid fuel stock - 15 days	0.00	0.00	0.00	0.00	0.00
Maintenance Spares - 30% of O&M expenses	15667.79	16735.92	17874.86	19090.51	20452.89
O&M expenses - 1 month	4352.16	4648.87	4965.24	5302.92	5681.36
Total Working Capital	**144388.74**	**144951.24**	**143960.03**	**145795.02**	**148037.04**
Rate of Interest	13.50%	13.50%	13.50%	13.50%	13.50%
Interest on Working capital	**19492.48**	**19568.42**	**19434.60**	**19682.33**	**19985.00**

Annual Fixed Charges

88. Accordingly, the annual fixed charges approved in this petition for the 2014-19 tariff period for the generating station is summarized as under:

(₹ in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	45940.40	45391.12	46024.33	45908.39	45674.88
Interest on Loan	36941.87	27986.81	10038.83	7533.67	5916.19
Return on Equity	27860.22	27879.82	27887.23	27898.40	27912.70
Interest on Working Capital	19492.48	19568.42	19434.60	19682.33	19985.00
O&M Expenses	52225.97	55786.39	59582.85	63635.04	68176.28
Total	**182460.94**	**176612.55**	**162967.86**	**164657.82**	**167665.06**
Annual Fixed charges approved vide Commission's order dated 21.3.2017	182556.21	182138.91	182260.84	183725.71	185565.72

89. The difference between the annual fixed charges already recovered by the Petitioner in terms of Commission's order dated 21.3.2017 and the annual fixed

charges determined by this order shall be adjusted in terms of Regulation 8 of the 2014 Tariff Regulations.

90. The above determined annual fixed charges and energy charges shall be recovered by the generating company on monthly basis, in terms of Regulation 30 of the 2014 Tariff Regulations, except for the capacity and period for which the generating station has operated under PSDF scheme of MOP by dedicating part capacity of the generating station. The tariff for the period under PSDF scheme has been dealt in succeeding paragraphs.

PSDF Fund based Gas Plant Revival Scheme of MoP, GOI

91. As regards the PSDF fund based Gas Plant Revival Scheme of the Ministry of Power, Government of India, the Commission in its order dated 21.3.2017 in Petition No. 263/GT/2014 had observed the following:

> *"70. The Commission has notified the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) (First Amendment) Regulations, 2015 and inserted Regulation 23A for Gas based Station which provides as under:*
>
> > *"23A. Tariff Determination of Gas based generating stations: The tariff of gas based generating stations covered under the "Scheme for Utilization of Gas based power generation capacity" issued by the Government of India, Ministry of Power vide Office Memorandum No. 4/2/2015-Th.1 dated 27.3.2015 shall be determined in due consideration of the provisions of that scheme in deviation of the relevant regulations".*
>
> *71. In terms of the above regulation, the Petitioner was a successful bidder for the PSDF support for the period from 1.6.2015 to 30.09.2015 under Phase-I PSDF scheme, and from 1.10.2015 to 31.3.2016 under Phase-II PSDF scheme and from 1.4.2016 to 30.9.2016 under Phase-III PSDF scheme.*
>
> *Operation under Phase-I scheme*
>
> *72. The Petitioner has participated in Phase-I of the PSDF scheme wherein the target price for sale of power to Discoms has been determined as Rs 4.70 per unit at the maximum PLF of 35%, by reverse auction. Further, by reverse auction PSDF support amount to be additionally payable by MoP, GoI to the Petitioner through Discom has been determined as Rs1.45 per unit for incremental electricity to be supplied to Discom by the Petitioner.*
>
> *Operation under Phase-II scheme*
>
> *73. The MoP, GoI, had issued Letter of Award dated 17.9.2015 to the Petitioner, allocating 315.952 MMSCM (1.736 MMSCMD RLNG x 182 days) for Phase-II from 1.10.2015 to 31.3.2016 for generation of 1562.87 MUs of incremental electricity at target PLF of 50% and target price of Rs 4.70 per unit to Discom, with PSDF support of Rs 1.45 per unit.*

Operation under Phase-III scheme

74. The MoP, GoI, had issued Letter of Award dated 21.03.2016 to the Petitioner allocating 424.377 MMSCM (2.319 MMSCMD RLNG x 183 days) for phase-III from 1.4.2016 to 30.9.2016 for generation of 2087.56 MUs of incremental electricity with PLF of 30% and target price to Railway is Rs 4.70 per unit, with PSDF support of minus (-)Rs 0.02 per unit.

75. The Petitioner has submitted that it has availed PSDF scheme during the period from 1.6.2015 to 30.9.2015, and from 1.10.2015 to 31.3.2016 and from 1.4.2016 to 30.9.2016. However, the Petitioner has not furnished any details as regards the Distribution Companies (Discoms) to whom it has supplied/ to be supplied power for the period from 1.6.2015 to 31.3.2016. In view of this the Petitioner shall furnish the following information at the time of truing up:

i) Distribution Companies to whom power was supplied under PSDF scheme during period from 1.6.2015 to 30.9.2015 and from 1.10.2015 to 31.3.2016.
ii) The incremental electricity generated at target PLF and at what target price same were sold to Distribution Companies.
iii) Details of Quantum of RLNG allocated under PSDF scheme and whether the same was fully utilized for generation up to target PLF.
iv) Whether any Electricity generated over & above the target PLF in the above said period. If yes, the details of the same should be furnished and to whom it was supplied.

76. As per the PSDF scheme, the price/kWh of incremental electricity shall not exceed the target price. Further there is capping of fixed cost, the Petitioner (i) shall completely forego the Return on Equity, and (ii) Fixed Cost recovery shall be limited to meet only the debt service obligation and Operation & Maintenance cost.

77. Accordingly, the Petitioner is directed to furnish the details of recovery of cost above the fuel price paid to gas supply companies for the incremental generation and details of Debt Service obligation met and O&M charges recovered for incremental capacity."

92. In response, the Petitioner has submitted the following details:

(₹ in lakh)

		2015-16					**2016-17**	
1.	Description	Unit	Phase I (1.5.2015-30.9.2015)	Phase II (1.10.2015-31.3.2016)	Total	Phase-III (1.4.2016-30.9.2016)	Phase-IV (1.10.2016-31.3.2016)	Total
2.	Incremental electricity generated/ sent out to	MU	Since the waiver of VAT by the Govt. of Maharashtra on the supply of RLNG was not notified, during the Phase-I of the PSDF scheme, RGPPL was not eligible bidder & accordingly RGPPL did not get RLNG under the Ph-I of the PSDF scheme.	1187	1187	2172	2088	4260
3.	PLF	%		21	21	26	26	26
4.	Bill raised by RGPPL on Railways @₹ 470per unit	lakh		**55821**	**55821**	**102077**	**98161**	**200238**
5.	Quantum of RLNG allocated	MMSCM		316	316	424	442	866
6.	E-bid RLNG consumed	MMSCM		437	237	431	404	835
7.	Fuel cost	lakh		56053	56,053	71686	77388	149074
8.	Total PSDF support amount (including variation in	lakh		**12130.14**	**12130.14**	**(6560.40)**	**15715.44**	**9155**

	spot RLNG rate or FOREX rate claimed by RGPPL							
9.	Normative O&M cost	lakh		55786	55786		59583	59583
10.	Interest on Normative loan	lakh		33332	33332		30330	30330
11.	Normative Depreciation	lakh		46241	46241		46893	46893
12.	Total (Sl. 9+sl. 10+sl.11)	lakh		**135359**	**135359**		**136806**	**136806**

93. The Petitioner vide affidavit dated 29.1.2020 has mainly submitted as under:

(a) That after RGPPL Power Block of 1967.08 MW attained COD on 19.5.2009 with 100% power to Maharashtra, MOP, GOI vide order dated 10.5.2011 had made the allocation. The gas supply from KG D6 basin reduced gradually and stopped on 1.3.2013. Thereafter, State of Maharashtra stopped taking power from RGPPL. As the share of Respondent DD, DNH & Goa put together was much less than the technical minimum of a single block, power could not be made available to them.

(b) The Commission vide its order dated 30.7.2013 (in Petition No.166/MP/2012) had allowed RGPPL to start declaring capacity on RLNG and accordingly, capacity on RLNG was being declared since 13.8.2013. However, the beneficiaries had neither been scheduling nor paying the fixed cost for the power block on capacity declaration on RLNG or mix of domestic gas and RLNG, apparently, due to higher power cost. RGPPL was declaring its power block availability based on RLNG and raised bills to the extent of Rs. 2000 crore for fixed charges. MSEDCL had contested the bills raised by RGPPL. However, the Appellate Tribunal of Electricity (APTEL) vide its judgment dated 22.4.2015 in Appeal No. 26/2013 upheld the Commission's order declaring RGPPL's right to declare capacity on RLNG and recover fixed charges irrespective of the scheduling done by the beneficiaries. Subsequently, MSEDCL had filed appeal before the Hon'ble Supreme Court against the judgment of APTEL and the same is sub-judice.

(c) Subsequently, to mitigate the problem of mounting bank dues from gas stations all over India, the GOI launched a scheme for utilization of gas based power generation capacity during 2016-17 by providing subsidy on the RLNG (through reverse-bidding mechanism) from Power System Development Fund (PSDF). As per the scheme, the developer/ generator shall completely forego the Return on Equity (ROE) and accordingly, the fixed cost recovery shall be limited to meet only the obligation towards debt servicing and O&M Cost. Under the scheme, RGPPL supplied power of the order of 500 MW to Railways from November, 2015 to March, 2017.

(d) For viability of RGPPL post PSDF scheme (w.e.f. 1.4.2017), it was decided in the meeting held at MoP, GOI and PMO to supply minimum 500 MW of power to Railways at a fixed tariff of Rs.5.50/unit at Railways TSS (Traction Sub-Station). To arrive at fixed tariff of Rs. 5.50 per unit, various haircuts were envisaged namely:

i) waiver of Transmission charges & losses by Maharashtra Govt. on supply of electricity;

ii) exemption of VAT by the State Govt. of Maharashtra on supply of fuel; and
iii) 50% exemption of transmission charges and 75% exemption on marketing margin on fuel supply by GAIL.

(e) To this effect, MoP, GOI had allocated 540 MW power to Indian Railways out of share of the State of Maharashtra. Accordingly, RGPPL signed PPA of 540 MW with Railways for supply of power in various Railways zones like Central Railway (Maharashtra), Western railway (Gujarat), West Central Railway (Madhya Pradesh), North Central Railway (Uttar Pradesh), South Eastern Railway (Jharkhand), South Western Railway (Karnataka), South Central Railway (Telangana), and Southern Railway (Tamil Nadu).

(f) Subsequently, Gas Supply Agreement (GSA) had also been signed with GAIL (India) Ltd. for supply of 1.75 MMSCMD (68,611 MMBTU) of RLNG at firm price of 7.48 USD/MMBTU at their Terminal (excluding Regasification and transportation charges) for a period of 5 years. In addition to the GSA with GAIL, an additional allocation upto 0.9 MMSCMD domestic gas is also available, as per the Term sheet signed with GAIL. Further, any impact due to variation in domestic gas price and Foreign exchange will be absorbed by RGPPL. Of the above exemptions, only VAT has yet been waived. All transmission charges & losses of respective STU and CTU are being borne by RGPPL. Under the arrangement, RGPPL is supplying power to various zone of Railways at tariff which is outside CERC tariff. The PPAs are there for five-year term from 1.4.2017 to 31.3.2022. During 2014-19, since MSEDCL has not paid any past dues and was not recognizing DC in spite of CERC order, RGPPL could not sell power to Maharashtra & other beneficiaries.

94. It is observed from the above that since the major beneficiary (Respondent No.1, MSEDCL) was not procuring power from the generating station, the Petitioner participated in the PSDF Fund based Gas Plant Revival Scheme of MoP, GoI during the year 2015-16 and 2016-17 and had supplied certain incremental energy to Indian Railways at a target rate of ₹4.70/kWh along with PSDF support ranging from

₹1.45/kWh to (-) ₹0.02/kWh. Post PSDF Scheme of MoP, GOI, the Petitioner has entered into a PPA with Indian Railways for supply of 540 MW, out of the allocation made to Respondent MSEDCL, at the fixed rate of ₹5.50 ₹/kWh. The Regulation 23A of the 2014 Tariff Regulations provides that the tariff of gas based generating stations covered under the "Scheme for Utilization of Gas based power generation capacity" issued by the Government of India, Ministry of Power vide Office Memorandum No. 4/2/2015-Th.1 dated 27.3.2015 shall be determined in due consideration of the provisions of that scheme in deviation of the relevant regulations. Considering the fact that the Petitioner has supplied power to Indian Railways at price of ₹4.70/kWh along with PSDF support by operating a block comprising 663.54 MW capacity under the PSDF Scheme (for periods from 1.10.2015 to 31.3.2016; from 1.4.2016 to 30.9.2016, and from 1.10.2016-31.3.2017), no tariff is required to be determined separately for the capacity under PSDF Scheme.

95. For the periods when no supply was made by Petitioner under PSDF scheme, the recovery of fixed charges (as determined at para 88 above) by Petitioner shall be in terms of Regulation 30 of the 2014 Tariff Regulations, except for Indian Railways which had been supplied energy (post PDF) corresponding to 540 MW at fixed price of ₹5.50/kWh.

96. This order disposes of Petition No. 434/GT/2020.

Sd/-	***Sd/-***	***Sd/-***
(Arun Goyal)	**(I.S Jha)**	**(P.K. Pujari)**
Member	**Member**	**Chairperson**