

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 18/RP/2022**

**in**

**Petition No. 395/GT/2020**

**Coram:**

**Shri I.S Jha, Member  
Shri Arun Goyal, Member  
Shri Pravas Kumar Singh, Member**

**Date of Order: 12<sup>th</sup> September, 2022**

**In the matter of**

Review of Commission's order dated 21.3.2022 in Petition No. 395/GT/2020 with regard to revision of tariff of Korba STPS Stage-III (500 MW) for the 2014-19 tariff period.

**And**

**In the matter of**

NTPC Limited,  
NTPC Bhawan  
Core-7, Scope Complex,  
7, Institutional Area, Lodhi Road  
New Delhi-110003

**.....Petitioner**

**Vs**

1. Madhya Pradesh Power Management Company Limited,  
Shakti Bhawan, Vidyut Nagar, Rampur,  
Jabalpur-110003.
2. Maharashtra State Electricity Distribution Company Limited,  
Prakashgad, Bandra (East),  
Mumbai-400051.
3. Gujarat Urja Vikas Nigam Limited,  
2nd Floor Sardar Patel Vidyut Bhawan,  
Racecourse, Vadodara -390007.
4. Chhattisgarh State Power Distribution Company Limited,  
Vidyut Sewa Bhawan, Dagania, Raipur – 492001.



5. Electricity Department,  
Government of Goa, 3rd Floor, Vidyut Bhawan,  
Panaji, Goa-403001.
6. DNH Power Distribution Corporation Limited,  
UT of Dadra Nager & Haveli, Silvassa-396230.
7. Electricity Department,  
Administration of Daman & Diu,  
Daman-396210.
8. Chamundeshwari Electricity Supply Corporation Limited,  
Corporate Office, No. 29, Vijayanagar,  
2nd stage, Hinkal, Mysore – 570 017.
9. Gulbarga Electricity Supply Company Limited,  
Main road, Gulbarga – 585 102, Karnataka.
10. Hubli Electricity Supply Company Limited,  
Corporate office, P.B. Road, Navanagar,  
Hubli – 580 025.
11. Kerala State Electricity Board Limited,  
Vaidyuthi Bhavanam, Pattom,  
Thiruvananthapuram – 695 004.
12. Electricity department,  
Govt. of Puducherry, 137, NSC Bose Salai  
Puducherry- 605001.

**...Respondents**

**Parties present:**

Shri A.S. Pandey, NTPC  
Shri Anurag Naik, MPPMCL

**ORDER**

The Review Petitioner, NTPC Limited has filed this Review Petition against the Commission's order dated 21.3.2022 in Petition No. 395/GT/2020 ('the impugned order') truing-up the tariff of Korba STPS Stage-III (500 MW) (in short 'the generating station') for the 2014-19 tariff period in accordance with Regulation 8(1) of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014.



Aggrieved by the impugned order, the Review Petitioner has filed this Review Petition on the ground that there are errors apparent on the face of the record, on the following issues:

- a) *Error in the consideration of interest rates for 8 No.(s) of loan for computing the weighted average rate of interest;*
- b) *Error in the consideration of impact of refinancing on interest rates of loans;*
- c) *Error in the computation of WAROI on account of deduction of IDC capitalised during the year;*
- d) *Error in non-consideration value of freehold land for 2018-19 in Depreciation;*

### **Hearing dated 12.8.2022**

2. The Review Petition was heard on 'admission' through 'video conferencing' on 12.8.2022. During the hearing, the representative of the Review Petitioner made detailed oral submissions in the matter. The Commission, after hearing the representative of the Review Petitioner, 'admitted' the Review Petition on the issues (a), (b) and (c) in paragraph 1 above. Notice shall be issued to the Respondents. As regards the issue (d) raised in paragraph 1 above, the same is disposed of at the admission stage as under:

### **Error in non-consideration of the value of freehold land in 2018-19 for Depreciation**

3. The Review Petitioner has submitted the following:

- (a) The value of freehold land in gross block had been revised in 2018-19 as per the new accounting guidelines after reclassification of R&R expenditure of Rs 1000.00 lakh from Land (R&R) to Plant & Machinery. As per details provided in Form-11 (indicating asset wise gross block on accrual basis including for Freehold Land) and Form-18 (liability flow statement) in the petition and also as per details provided in excel sheet (uploaded on the Commission's website) under worksheet titled "Land reconc.cash basis", the reconciliation for value of freehold land, on cash basis, had been provided as under:



<i>(Rs in lakh)</i>					
<b>Freehold Land</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Gross basis	4354.03	4354.03	4354.03	4354.03	4354.03
Liability	1412.03	951.34	814.06	742.66	601.87
Land on cash basis(opening)	2942.00	3402.69	3539.97	3611.37	3752.16
Add-Cap					-1000
Discharge of liability	460.69	137.28	71.4	140.79	2.3
Land on cash basis (Closing)	3402.69	3539.97	3611.37	3752.16	2754.46
<b>Average value of Freehold Land on cash basis</b>	<b>3172.34</b>	<b>3471.33</b>	<b>3575.67</b>	<b>3681.77</b>	<b>3253.32</b>

(b) The reclassification of R&R expenditure of Rs 1000.00 lakh from Land (R&R) to Plant & Machinery pertains to "Setting up of a new ITI with Infrastructure, tools and machineries for improving employability of PAPs and local population", which was part of the R&R plan finalized by the District Rehabilitation Committee (DRC), an official forum as per Govt. of Chhattisgarh norms.

(c) The setting up of new ITI (for an amount of Rs 1000.00 lakh) was part of the R&R finalized by the task force constituted under the Chairmanship of the Collector, Korba, which deliberated and finalized the R&R plan for the Project ash dyke on 27.8.2011. Subsequently, the expenditure for implementation of the R&R Plan (at a total estimated cost of Rs 31.15 crore) was approved by the competent authority of the Petitioner's company. Copy of the relevant extract of the R&R plan approved by the District Authority on 27.8.2011 is furnished.

(d) The details of the approved R&R plan for the Project ash dyke includes the following:

<b>Description</b>	<b>Amount (Rs in crore)</b>
Rehabilitation benefits for land oustees/ PAPs	10.82
Resettlement benefits for PAPs	1.25
Community Development activities for PAPs	9.08
<b>Setting up of a New ITI</b>	<b>10.00</b>
<b>Total</b>	<b>31.15</b>

(e) As per the standard practice followed by the Review Petitioner based on its understanding of the Accounting Standards, the entire expenditure under the R&R Plan, including the cost of infrastructural facilities and other directly attributable expenses in relation to the acquisition of land, were capitalised as land cost and the same practice was followed for expenditure for R&R plan of Project ash dyke. Accordingly, setting up of new ITI for an amount of Rs 1000.00 lakh was capitalized as 'Freehold land cost'.

(f) During the supplementary audit of accounts of the Review Petitioner for 2016-17, with regard to one of the power project being set up by the Review Petitioner in the State of Odisha, the Office of the C&AG principally agreed with



the accounting for R&R plan as part of land cost. However, C&AG also desired that the accounting for the expenditure on R&R Plan capitalised as part of land cost, be confirmed from the Expert Advisory Committee of the Institute of Chartered Accountants of India, ICAI, a statutory body established by an Act of Parliament, under the administrative control of the Ministry of Corporate Affairs, GOI. Accordingly, the Review Petitioner had approached the ICAI for opinion of its Expert Advisory Committee (EAC) on the subject 'Accounting of amount incurred on rehabilitation and resettlement Scheme including development of infrastructural facilities'. The Review Petitioner has attached the copy of the recommendations, with the following opinion;

***"D. Opinion***

*16. On the basis of the above, the Committee is of the opinion that:*

*(i) The accounting treatment followed by the company of capitalizing the entire expenditure on R&R Plan including construction of the medical college and hospital, as part of land-cost, is not completely appropriate.*

*(ii) The resettlement grant/compensation payable to the land owners as a direct consequence of acquisition of land can be considered as directly attributable to the cost of land and, therefore, should be capitalised along with cost of land, as discussed in paragraph 13 above. The other expenditure on R & R plan including expenditure incurred on MCH in the extant case is a binding obligation of the company and a necessary condition of project approval, which is closely related to the project work and can be considered as expenditure incurred for developmental activities associated with the Project (and not for acquisition of land, which is one of the requirements for the construction of the project). **Accordingly, such expenditure can be considered as directly attributable to the Project and should be capitalised as part of the project cost, as discussed in paragraphs 13 and 15 above.**"*

(g) That in view of the above opinion provided by the EAC of ICAI, the Review Petitioner revised its accounting policy in March, 2019 with regard to the expenditure on R&R and Community Development activities under R&R plan and accordingly the R&R expenditure directly attributable to acquisition of land is capitalized as part of cost of land while R&R expenditure, such as infrastructural facilities like development of national highway, establishment of hospitals, polytechnic college, etc. which are in the larger interest of the people of the State or district, is attributable to the project as a whole and is capitalized as part of project cost and not as part of cost of land. Accordingly, the Review Petitioner in 2018-19 reclassified the expenditure of Rs 10000.00 lakh in the gross block for setting up of ITI from Freehold Land to Plant & Machinery and submitted the same as part of the 2014-19 truing up petition.

(h) That the opinion provided by EAC of the ICAI in the matter is not in consequence to the Indian Accounting Standards (Ind AS) notified by the Ministry of Corporate Affairs on 16.2.2015, but clarification on the matter of treatment of capitalization of certain R&R expenditure as per its understanding of the nature of the expenditure. The EAC of the ICAI has considered the provisions of Ind AS with regard to 'Property, Plant & Equipment' to conclude that the expenditure



under R&R plan is mandatory for the Review Petitioner to operate the Power Project and hence needs to be capitalized. Further, the EAC based on the nature of specific expenditure for various schemes in R&R plan has opined that resettlement grant/compensation etc. payable to land owners as a direct consequence of acquisition of land can be considered as directly attributable to the cost of land while other expenditure on R&R plan can be considered as expenditure incurred for developmental activities associated with the Project and should be capitalised as part of project cost and not as part of the cost of land.

(i) The provisions of Accounting Standards as per Indian GAAP (IGAAP) with regard to 'Property, Plant and Equipment', as described in Accounting Standard (AS) 10 are the same as that of the provisions of Ind AS 16 with regard to 'Property, Plant and Equipment' as mentioned in the opinion provided by the EAC of ICAI on the matter:

(j) As per abovementioned, provision of Ind AS 16 with respect to 'Property, Plant & Equipment' is same as that of Accounting Standard 10 (as per IGAAP) and hence the opinion of EAC of the ICAI as described above is not specific to Ind AS provisions, but an understanding of the EAC with regard to capitalization of expenditure of various schemes of R&R plan, as per their nature for being directly attributable to the acquisition of land or to the project as a whole. Hence, a particular accounting standard being followed by the commission for determination of tariff as per the 2014 Tariff Regulations should not be a constraint, if any, for consideration of the reclassification of R&R expenditure done by the Review Petitioner as described above.

(k) The Commission in its order dated 23.3.2022 in Petition No 419/GT/2020 (approval of tariff for the generating station for the 2019-24 tariff period) had appropriately considered the said reclassification done and has revised the gross block (on accrual basis) as on 1.4.2019 for Freehold land to Rs 3354.03 lakh and for Plant & Machinery to Rs 246310.69 lakh. However, the Commission has apparently erred by not considering the same while determining the value of freehold land (on cash basis) in the said order. The Commission has erroneously considered the value of freehold land (on cash basis) as Rs 3754.46 lakh instead of Rs 2754.46 lakh (which would be the correct value after considering the said reclassification). In view of above, the Review Petitioner has requested the Commission to review the value of freehold land in the year 2018-19 as considered for Depreciation in the impugned order dated 21.3.2022.

4. We have examined the matter. It is observed that prior to the such reclassification done by the Review Petitioner, the amount of Rs. 1000 lakh, was treated as freehold land in books of accounts and also in tariff. In our view, the mere re-classification of an asset (from free hold land to plant & machinery) in books of accounts, does not change



the very basic nature of the asset and should not also impact the tariff. Accordingly, in line with prevailing practice, such reclassification done by the Review Petitioner, has not been considered for the purpose of tariff. In our considered view, no case has been made out by the Review Petitioner for review of the impugned order on this count. There is no error apparent on the face of the order and therefore, review on this ground is not maintainable and is accordingly disposed of at the admission stage.

5. As regards the submissions of the Review Petitioner on the consideration of reclassified value of freehold land in the Annexure-I of the order dated 23.3.2022 in Petition No 419/GT/2020, for computation of depreciation rate, the same shall be corrected at the time of truing up of tariff of the generating station for the the 2019-24 tariff period.

6. The Review Petitioner shall serve the copy of the Review Petition, along with this order on the Respondents by **16.9.2022**. The Respondents are directed to file their replies on the issues (a), (b), and (c), as raised in paragraph 1 above, on or before **30.9.2022**, after serving copy to the Review Petitioner, who may file its rejoinder, if any, by **8.10.2022**. Pleadings shall be completed by the parties within the due date mentioned and no extension of time shall be granted for any reason.

7. Review Petition No. 18/RP/2022 shall be listed for hearing on **11.10.2022**.

**Sd/-**  
**(Pravas Kumar Singh)**  
**Member**

**Sd/-**  
**(Arun Goyal)**  
**Member**

**Sd/-**  
**(I. S. Jha)**  
**Member**

