

**CENTRAL ELECTRICITY REGULATORY COMMISSION
NEW DELHI**

Petition No. 362/GT/2020

Coram:

Shri P. K. Pujari, Chairperson

Shri I. S. Jha, Member

Shri Pravas Kumar Singh, Member

Date of Order: 21st April, 2022

In the matter of:

Petition for truing-up of tariff of Kahalgaon Super Thermal Power Station, Stage-II (1500 MW) for the period from 1.4.2014 to 31.3.2019

And

In the matter of:

NTPC Limited,
NTPC Bhawan, Core-7, Scope Complex,
7, Institutional Area, Lodhi Road,
New Delhi-110 003.

...Petitioner

Vs

1. GRIDCO Limited,
24, Janpath,
Bhubaneswar-751007
2. Power Department,
Govt. of Sikkim, Kazi Road, Gangtok,
Sikkim-737101
3. Gujarat Urja Vikas Nigam Limited,
Sardar Patel Vidyut Bhawan, Race Course,
Baroda-390007
4. Madhya Pradesh Power Transmission Corporation Limited,
Shakti Bhawan, Vidyut Nagar,
Jabalpur-482008
5. Maharashtra State Electricity Distribution Company Limited,
'Prakashgard', Bandra (East),
Mumbai-400 051
6. Chhattisgarh State Power Trading Co. Limited,
Po. Sundernagar, Dhagania,
Raipur-492013
7. Electricity Department,
Administration of Dadra and Nagar Haveli,
Silvassa, (via VAPI)



8. Electricity Department,
Administration of Daman & Diu,
Daman-396210
9. Uttar Pradesh Power Corporation Limited,
Shakti Bhawan, 14, Ashok Marg,
Lucknow-226001
10. Uttaranchal Power Corporation Limited,
Urja Bhawan, Kanwali Road,
Dehradun-248001
11. Jaipur Vidyut Vitran Nigam Limited,
Vidyut Bhawan, Janpath,
Jaipur-302005
12. Ajmer Vidyut Vitran Nigam Limited,
Old Power House, Hathi Bhata, Jaipur Road,
Ajmer-305001
13. Jodhpur Vidyut Vitran Nigam Limited,
New Power House Road, Industrial Area,
Jodhpur-342003
14. Power Development Department,
Government of J&K, Secretariat,
Srinagar-190009
15. BSES Rajdhani Power Limited,
BSES Bhawan, Nehru Place,
New Delhi-110019
16. BSES Yamuna Power Limited,
Shakti Kiran Building, Karkardooma,
Delhi-110006
17. North Delhi Power Limited,
33 KV Sub-station Building,
Hudson Lane, Kingsway Camp,
Delhi-110009
18. Haryana Power Purchase Centre Limited,
Shakti Bhawan, Sector-VI, Panchkula,
Haryana-134109
19. Punjab State Electricity Board,
The Mall, Patiala-147001
20. Himachal Pradesh State Electricity Board,
Vidyut Bhawan,
Shimla-171004
21. Power Department,
Union Territory of Chandigarh,
Additional Office Building, Sector-9D,
Chandigarh-160009

...Respondents



Parties Present:

Shri Venkatesh, Advocate, NTPC
Shri Ashutosh K. Srivastava, Advocate, NTPC
Shri Siddharth Joshi, Advocate, NTPC
Shri Anant Singh, Advocate, NTPC
Shri Abhishek Nangia, Advocate, NTPC
Shri Neil Chatterjee, Advocate, NTPC
Shri Vinay Kumar Garg, NTPC
Shri Ishpaul Uppal, NTPC
Shri Anand Pandey, NTPC
Shri R.B. Sharma, Advocate, BRPL
Ms. Megha Bajpeyi, BRPL
Shri Mohit Mudgal, Advocate, BYPL
Shri Prashant Kumar Das, GRIDCO
Shri Mahfooz Alam, GRIDCO
Shri Manish Garg, UPPCL
Shri Anurag Naik, MPPMCL

ORDER

This Petition has been filed by the Petitioner, NTPC Ltd for truing-up of tariff of Kahalgaon Super Thermal Power Station, Stage-II (1500 MW) (in short ‘the generating station’) for the 2014-19 tariff period in terms of Regulation 8 (1) of the Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2014 (hereinafter referred to as “the 2014 Tariff Regulations”).

2. The generating station with a capacity of 1500 MW comprises of three units of 500 MW each. The dates of commercial operation of the units of the generating station are as follows:

	Actual COD
Unit I	1.8.2008
Unit II	30.12.2008
Unit III/Generating station	20.3.2010

3. The Commission by its order dated 21.1.2017 in Petition No. 283/GT/2014 had determined the tariff of the generating station for the 2014-19 tariff period. Against this order, the Petitioner filed the Review Petition No. 13/RP/2017 before this Commission, challenging the disallowance of additional capital expenditure towards MGR land and



the rate of interest on loan. The Commission vide order dated 26.9.2017 disposed of the Petition No. 13/RP/2017 wherein, the Commission has granted liberty to claim the expenditure of MGR land since it form part of the total MGR system at the time of truing-up of tariff of this generating station provided supplies from linked mines get started. As regards the difference in the value of the rate of interest on loan, the Commission was of the view that the error in calculation of weighted average rate of interest having minor impact on tariff shall be corrected at the time of true-up of tariff for the period 2014-19. The directions of the Commission in the above said order has been considered in this order. The capital cost and the annual fixed charges allowed in order dated 21.1.2017 in Petition No. 283/GT/2014 are as follows:

Capital Cost allowed

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Capital Cost	544756.09	545916.09	545916.09	553258.40	559198.40
Add: Additional Capital Expenditure allowed	1100.00	1500.00	8442.31	1500.00	1100.00
Closing Capital Cost	545856.09	547356.09	555798.40	557298.40	558398.40

Annual Fixed Charges allowed

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	27871.70	27938.14	28192.23	28446.31	28512.76
Interest on Loan	20342.23	18421.01	16866.35	14918.17	12352.73
Return on Equity	32080.36	32312.62	32606.49	32900.36	32977.21
Interest on Working Capital	11042.77	11108.81	11169.69	11427.00	11480.29
O&M Expenses	23200.00	24664.50	26216.00	27869.00	29623.50
Total	114537.05	114445.08	115050.75	115560.84	114946.49

4. Regulation 8 (1) of the 2014 Tariff Regulations provides as follow:

"8. Truing up

(1) The Commission shall carry out truing up exercise along with the tariff petition filed for the next tariff period, with respect to the capital expenditure including additional capital expenditure incurred up to 31.3.2019, as admitted by the Commission after prudence check at the time of truing up:

Provided that the generating company or the transmission licensee, as the case may be, shall make an application for interim truing up of capital expenditure including additional capital expenditure in FY 2016-17."



5. The capital cost and the annual fixed charges claimed by the Petitioner for the 2014-19 tariff period are as follows:

Capital Cost claimed

(Rs. in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Capital Cost	544756.09	549285.54	549370.86	553261.15	555025.44
Add: Addition during the year / period	2728.62	201.18	4118.69	1526.60	599.22
Less: Decapitalisation during the year /period	290.47	352.53	321.16	376.20	58.94
Less: Reversal during the year / period	0.00	0.00	0.00	0.00	0.00
Add: Discharges during the year /period	2091.30	236.68	92.75	613.88	129.96
Closing Capital Cost	549285.54	549370.86	553261.15	555025.44	555695.68
Average Capital Cost	547020.81	549328.20	551316.01	554143.30	555360.56

Annual Fixed charges claimed

(Rs. in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation	27979.57	28227.23	28375.68	28531.73	28789.37
Interest on Loan	20558.07	18027.65	15886.10	13232.76	10909.90
Return on Equity	32182.88	32475.19	32592.70	32759.84	32918.44
Interest on Working Capital	13278.06	13346.27	13505.65	13862.76	13927.72
O&M Expenses	23490.47	25017.03	26614.71	28541.63	29756.52
Impact of Pay Revision	0.00	52.99	1969.42	2482.57	2889.94
Impact of GST	0.00	0.00	0.00	307.35	436.41
Total additional O&M expenses	0.00	52.99	1969.42	2789.92	3326.35
Total	117489.06	117146.35	118944.26	119718.65	119628.30

6. The Respondent UPPCL vide affidavit dated 2.7.2020 and the Respondent MSEDCL vide affidavit dated 6.1.2021 have filed their replies and the Petitioner vide its affidavits dated 4.3.2021 and 28.5.2021 has filed its rejoinder to the said replies. Thereafter, the Respondent MPPMCL and Respondent BYPL vide affidavits dated 31.5.2021 and 4.6.2021 respectively, filed their replies in the matter. The Petitioner has vide affidavit dated 4.6.2021 filed certain additional information with copy to the



Respondents. Subsequently, this petition was heard on 11.6.2021 through video conferencing and the order was reserved. The Respondent UPPCL (vide affidavit dated 21.6.2021), Respondent GRIDCO (vide affidavit dated 8.7.2021), Respondent TPDDL (vide affidavit dated 12.7.2021), Respondent BRPL and BYPL (vide affidavits dated 12.7.2021) has filed their replies. In response, the Petitioner vide separate affidavits dated 19.7.2021 has filed its rejoinders to the aforesaid replies of the Respondents. Taking into consideration the submissions of the parties and the documents available on record, we proceed to examine the claims of the Petitioner, in this petition, on prudence check, as stated in the subsequent paragraphs.

Capital Cost

7. Regulation 9 (3) of the 2014 Tariff Regulations provides as follow:

“9. Capital Cost:

(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 modernisation as admitted by this Commission in accordance with Regulation 15.”*

8. The Commission vide its order dated 22.1.2016 in Petition No. 206/GT/2013 with Petition No.272/GT/2014 had allowed the closing capital cost of Rs.544756.09 lakh as on 31.3.2014. The same has been considered as opening capital cost as on 1.4.2014 in accordance with Regulation 9(3) of the 2014 Tariff Regulations.

Additional Capital Expenditure

9. Regulations 14(1) and Regulations 14(3) of the 2014 Tariff Regulations provides as under:

“14.(1) The capital expenditure in respect of the new project or an existing project incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date may be admitted by the Commission, subject to prudence check:

- (i) Undischarged liabilities recognized to be payable at a future date;*



- (ii) Works deferred for execution;
- (iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 13;
- (iv) Liabilities to meet award of arbitration or for compliance of the order or decree of a court of law; and
- (v) Change in law or compliance of any existing law:

(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:

- (i) 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 “

10. The projected additional capital expenditure allowed for the 2014-19 tariff period in order dated 21.1.2017 in Petition No. 283/GT/2014 is summarized as follows:

(Rs. in lakh)

Head of Work / Equipment	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Ash Dyke –III A/B/C	1100.00	1500.00	1100.00	1500.00	1100.00	6300.00
Additional DM Plant Stream	0.00	0.00	1000.00	0.00	0.00	1000.00
400KV Bus Sectionalizer	0.00	0.00	6342.31	0.00	0.00	6342.31
Total projected additional capital expenditure allowed	1100.00	1500.00	8442.31	1500.00	1100.00	13642.31

11. The Petitioner has claimed actual additional capital expenditure (on cash basis) for the 2014-19 tariff period as under:



(Rs. in lakh)

Sl. No.	Head of Work / Equipment	Additional capital expenditure claimed					
		2014-15	2015-16	2016-17	2017-18	2018-19	Total
A	Approved in order dated 21.1.2017 in Petition No. 283/GT/2014 on projection basis						
1	Ash Dyke works	937.26	124.45	3397.27	756.34	406.16	5621.48
B	Additional works claimed						
2	Wagons	1661.55	0.00	850.45	0.00	0.00	2511.99
	Decapitalization of Wagon	(-)124.55	0.00	(-)185.37	0.00	(-) 76.91	(-) 386.83
3	Safety and security related works	22.32	0.86	0.00	0.00	0.00	23.18
4	Civil works	33.54	7.94	56.34	0.00	16.80	114.63
5	MGR related works	89.22	61.53	0.00	0.00	0.00	150.75
6	Water supply, drainage & sewerage	18.45	0.00	0.00	0.00	0.00	18.45
7	Make-Up Water System Pkg Stage-II (Unit-7)	0.00	2.78	0.00	240.62	0.00	243.40
8	Steam Turbine Generator Pkg. Stage-II (Unit- 7)	0.00	0.00	0.00	3.56	0.00	3.56
9	Acoustic Treatment of Auditorium for EDC Building	0.00	0.00	0.00	5.81	0.00	5.81
10	S.G. Area Civil Work	0.00	0.00	0.00	86.81	0.00	86.81
11	Steam Generator with ESP Pkg Stage-II (Unit-7)	0.00	0.00	0.00	118.19	0.00	118.19
12	Construction of Multipurpose / Community Centre	0.00	0.00	0.00	17.72	0.00	17.72
13	Internal Electric Multipurpose / Community Centre	0.00	0.00	0.00	0.00	13.85	13.85
14	Installation of energy efficient lighting & fixtures	0.00	0.00	0.00	312.55	239.31	551.87
	Decapitalization of lighting works	0.00	0.00	0.00	(-)15.01	0.00	(-)15.01
15	Turbine Generator Civil & Structural works	0.00	0.00	0.00	0.00	0.00	0.00



Sl. No.	Head of Work / Equipment	Additional capital expenditure claimed					
		2014-15	2015-16	2016-17	2017-18	2018-19	Total
16	Plant Building Civil pkg Unit-7	0.00	0.00	0.00	0.00	0.00	0.00
17	Main Plant Building work	77.37	3.62	0.00	0.00	0.00	80.99
18	T&P (Tools and tackles)	13.47	0.00	0.00	0.00	0.00	13.47
	Sub-total	1791.36	76.73	721.42	770.26	193.05	3552.83
C	Additional Capitalization (A+B)	2728.62	201.18	4118.69	1526.60	599.22	9174.31
D	Decapitalization of Spares (part of capital cost)	(-)290.47	(-)352.53	(-)321.16	(-)376.20	(-)58.94	(-)1399.31
E	Discharge of Liabilities	2091.30	236.68	92.75	613.88	129.96	3164.58
	Total additional capital expenditure claimed (C+D+E)	4529.45	85.33	3890.29	1764.29	670.24	10939.59

12. We now examine the actual additional capital expenditure claimed by the Petitioner for the 2014-19 tariff period:

Actual Additional Capital Expenditure for 2014-19 tariff period

13. The claims of the Petitioner for actual additional capital expenditure for the 2014-19 tariff period have been examined based on the submission of the parties and the documents available on record and on prudence check considered as discussed below:

a) Ash Dyke works

14. The Petitioner has claimed total actual additional capital expenditure of Rs.5621.48 lakh in 2014-19 tariff period towards Ash dyke works in terms of Regulation 14(3)(iv) of the 2014 Tariff Regulations. The Petitioner, in justification of the same, has submitted that the Commission vide its order dated 21.1.2017 in Petition No. 283/GT/2014, had observed that the work of ash dyke for ash disposal is a deferred work within the original scope of work of the project and these works are of a continuous nature, during the entire operational lifetime of the generating station and had also directed the Petitioner to submit on affidavit, the details of work done under



ash dyke works along with proper justification for the actual capital expenditure incurred during the 2014-19 tariff period, at the time of truing-up. In compliance of the same, the Petitioner has submitted the details of work done under ash dyke works in this petition. The additional capital expenditure allowed on projection basis vide order dated 21.1.2017 in Petition No. 283/GT/2014 and those claimed by the Petitioner, on actual basis, under this head is shown in the table as follows:

(Rs. in lakh)

Sl. No.	Head of Work / Equipment	Additional capital expenditure claimed (Cash Basis)					
		2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Ash dyke related work allowed in order dated 21.1.2017 in Petition No. 283/GT/2014	1100.00	1500.00	1100.00	1500.00	1100.00	6300.00
2	Ash dyke related work claimed on actual basis						
i	Second raising of Ash Dyke Lagoon-III C	936.87	0.00	0.88	0.43	0.00	938.18
ii	3rd. Raising of Ash Dyke Lagoon-II	0.39	15.34	0.00	0.00	0.00	15.73
iii	Ash Bag Packing machine	0.00	5.89	0.00	0.00	0.00	5.89
iv	Transferred to Ash Fund	0.00	(-) 42.00	0.00	0.00	0.00	(-)42.00
v	Ash Dyke Pkg-Stage II/7956 III A, B & C Starter	0.00	8.01	0.00	0.00	0.00	8.01
vi	Ash Handling System Pkg. Stage-II Unit 7	0.00	0.05	0.00	0.00	0.00	0.05
vii	Ash Dyke Lagoon-III A/B 2nd raising	0.00	10.65	8.38	0.00	0.00	19.03
vii	Ash Water Re-circulation System	0.00	126.51	0.00	7.15	0.00	133.66
ix	Ash Dyke 3D (Starter Dyke)	0.00	0.00	1104.26	661.38	306.70	2072.34
x	RCC Culvert Box near Lagoon-IIID	0.00	0.00	68.96	0.00	0.22	69.18
xi	Third raising of Ash Dyke Lagoon-III ABC	0.00	0.00	2214.78	74.46	99.25	2388.49
xii	Construction of 4th raising of Ash Dyke Lagoon-II	0.00	0.00	0.00	12.92	0.00	12.92
	Total (i to xii)	937.26	124.45	3397.27	756.34	406.16	5621.48

15. The Respondent, GRIDCO has submitted that the Petitioner has not justified the expenditure claimed pertaining to Ash dyke work. It has also submitted that the Petitioner may be directed to furnish details of competitive bidding, date of opening of tender, number of participating bidders, date of opening of price bid, name of the



lowest quoted bidder and lowest quoted rate etc.

16. The Respondent, MPPMCL has submitted that in view of the Notification of the Ministry of Environment, Forest and Climate Change (MoEF&CC) mandating 100% ash utilization, the claim for Ash Dyke/Lagoon under Regulation 14(3)(iv) of the 2014 Tariff Regulations is not maintainable. It has further submitted that the claim towards ash dyke packing machine under Regulation 14(3)(iv) of the 2014 Tariff Regulations is highly objectionable as it does not belong to the original scope of work.

17. The Respondent BRPL and Respondent BYPL have submitted that the Petitioner has not submitted complete information with proper justification for the actual capital expenditure incurred during 2014-19 tariff period for this work. The Respondents have also submitted the Petitioner should submit copy of the Letter of Award (LoA) indicating the scope of work and the timeline for completion of the said work. They have further submitted that since 100% ash utilization is to be achieved, there is no requirement to accommodate ash generated by the generating station.

18. In response, the Petitioner has submitted that it has furnished complete details of the said work in the petition and that it is obligated to achieve 100% fly ash utilization. It has also submitted that the 2014 Tariff Regulation allows additional capital expenditure on deferred work of Ash pond/Ash handling system which are within the original scope of work of the project, under Regulation 14(2)(3) of the 2014 Tariff Regulations. Moreover, ash dyke works are carried out from time to time during the period of operation of the units, for disposal of ash. The Petitioner has submitted that it is exploring all avenues to utilize 100% ash generated. However, there is always a time lag due to certain aspects between utilization and generation of ash and accordingly, the same needs to be disposed of safely. The Petitioner has further submitted that being a Public sector company being monitored by CVC, CAG and



other Governmental authorities, contracts are awarded following due procedure, as per the Central Government guidelines and policies, rules and regulations, as approved by the Board of the Petitioner Company.

19. We have considered the matter. It is observed that actual additional capital expenditure claimed for the 2014-19 tariff period for Ash Dyke related works primarily include the work for Ash Dyke-III A/B/C, Ash Dyke works-III D and construction of raising of Ash Dyke Lagoon-II. It is observed that in order dated 21.1.2017 in Petition No. 283/GT/2014, the Commission had allowed additional capital expenditure in respect of works for Ash Dyke-III A/B/C (original scope) for Rs.6300 lakh on projection basis. However, no expenditure for works towards Ash Dyke-III D, 3rd and 4th raising of Ash Dyke Lagoon-II was allowed in the said order. Further, it is noted that the Petitioner has claimed additional capital expenditure associated with Lagoon-II in Petition No. 294/GT/2020 related to truing up of tariff of Stage-I of Kahalgaon STPS for 2014-19 tariff period. In this background, we allow the total actual additional capital expenditure incurred for works related to Ash Dyke-III A/B/C for Rs.3451.31 lakh, including Ash bag Packaging machine, transferred to ash fund, Ash Handling system package Stage-II and Ash Water Recirculation System in terms of Regulation 14(3)(iv) of the 2014 Tariff Regulations, as summarised below:

(Rs. in lakh)

Sl. No.	Head of Work/ Equipment	Additional capital expenditure allowed					
		2014-15	2015-16	2016-17	2017-18	2018-19	Total
i	Second Raising of Ash Dyke Lagoon-III C	936.87	0.00	0.88	0.43	0.00	938.18
ii	3rd. Raising of Ash Dyke Lagoon-II	0.00	0.00	0.00	0.00	0.00	0.00
iii	Ash Bag Packing Machine	0.00	5.89	0.00	0.00	0.00	5.89
iv	Transferred to Ash Fund	0.00	(-) 42.00	0.00	0.00	0.00	(-) 42.00
v	Ash Dyke Pkg- Stage-II/7956 III A, B & C	0.00	8.01	0.00	0.00	0.00	8.01



Sl. No.	Head of Work/ Equipment	Additional capital expenditure allowed					
		2014-15	2015-16	2016-17	2017-18	2018-19	Total
	Starter						
vi	Ash Handling System Pkg. Stage-II (Unit-7)	0.00	0.05	0.00	0.00	0.00	0.05
vii	Ash Dyke Lagoon-III A/B 2nd Raising	0.00	10.65	8.38	0.00	0.00	19.03
vii	Ash Water Re-Circulation System	0.00	126.51	0.00	7.15	0.00	133.66
ix	Ash Dyke 3D (Starter Dyke)	0.00	0.00	0.00	0.00	0.00	0.00
x	RCC Culvert Box Near Lagoon-III D	0.00	0.00	0.00	0.00	0.00	0.00
xi	Third Raising of Ash Dyke Lagoon-III ABC	0.00	0.00	2214.78	74.46	99.25	2388.49
xii	Construction of 4th. Raising of Ash Dyke Lagoon-II	0.00	0.00	0.00	0.00	0.00	0.00
	Total	936.87	109.11	2224.04	82.04	99.25	3451.31

(b) WAGONS

20. The Petitioner has submitted that it has procured 44 number of wagons for MGR system required at Hurra-C mines and additionally 46 numbers of wagons were procured to transport increased transportation of coal and these 90 wagons are being used in the existing system. Accordingly, the Petitioner has claimed actual additional capital expenditure of Rs.2125.17 lakh in 2014-19 tariff period towards wagons net of decapitalisation of wagons and cost adjustment under Regulations 14(3)(x) read with Regulations 54 of the 2014 Tariff Regulations. In justification of the claim for 44 wagons, the Petitioner has submitted that Commission vide its order dated 21.1.2017 in Petition No. 283/GT/2014 had granted liberty to the Petitioner to claim the additional expenditure for these works, at the time of truing-up of tariff of this generating station, as per actual status of the MGR system and Mines. The break-up details of the actual additional capital expenditure claimed by the Petitioner under this head is tabulated below:



(Rs. in lakh)

Head of Work / Equipment	Additional capital expenditure claimed					
	2014-15	2015-16	2016-17	2017-18	2018-19	Total
BOBR Wagons-35 numbers	1661.55	0.00	0.00	0.00	0.00	1661.55
BOBR Wagons-46 numbers	0.00	0.00	1806.56	0.00	0.00	1806.56
BOBR Wagons-09 numbers	0.00	0.00	353.46	0.00	0.00	353.46
Decapitalization of Wagon	(-)124.55	0.00	(-) 185.37	0.00	(-)76.91	(-) 386.83
Cost adjustment (previous year adjustment of various packages)	0.00	0.00	(-) 1309.57	0.00	0.00	(-) 1309.57
Total	1536.99	0.00	665.08	0.00	(-) 76.91	2125.17

21. The Petitioner has submitted that it is envisaged that the additional capital expenditure towards development of MGR system for transportation of coal from linked mines of Hurra (C) may be required during the 2019-24 tariff period. It has also stated that in order to match with the development of ECL coal mines, the Petitioner has postponed the expenditure to the 2019-24 tariff period and same will be claimed during the 2019-24 tariff period.

22. The Respondent, GRIDCO has submitted that Petitioner has claimed additional capital expenditure towards purchase of 46 wagons in 2014-15 and 9 wagons in 2016-17, despite the same being disallowed in order dated 21.1.2017 in Petition No. 283/GT/2014. It has added that since the work pertaining to MGR and associated systems is not complete, the Petitioner's claim cannot be allowed. Also, claim for wagons under Regulation 14(3)(x) of the 2014 Tariff Regulations is not applicable as Wagons are intended for transportation of coal and are not a component of the generating station's fuel receiving system as per regulations. The Respondent, MPPMCL has submitted that the Petitioner's claim for additional capitalization of Rs.1661.55 lakh for BOBR wagons and de-capitalization of Rs.124.55 lakh under Regulation 14(3)(x) of the 2014



Tariff Regulations is objectionable as old wagons could not have become unserviceable in four years of service and no justification has been provided for this expenditure and substantiating the modification in fuel receiving system. The expenditure is unproductive since, in spite of incurring high expenditure for modification, there is no improvement in PLF of the generating station as it still remains in the range of 73% to 80% during the 2014-19 tariff period. The Respondent, UPPCL has prayed that the Commission may disallow the said claim in line with the decision in order dated 21.1.2017 in Petition No. 283/GT/2014. The Respondent TPDDL has submitted that capitalisation of wagons should be limited to the extent of the works completed. It has also submitted that the Petitioner has not furnished any document to justify the cost incurred on this count.

23. In response, the Petitioner has submitted that the original link mines of Kahalgaon Stage-II STPS are Hurra-C mines, but these could not be developed by ECL till date. It has submitted that based on the Petitioners request, additional coal linkage was allotted from other coal mines of ECL. It has further submitted that the PLF of the generating station has increased from 65% in 2010-11 to 73% in 2015-16, which has resulted in increased coal transportation, through existing MGR system requiring a greater number of wagons. Therefore, 44 numbers wagons procured for MGR system required at Hurra-C mines are being utilized in the existing MGR system. In addition, another 46 wagons have been procured for additional rakes required to transport increased quantity of coal. The Petitioner has further submitted that these wagons were ordered in advance, considering the lead time and since, the linked mines have not yet been developed, these wagons are being utilized in the existing MGR system for sourcing coal through other / alternate mines allocated to the Petitioner. The Petitioner has pointed out that the capitalization of these wagons has



enhanced the capability of existing coal transportation system and thus been able to handle the increased coal requirement due to increased PLF. It has stated that the additional capital expenditure of Rs.1661.55 lakh claimed in 2014-15 in the present petition, is towards procurement of 35 wagons, out of the 44 wagons, allowed in order dated 21.1.2017 in Petition No. 283/GT/2014 for which, liberty was granted to claim the same at the time of truing up of tariff. The balance 9 wagons for Rs.353.46 lakh, were also received and capitalized in 2016-17 and these wagons are also being used for transportation of coal from existing/ additional source of coal linkage. The Petitioner has also claimed an amount of Rs.1806.06 lakh towards procurement of additional 46 numbers wagons to meet the transportation of increased quantity of coal. In view of the same, the Petitioner has prayed to consider the additional capital expenditure, as the wagons are being used in operation of the power plant and to grant the liberty to claim balance work related to MGR system on completion and capitalization.

24. We have considered the matter. MGR related work is the deferred work under original scope of work of the project. The Commission in its order dated 21.1.2017 in Petition No. 283/GT/2014, had granted liberty to the Petitioner to approach the Commission for capitalization at the time of truing-up after completion of the works, which include MGR. The relevant portion of the order is extracted hereunder:

*“40. The petitioner has submitted that the work of development of mines has been deferred consciously to avoid preloading in tariff and as per latest status of development of mines, it is envisaged that MGR for Hurra C will be required by 2018-19 and accordingly capitalization of expenditure has been projected in the years 2017-18 and 2018-19. It is however noticed that in terms of the Commission’s order dated 22.1.2016 as quoted above, the petitioner has been granted liberty to approach the Commission after completion of the works, **which include MGR**. Since the work of MGR has not yet been completed, we are not inclined to consider the claim of the petitioner for additional capitalization under this head at this stage. However, the petitioner granted liberty to claim the same at the time of truing-up of tariff of this generating station as per actual status and the same will be considered in terms of the prevailing regulations. In view of this, the claim for capitalization of Rs 5940 lakh in 2017-18 and Rs.660.00 lakh in 2018-19 is not allowed.”*



25. The Commission in its order dated 26.9.2017 in Petition No. 13/RP/2017 (in Petition No.283/GT/2014) had also granted liberty to the Petitioner to approach the Commission for capitalization of MGR land, after completion of the works of MGR system, as under:

“14.However, the Commission in the 2014-19 tariff order dated 21.1.2017 in petition No.283./GT/2014, while deliberating on the claim of petitioner for additional capitalization on MGR system (other than the cost of land) for MGR line under Regulation 14(1)(ii) (i.e. works deferred for execution within original scope & within in cut of date), granted liberty to the petitioner to claim the same at the time of truing up after completion of work. No such liberty was however, given for additional capitalization of MGR land which was also a part of the total MGR system. To this extent we find that there is an error apparent in the order dated 21.1.2017.

15. Accordingly, the petitioner is granted liberty to claim the expenditure of MGR Land since it forms part of the total MGR system at the time of truing-up of tariff of this generating station provided supplies from linked mines get started.”

26. We notice from the submissions of the Petitioner that the additional capital expenditure claimed is envisaged for development of MGR system to transport the coal from linked mines of Hurra (C) during the 2019-24 tariff period, which has to match with the development of ECL coal mines. Considering the fact that the development of MGR system is envisaged only during the 2019-24 tariff period, in line with the decision of the Commission in order dated 21.01.2017 in Petition No. 283/GT/2014, we are not inclined to allow the additional capital expenditure claimed towards wagons, during 2014-19 period. However, the Petitioner is at liberty to approach the Commission after completion of the works of MGR system and development of linked mines.

27. However, we allow the de-capitalisation of wagons for (-) Rs.124.55 lakh in 2014-15, (-) Rs.94.46 lakh claimed as a part of capital cost [out of (-) Rs.185.37 lakh] in 2016-17, (excluding de-capitalization of wagons associated with Hurra-C mines), cost adjustment of (-) Rs.1309.57 lakh towards previous year adjustments of various packages in 2016-17 and de-capitalisation of wagons for (-) Rs.76.91 lakh claimed in



2018-19, in terms of Regulation 14(4) of the 2014 Tariff Regulations. Accordingly, the details of the actual additional capital expenditure allowed under the wagons are as follows:

(Rs. in lakh)

Head of Work/ Equipment	Additional capital expenditure allowed					
	2014-15	2015-16	2016-17	2017-18	2018-19	Total
BOBR Wagons- 35 numbers	0.00	0.00	0.00	0.00	0.00	0.00
BOBR Wagons- 46 numbers	0.00	0.00	0.00	0.00	0.00	0.00
BOBR Wagons- 09 numbers	0.00	0.00	0.00	0.00	0.00	0.00
Decapitalization of Wagon	(-)124.55	0.00	(-) 94.46	0.00	(-)76.91	(-) 295.92
Cost adjustment (previous year adjustment of various packages)	0.00	0.00	(-)1309.57	0.00	0.00	(-) 1309.57
Total	(-) 124.55	0.00	(-) 1404.03	0.00	(-) 76.91	(-) 1605.49

b) Safety and security related works

28. The Petitioner has claimed total actual additional capital expenditure of Rs.23.18 lakh in respect of the following works, under Regulation 14(3)(iii) of the 2014 Tariff Regulations:

(Rs. in lakh)

Head of Work/ Equipment	Additional Capital Expenditure Claimed					
	2014-15	2015-16	2016-17	2017-18	2018-19	Total
CCTV for Plant / Ash Dyke Security	4.68	0.00	0.00	0.00	0.00	4.68
Construction of Boundary wall TTS	6.53	0.86	0.00	0.00	0.00	7.39
Construction of gate complex at Kahalgaon	11.11	0.00	0.00	0.00	0.00	11.11
Total	22.32	0.86	0.00	0.00	0.00	23.18

29. In justification of the same, the Petitioner has submitted that the said expenditure is for improving the safety and security of the Plant equipment's in line with the recommendations dated 24.12.2014 of the National Security Guard (NSG) in the



Project. It has also submitted that the installation of CCTV cameras is very helpful in monitoring the locations which are unmanned. The Petitioner has added that the installation of cameras in cable galleries are for keeping a watch and detecting fire at an initial stage and for monitoring any movement inside cable gallery. Also, the construction of boundary wall TTS and construction of gate complex at Kahalgaon has ensured the movement of authorised persons only into the Plant premises. The Petitioner has submitted that as these equipment's/ works are for the safety and security of the plant, the Commission may allow the claim under Regulation 14(3)(iii) of the 2014 Tariff Regulations.

30. The Respondent, MPPMCL has submitted that the recommendations of the NSG posted in the generating station of the Petitioner do not fall within the ambit of a statutory government agency. It has also stated that such minor claim should be covered under routine O&M expenses and should not be part of additional capital expenditure.

31. In response, the Petitioner has submitted that the expenditure was incurred for improving the safety and security of the plant equipment's, in line with the recommendations of the NSG for the generating station.

32. Considering the submission of the parties and keeping in view that the NSG recommendation dated 24.12.2014 are for safety and security of the plant, we allow the claim of the Petitioner for CCTV for Plant / Ash Dyke Security of Rs.4.68 lakh in 2014-15 in terms of Regulation 14(3)(iii) of the 2014 Tariff Regulations.

33. However, as regards the claim for Construction of boundary wall TTS and Construction of gate complex at Kahalgaon, we are of view that these items which form part of the original scope of works are required to be claimed prior to the cut-off date. Further, Regulation 14(3)(iii) of the 2014 Tariff Regulations mandates additional



capitalisation of this asset/work based on advice or direction from appropriate government agency or statutory authority responsible for national security / internal security. In this regard, the Petitioner relied on NSG recommendation dated 24.12.2014, which mention only the work of CCTV, but not the work of boundary wall TTS and for Construction of gate complex. Further, this expenditure pertains to township related works. Therefore, the same are not allowed in terms of Regulation 14(3)(iii) of the 2014 Tariff Regulations. Accordingly, the details of additional capital expenditure allowed under this head are below:

(Rs. in lakh)

Head of Work / Equipment	Additional Capital Expenditure allowed					
	2014-15	2015-16	2016-17	2017-18	2018-19	Total
CCTV for Plant / Ash Dyke Security	4.68	0.00	0.00	0.00	0.00	4.68
Construction of Boundary Wall TTS	0.00	0.00	0.00	0.00	0.00	0.00
Construction of Gate Complex at Kahalgaon	0.00	0.00	0.00	0.00	0.00	0.00
Total	4.68	0.00	0.00	0.00	0.00	4.68

c) Civil works

34. The Petitioner has claimed total actual additional capital expenditure of Rs.114.63 lakh in 2014-19 tariff period in respect of Civil Works under Regulation 14(3)(v), Regulation 14(3)(vi) read with Regulation 54 of the 2014 Tariff Regulations as follows and has prayed to condone the delayed capitalisation of the expenditures:

(Rs. in lakh)

Sl. No.	Head of Work / Equipment	Additional capital expenditure claimed					
		2014-15	2015-16	2016-17	2017-18	2018-19	Total
a	Offsite Civil Work- Stage-II	0.00	0.00	0.00	0.00	0.00	0.00
b	Supply of Storm Water Pumping Pkg- Stage-II	0.00	0.00	40.14	0.00	0.00	40.14
c	Entire Balance Civil Works of Main Plant & SG Area	0.00	0.00	16.20	0.00	0.00	16.20
d	Balance Work of Roads, Drain, Bridges, Culverts etc.	33.54	7.94	0.00	0.00	0.00	41.48



Sl. No.	Head of Work / Equipment	Additional capital expenditure claimed					
		2014-15	2015-16	2016-17	2017-18	2018-19	Total
e	Reconstruction of Road Stage-II	0.00	0.00	0.00	0.00	0.00	0.00
f	Offsite Civil Work-Stage-II (1x500 MW)	0.00	0.00	0.00	0.00	11.28	11.28
g	Scooter Shed, Security Post Entrance Gate	0.00	0.00	0.00	0.00	2.11	2.11
h	Waste Management System	0.00	0.00	0.00	0.00	3.41	3.41
	Total	33.54	7.94	56.34	0.00	16.80	114.63

35. As regards Offsite Civil Works Stage-II, the Petitioner has claimed additional capital expenditure for Rs.265.87 lakh, on accrual basis but zero on cash basis under Regulation 14(3)(vi) read with Regulation 54 of the 2014 Tariff Regulations. In justification, the Petitioner has submitted that the vendor has raised fresh bill / demand for the work already completed before the cut-off date and the same will be paid by the Petitioner after inspection / reconciliation with the vendor.

36. The Respondents, BRPL and BYPL have submitted that the claims in respect of Offsite Civil Works is liable to be rejected, since these works were deferred for completion, after the cut-off date and are not permissible under Regulation 14(3)(vi) of the 2014 Tariff Regulations.

37. In response, the Petitioner has clarified that the amount claimed are balance payments for works within the original scope of work and were capitalized before the cut-off date. Accordingly, it has claimed the balance payments in terms of Regulation 14 (3)(vi) of the 2014 Tariff Regulation and capitalization of these works is subject to the prudence check of the Commission.

38. We have examined the matter. It is noticed that the Petitioner has not furnished any documentary evidence to substantiate its claim that the above Offsite Civil Works Stage-II have been completed and capitalised prior to the cut-off date or that the



amount claimed are balance payments for works capitalized before the cut-off date and part of original scope of works. Therefore, the additional capital expenditure of Rs.265.87 lakh claimed on accrual basis is not allowed.

39. As regards the additional capital expenditure claimed towards the supply of Storm Water Pumping Package-Stage-II for Rs.40.14 lakh in 2016-17, balance civil works of Main Plant & SG area for Rs.16.20 lakh in 2016-17, Off-Site Civil Work-ST-II 500 MW for Rs.11.28 lakh in 2018-19, scooter shed, security post & entrance gate for Rs.2.11 lakh in 2018-19 and Waste management system for Rs.3.41 lakh in 2018-19, on cash basis and the reconstruction of road Stage-II of Rs.18.55 lakh, on accrual basis, in 2015-16, under Regulation 14(3)(vi) read with Regulation 54 of the 2014 Tariff Regulations, the Petitioner has submitted that these are balance payments of works within the original scope of work and deferred for completion, after the cut-off date. The Respondents, BRPL and BYPL have submitted that the claims in respect of Supply of storm water pumping station, offsite civil works, scooter shed, waste management are deferred works and same are liable to be rejected, since these works were deferred for completion, after the cut-off date and are not permissible under Regulation 14(3)(vi) of the 2014 Tariff Regulations.

40. In response, the Petitioner has submitted that in terms of Regulation 14(3)(vi) of the 2014 Tariff Regulations, the capitalization of these works are subject to the prudence check of the Commission.

41. We have considered the matter. It is observed that the above Civil works are within the original scope of work but deferred for completion after the cut-off date. We notice that the Commission in its order dated 21.1.2017 in Petition No. 283/GT/2014 in regard to deferred works within original scope, had observed that the Petitioner had sufficient time period of three (3) years from the COD to the cut-off date of the



generating station to execute these works and the provisions of Regulation 14(3) of the 2014 Tariff Regulations do not provide for capitalization of such deferred works after the cut-off date of the generating station. The relevant portion is extracted below:

“25. The matter has been examined. It is observed that the Commission vide order dated 22.1.2016 had allowed capitalization of these deferred works upto the cut-off date (31.3.2013) under Regulation 9(1)(ii) and for the year 2013-14 as balance final payments towards works completed within the cut-off date under Regulation 9(2)(viii) of the 2009 Tariff Regulations. However, the claim of the petitioner for `450.00 lakh in 2014-15 was not allowed by order dated 22.1.2016 with the observation that it would be considered in terms of the provisions of the 2014 Tariff Regulations. It is observed that the petitioner had sufficient time period of three years from the COD of the cut-off date of the generating station in order to execute these works. Also, the reasons for non-completion of the said work and deferring the same due to failure on the part of the contractor, cannot in our view, justify the prayer for condonation of the delay in completion of the work and invocation of Regulation 54 for relaxation of the provisions of Regulation 14(3) of the 2014 Tariff Regulations. The petitioner can also seek appropriate remedy against the contractor for nonperformance / negligence. In our considered view, the respondent beneficiaries cannot be burdened for the delay in completion of the said work by the contractor. Even otherwise, the provisions of Regulation 14 (3) of the 2014 Tariff Regulations do not provide for capitalization of such deferred works after the cut-off date of the generating station. ”

42. In line with the above decision, we are not inclined to allow the additional capital expenditure for Storm Water Pumping Package-Stage-II of Rs.40.14 lakh in 2016-17, balance Civil Works of Main Plant & SG area of Rs.16.20 lakh in 2016-17, Off-Site Civil Work-ST-II 500 MW of Rs.11.28 lakh in 2018-19, Scooter Shed, Security Post & Entrance Gate of Rs.2.11 lakh in 2018-19 and Waste Management System of Rs.3.41 lakh in 2018-19 on cash basis and for reconstruction of road Stage-II of Rs.18.55 lakh on accrual basis in 2015-16.

43. The Petitioner has claimed total additional capital expenditure of Rs.41.48 lakh (Rs.33.54 lakh in 2014-15 and Rs.7.94 lakh in 2015-16) for Balance work of roads, Drain, Bridges, Culverts etc, under Regulation 14(3)(v) of the 2014 Tariff Regulations. However, the Petitioner has not furnished the details of works, the total estimated cost of package, the reasons for such withholding of payment and release of such payments etc. Also, no supporting documents have been submitted by the Petitioner which confirms that the amount claimed is towards balance payments for works within



the original scope, capitalized before the cut-off date of the generating station. In view of this, the additional capital expenditure claimed for Rs.41.48 lakh is not allowed.

d) MGR related works

44. The Petitioner has claimed total actual additional capital expenditure of Rs.150.75 lakh in 2014-19 tariff period towards MGR related works under Regulation 14(1)(ii) read with Regulation 54 of the 2014 Tariff Regulations. In justification of the same, the Petitioner has submitted that Commission in order dated 21.1.2017 in Petition No. 283/GT/2014 had granted liberty to claim the expenditure related with MGR of Hurra-C mines at the time of truing-up of tariff of this generating station, as per actual status. It has further submitted that depending upon the status of works, it is envisaged that this expenditure towards development of MGR for transportation of coal from linked mines of Hurra (C) may be required during the 2019-24 tariff period. The Petitioner has stated that to match with the development of ECL coal mines, the Petitioner has postponed the expenditure to the 2019-24 tariff period and same is being claimed in the next control period. It has further submitted that the Petitioner has carried out some minor works such as approach road, drains etc., related with MGR. The Petitioner has requested to allow these expenditure as shown below, and to grant liberty to claim the expenditure on balance works related to MGR, after completion.

(Rs. in lakh)

Head of Work/ Equipment	Additional Capital Expenditure claimed					
	2014-15	2015-16	2016-17	2017-18	2018-19	Total
MGR Land	0.00	20.41	0.00	0.00	0.00	20.41
Construction of Pipe Culverts at MGR Service Road	1.24	0.00	0.00	0.00	0.00	1.24
Drainage system in MGR loading bulb area	13.41	0.00	0.00	0.00	0.00	13.41
Const Drain: MGR Stage-I Line & Track Hooper Stage-II	8.70	0.00	0.00	0.00	0.00	8.70
MGR Track (Diversion & Doubling) Stage-II	0.37	0.00	0.00	0.00	0.00	0.37
Brake Van BYZI Type -8-	0.00	41.12	0.00	0.00	0.00	41.12



Head of Work/ Equipment	Additional Capital Expenditure claimed					
	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Wheeler						
Supply, Installation, Commissioning of EOT Crane-MGR	65.51	0.00	0.00	0.00	0.00	65.51
Total	89.22	61.53	0.00	0.00	0.00	150.75

45. The Respondent, GRIDCO has submitted that in order dated 26.9.2017 in Review Petition No. 13/RP/2017, the Commission, had denied liberty to the Petitioner to claim the additional capitalization of MGR land which form part of the total MGR system. The claim is not admissible under Regulation 14(3)(x) of Tariff Regulations, 2014 as MGR land is not a part of the fuel receiving system of the generating station as per the 2014 Tariff Regulations. Further, it has also submitted that since the work pertaining to MGR is not yet completed, the Petitioner cannot claim the said expenditure on work relating to MGR under Regulation 14(1)(ii) read with 54 of the 2014 Tariff Regulations including the work of construction of pipe culvert at MGR service road, drainage system in MGR loading bulb area, Construction Drain, MGR, Stage-I Line & Track Hooper Stage-II and MGR Track (Diversion & Doubling). It has also stated that the liberty granted vide order dated 21.1.2017 in Petition No. 283/GT/2014 was limited to claiming expenditure as per actual status. As regards the Petitioner's claim for additional capitalisation for Supply, Installation, Commissioning of EOT crane, the Respondent has submitted that the expenditure has been claimed under Regulation 14(1)(ii) read with Regulation 54 of the 2014 Tariff Regulations i.e., up to the cut-off date. However, there is no regulation for additional capitalization of deferred works, after the cut-off date, which was affirmed by the Commission in its order dated 21.1.2017 in Petition No. 283/GT/2014 and there is also no ground to invoke Regulation 54 of the 2014 Tariff Regulations.

46. The Respondent, MPPMCL has submitted that the Petitioner's claim for MGR



related works under Regulation 14(1)(ii) and Regulation 14(3)(x) read with Regulation 54 of the 2014 Tariff Regulations may be covered under O&M expenses. It has also submitted that the additional capital expenditure for Rs.94 lakh claimed for drainage, culvert, EOT crane and MGR track etc. is minor in nature and may be covered under O&M expenses. The Respondent UPPCL, Respondent BRPL and Respondent BYPL have submitted that the Commission had linked the capitalization of MGR land to the development of linked mines viz. Hurra-C. It has also submitted that on similar reasoning, the incidental expenditure on MGR works also need to be capitalized as and when the linked mines are developed and operationalized and the benefit starts flowing to beneficiaries. Respondent UPPCL has submitted that the claim towards MGR related work may be disallowed in line with the decision of the Commission in its order dated 21.1.2017 in Petition No. 283/GT/2014. The Respondent, MSEDCL has submitted that the Commission in its order dated 21.1.2017 in Petition No. 283/GT/2014 had already disallowed Rs.500 lakh against MGR land claimed by the Petitioner, as the expenditure for MGR is to facilitate transportation of coal from linked mines to the generating station and the linked mines are yet to be developed by ECL. Further, the Commission has also disallowed the claim for capitalisation of Rs.5940 lakhs in 2017-18 and Rs.660.00 lakhs in 2018-19 against MGR for Hurra C mines. However, the Commission granted liberty to the Petitioner to claim additional capitalization against MGR for Hurra-C mines at the time of truing-up of tariff of this generating station as per actual status. The Respondents have therefore requested that the Commission may take appropriate decision for such claim against MGR related work, only after prudence check. The Respondent, TPDDL has submitted that the capitalisation towards MGR land and MGR related works may be limited to the extent of the works completed after prudence check. The Respondent TPDDL has submitted that no documents have been furnished by Petitioner to justify the cost



incurred.

47. In response, the Petitioner has submitted that the Commission in its order dated 26.9.2017 in Review Petition No. 13/RP/2017 had granted liberty to the Petitioner to claim MGR land work in 2014-19. It has also submitted that compensation has been paid and the Petitioner is under the process of taking of physical possession of land.

48. We have considered the matter. It is observed that MGR related work is the deferred work within the original scope of work of the project. It is pertinent to mention that the Commission in its order dated 26.9.2017 in Petition No. 13/RP/2017 (in Petition No.283/GT/2014) had granted liberty to the Petitioner to approach the Commission for capitalization of MGR land after completion of the works of MGR system, as under:

“14.However, the Commission in the 2014-19 tariff order dated 21.1.2017 in petition No.283./GT/2014, while deliberating on the claim of petitioner for additional capitalization on MGR system (other than the cost of land) for MGR line under Regulation 14(1)(ii) (i. e. works deferred for execution within original scope & within in cut of date), granted liberty to the petitioner to claim the same at the time of truing up after completion of work. No such liberty was however, given for additional capitalization of MGR land which was also a part of the total MGR system. . To this extent we find that there is an error apparent in the order dated 21.1.2017.

15. Accordingly, the petitioner is granted liberty to claim the expenditure of MGR Land since it forms part of the total MGR system at the time of truing-up of tariff of this generating station provided supplies from linked mines get started.”

49. As stated in paragraph 26 above, the Petitioner has envisaged the major expenditure towards development of MGR for transportation of coal from linked mines of Hurra (C) during the 2019-24 tariff period, in order to match with the development of ECL coal mines. Accordingly, considering the fact that MGR system is yet to be completed and the MGR assets corresponding to the additional capital expenditure of Rs.150.75 lakh claimed are not rendering any service in the generation of electricity from the generating station, the additional capital expenditure claimed is not allowed. However, the Petitioner is granted liberty to approach the Commission after



completion of the works of MGR system and development of linked mines.

e) Water Supply, Drainage & Sewerage

50. The Petitioner has claimed actual additional capital expenditure of Rs.18.45 lakh in 2014-15 for water supply, drainage and sewerage under Regulation 14(3)(v) read with Regulation 54 of the 2014 Tariff Regulations. In justification, the Petitioner has submitted that these expenditures are balanced payments in respect of the completed works within original scope of work and capitalised before the cut-off date. The Petitioner prayed that the delay may be condoned, and capitalisation of the said expenditure may be allowed as under:

(Rs. in lakh)

Sl. No.	Head of Work / Equipment	Additional capital expenditure claimed					
		2014-15	2015-16	2016-17	2017-18	2018-19	Total
a	Construction of 02 numbers overhead water tanks	0.41	0.00	0.00	0.00	0.00	0.41
b	Laying of water supply pipeline network	6.20	0.00	0.00	0.00	0.00	6.20
c	Balance Drain work of inside Plant area	11.27	0.00	0.00	0.00	0.00	11.27
d	FOB at loading bulb near Telgana	0.56	0.00	0.00	0.00	0.00	0.56
	Total	18.45	0.00	0.00	0.00	0.00	18.45

51. The Respondent GRIDCO, Respondent BRPL and Respondent BYPL have submitted that the Petitioner may be directed to submit relevant documents in support of its claim that the works were within the original scope for which liability is now discharged, the estimated cost of package, the reason for withholding payment and for release of payment. They have stated that Regulation 54 of the 2014 Tariff Regulations should be exercised reasonably and with circumspection.

52. In response, the Petitioner has submitted that the details pertaining to the



expenditure incurred on the said works has been provided in Form 9A of the petition.

53. The matter has been considered. It is noticed that the Petitioner has not furnished any documentary evidence to substantiate its claim that the said works have been completed and capitalised prior to the cut-off date or that the amount claimed are balance payments for works capitalized before the cut-off date. As stated in paragraph 41 above, the Petitioner had sufficient time period of 3 years from COD till the cut-off date of the generating station to execute these works. Having failed to do so, we find no reason to allow the claim for additional capitalisation of these by invocation of Regulation 54 of the 2014 Tariff Regulations. Accordingly, the additional capital expenditure of Rs.18.45 lakh claimed in 2014-15 for water supply, drainage and sewerage is not allowed.

f) Make Up Water System Pkg Stage II Unit-7

54. The Petitioner has claimed total actual additional capital expenditure of Rs.243.40 lakh (Rs.2.78 lakh in 2015-16 and Rs.240.62 lakh in 2017-18) towards Make-up water system package Stage-2 Unit-7, under Regulation 14(3)(v) read with Regulation 54 of the 2014 Tariff Regulations. In justification, the Petitioner has submitted that the Commission has approved the Main Plant super structure package envisaged within the original scope of work in its order for tariff determination for the 2009-14 tariff period dated 13.4.2012 in Petition No. 282/2009. It has submitted that the contract was awarded to M/s Mudajaya Corporation, Berhad and the said work was completed in 2010. However, the agency went for arbitration on certain issues and an award was passed on 27.10.2017 in favour of the said agency, which was challenged by the Petitioner before the in Hon'ble High Court, Delhi on 1.03.2018. The Petitioner has stated that as the additional capital expenditure claimed are towards balance payments, the same may be allowed under power to relax.



55. The Respondent GRIDCO, Respondent BRPL and Respondent BYPL have reiterated the submissions as mentioned in paragraph 51 above. The Respondent TPDDL has submitted that the expenditure towards Make-up water systems may not be allowed since the Petitioner's appeal against the arbitration award is pending.

56. We have considered the submissions of the parties. It is noticed that the Petitioner has not furnished any documentary evidence to substantiate its claim that the said works are part of original scope and have been completed and capitalised prior to the cut-off date or that the amount claimed are balance payments for works capitalized before the cut-off date. Moreover, the arbitral award which has been challenged by the Petitioner is pending before the Hon'ble High Court of Delhi. In view of this, the additional capital expenditure claimed under this head has not been allowed at this stage. However, the Petitioner may claim the expenditure on this count after final decision of the Hon'ble Court in the matter and in terms of the applicable regulations, subject to production of all supporting details/documents that the said works are within the original scope of works and completed within the cut-off date.

g) Steam Turbine Generator Package Stage-II (Unit-7), Acoustic Treatment of Auditorium for EDC Building, S.G. Area Civil Work, Steam Generator with ESP Package Stage-II, (Unit-7), Construction of Multipurpose / Community Centre and Internal Electric Multipurpose / Community Centre

i. Steam Turbine Generator Package Stage-II (Unit-7)

57. The Petitioner has claimed total actual additional capital expenditure of Rs.3.56 lakh in 2017-18 for Steam Turbine Generator Package Stage-II (Unit-7) under Regulation 14(3)(v) read with Regulation 54 of the 2014 Tariff Regulations. In justification, the Petitioner has submitted that these works were within the original scope of work and capitalized before cut-off date. The Petitioner has also submitted that the additional capital expenditure claimed is towards balance payments and the



same may be allowed under Regulation 54 of the 2014 Tariff Regulations.

ii. Acoustic Treatment of Auditorium for EDC Building

58. The Petitioner has claimed total actual additional capital expenditure of Rs.5.81 lakh in 2017-18 for Acoustic treatment of auditorium for EDC Building under Regulation 14(3)(v) read with Regulation 54 of the 2014 Tariff Regulations. In justification, the Petitioner has submitted that these works were within the original scope of work and capitalized before the cut-off date. The Petitioner has also submitted that the additional capital expenditure claimed is towards minor balance payments and requested the Commission to allow the same under power to relax.

iii. S.G. Area Civil Work

59. The Petitioner has claimed total actual additional capital expenditure of Rs.86.81 lakh in 2017-18 for S.G. Area Civil Work under Regulation 14(3)(v) and 54 of the 2014 Tariff Regulations. In justification, the Petitioner has submitted that these works were original scope of work and capitalized before cut-off date. Further, the Petitioner has submitted that the claimed additional capital expenditure is towards minor balance payment and requested the Commission to allow the same under power to relax.

iv. Steam Generator with ESP Package Stage-II, (Unit-7)

60. The Petitioner has claimed total actual additional capital expenditure of Rs.118.19 lakh in 2017-18 for Steam Generator with ESP Pkg Stage-II (Unit-7) under Regulation 14(3)(v) and 54 of the 2014 Tariff Regulations. In justification, the Petitioner has submitted that these works were original scope of work and capitalized before cut-off date. Further, the Petitioner has submitted that the claimed additional capital expenditure is towards balance payment and requested the Commission to allow the same under power to relax.

v. Construction of Multipurpose / Community Centre

61. The Petitioner has claimed total actual additional capital expenditure of Rs.17.72



lakh in 2017-18 for Construction of Multipurpose / Community Centre under Regulation 14(3)(v) and 54 of the 2014 Tariff Regulations. In justification, the Petitioner has submitted that these works were original scope of work. Further, the Petitioner has submitted that the claimed additional capital expenditure is towards balance payment and requested the Commission to allow the same under power to relax.

vi. Internal Electric Multipurpose / Community Centre

62. The Petitioner has claimed actual additional capital expenditure of Rs.13.85 lakh in 2018-19 for Internal Electric Multipurpose / Community Centre under Regulation 14(3)(v) and 54 of the 2014 Tariff Regulations. In justification, the Petitioner has submitted that these works were original scope of work and capitalized before cut-off date. Further, the Petitioner has submitted that the claimed additional capital expenditure is towards balance payment and requested the Commission to allow the same under power to relax.

63. The Respondents GRIDCO, BRPL and BYPL have submitted the same reply as submitted in paragraph 51 above for Steam Turbine Generator Package Stage-II (Unit-7), Acoustic Treatment of Auditorium for EDC Building, S.G. Area Civil Work, Steam Generator with ESP Package Stage-II, (Unit-7), Construction of Multipurpose / Community Centre and Internal Electric Multipurpose / Community Centre.

64. We have considered the matter. It is observed that in respect of the assets/works viz., Steam Turbine Generator Package Stage-II (Unit-7), Acoustic Treatment of Auditorium for EDC Building, S.G. Area Civil Work, Steam Generator with ESP Package Stage-II, (Unit-7), Construction of Multipurpose / Community Centre and Internal Electric Multipurpose / Community Centre, the Petitioner has not furnished any documentary evidence to substantiate its claims that the said works form part of



the original scope of work and were completed and capitalised prior to the cut-off date or that the amount claimed are balance payments for works capitalised before the cut-off date. As stated in paragraph 41 above, the Petitioner had sufficient time period of 3 years from COD till the cut-off date to execute these works. Having failed to do so, we find no reason to allow the claims for additional capitalisation of these works by exercise of the power under Regulation 54 of the 2014 Tariff Regulations. Accordingly, the additional capital expenditure claimed for Steam Turbine Generator Package Stage-II (Unit-7) of Rs.3.56 lakh in 2017-18, Acoustic Treatment of Auditorium for EDC Building of Rs.5.81 lakh in 2017-18, S.G. Area Civil Work of Rs.86.81 lakh in 2017-18, Steam Generator with ESP Package Stage-II, (Unit-7) of Rs.118.19 lakh in 2017-18, Construction of Multipurpose / Community Centre of Rs.17.72 lakh in 2017-18 and Internal Electric Multipurpose / Community Centre of Rs.13.85 lakh in 2018-19 are not allowed.

h) Installation of energy efficient lighting & fixtures

65. The Petitioner has claimed total actual additional capital expenditure of Rs.551.87 lakh (i.e., Rs.312.55 lakh in 2017-18 and Rs.239.31 lakh in 2018-19) towards installation of LED based light fittings with corresponding de-capitalisation of Rs.15.01 lakh, thereby claiming net additional capital expenditure of Rs.536.86 lakh.

In justification of the same, the Petitioner has submitted the following:

a. The Prime Minister of India on 5.1.2015 had launched the National LED programme with an objective to reduce energy consumption by using energy efficient lighting. In line with the objective, Unnat Jyoti by Affordable LEDs for All (UJALA) and Street Lighting National Program is being implemented by M/s EESL.

b. Further, on 2.8.2017, the Ministry of Power, GoI, issued letter to the Petitioner Company, wherein it mandated to replace all old bulbs with LED bulbs in all Petitioner's buildings including compound/street lighting occupied by the Petitioner company.

c. Any direction of the Government of India is required to be implemented. Therefore, in order to comply with the directions issued by the Prime Minister and the GOI, the Petitioner initiated the work of replacing the old inefficient



lights with energy efficient LED lighting in the premises of the station compound/ building owned and operated by the Petitioner Company. Hence, the claim may be allowed under change in law as per Regulation 14 (3)(ii) read with Regulation 3.1 (9) read with Regulation 3(31) of the 2014 Tariff Regulations.

d. It is a settled position of law of that the expenditure incurred by a generating company, in compliance to an event of Change in law, ought to be allowed under Regulation 14 (3)(ii) of the 2014 Tariff Regulations. As the letter issued by MoP, Gol is an action by an Indian Governmental Instrumentality, falls within the definition of Change in law, as per Regulation 3(9) of the 2014 Tariff Regulations. Judgment dated 27.05.2019 in Appeal No. 195 of 2017 titled as GMR Karmalanga Ltd. & anr. V. CERC & ors and Judgment of the Hon'ble Supreme Court in Energy Watchdog vs. CERC & ors (2017) 14 SCC 80 was referred to.

e. When a specific provision of change in law has been envisaged under the Tariff Regulations, then the general provision such as O&M cannot be resorted to. Judgment of the APTEL in Appeal No. 125 of 2017 (NTPC Ltd. Vs CERC & Ors) was referred to.

66. The Respondents GRIDCO, UPPCL, MSEDCL and TPDDL have submitted that the replacement of incandescent bulbs with LED lights cannot be considered as a capital expenditure and the same is covered under O&M expenses. The Respondent, MPPMCL has submitted that the replacement of existing lighting system in just 7-8 years, is a gross wastage of resources and beyond the scope of Regulation 14 (3) of the 2014 Tariff Regulations. The Respondents BRPL and BYPL have submitted that the claim for "LED lighting" is not permissible, as it is purely a conservation measure, for which the Petitioner is the only beneficiary of reduction of energy consumption by 50-90% in domestic and public lighting. Therefore, the Petitioner must bear this amount and supporting documents must be provided for a prudent check.

67. The submissions have been considered. It is noticed that the additional capital expenditure incurred towards installation of 'LED based light fittings' is in terms of the MoP, Gol letter dated 2.8.2017, which recommends the replacement of existing old bulbs with LED bulbs, resulting in reduction of about 50% to 90% in energy consumption by lighting. In our view, the letter of the MoP, Gol, as referred to by the



Petitioner, is recommendatory in nature and cannot be construed as a 'change in law' event or for compliance to an existing law, in order to consider the additional capital expenditure claimed by the Petitioner. Moreover, the benefits of replacement of incandescent light with LED lighting system, accrues only to the benefit of the Petitioner. In view of these, the additional capital expenditure of Rs.551.87 lakh claimed by the Petitioner is not allowed. It is, however, noticed that the Petitioner has submitted that the old incandescent bulbs have been replaced with LED bulbs. Therefore, the de-capitalisation of (-) Rs 15.01 lakh in 2017-18 in respect of the old bulbs replaced has been allowed.

i) Turbine Generator Civil & Structural works

68. The Petitioner has claimed total additional capital expenditure of Rs.366.07 lakh in 2014-15, on accrual basis, for Turbine Generator Civil & Structural works under Regulation 14(3)(v) of the 2014 Tariff Regulations. In justification, the Petitioner has submitted that the vendor has raised new bills / demand for the work which was completed before the cut-off date and which will be paid after inspection / reconciliation with the vendor. Accordingly, the Petitioner has submitted that liabilities have been created against the said works by the Petitioner. The Respondent, GRIDCO has submitted that the Petitioner's claim for additional capital liability for civil and structural work under Regulation 14(3)(v) of the 2014 Tariff Regulations, is contrary to the said Regulations. It has submitted that Exchange Rate Variation (ERV) is applicable for repayment of foreign loans and interest as per Regulation 50 of the 2014 Tariff Regulations. The Respondent, TPDDL has submitted that for Turbine generator, new bills are yet to be inspected and reconciled by the Petitioner with the vendor. In response, the Petitioner has submitted that part amount claimed herein, is provided in Form 9A of the petition and also form part of the Main package of Steam Turbine Generator and the bills raised by the vendor are for the works, which had



been completed prior to the cut-off date, and paid by the Petitioner after inspection / reconciliation with the vendor. Further, the Petitioner has submitted that arbitration was initiated by vendor for dues to the tune of Rs 3.66 crore, which is still pending for final adjudication and therefore, the liability, though pending in arbitration, was created against the said works by the vendor. The Petitioner has submitted that the said expenditure squarely falls within the scope of Regulation 14 (3) (v) of the 2014 Tariff Regulations.

69. We have considered the matter. It is noticed that the Petitioner has not submitted any documentary evidence to substantiate its claim and no supporting documents confirming that the amount claimed is towards new bills / demand for works, which were capitalized prior to the cut-off date and form part of the original scope.. Accordingly, the additional capital expenditure of Rs.366.07 lakh claimed in 2014-15 on accrual basis, for Turbine Generator Civil & Structural works is not allowed at this stage. However, as the matter is pending arbitration, we grant liberty to the Petitioner to claim the expenditure on this count, after final decision in the arbitration case, in terms of the applicable regulations and subject to production of all supporting details/documents.

j) Plant Building civil pkg Unit-7

70. The Petitioner has claimed additional capital expenditure of Rs.177.53 lakh in 2014-15 on accrual basis, for Plant Building Civil Package Unit-7 under Regulation 14(3)(v) of the 2014 Tariff Regulations. In justification, the Petitioner has submitted that vendor has raised new bills / demand for the work which was completed prior to the cut-off date for which payment will be made after inspection/reconciliation with the vendor. Accordingly, the liabilities have been created against the said works by the Petitioner.



71. The Respondent TPDDL submitted that for Turbine generator and Plant building package, new bills are yet to be inspected and reconciled by the Petitioner with the vendor.

72. In response, the Petitioner has submitted that for this package, the vendor has raised new bills / demand for work that already stood completed before the cut-off date. It has stated that these bills will be cleared upon inspection / reconciliation with the vendor and therefore, liability has been created against the said works.

73. We have considered the submissions of the parties. It is noticed that the Petitioner has neither furnished any documentary evidence to substantiate its claim nor any justification confirming that the amount claimed is towards new bills / demand for the work which was capitalized prior to the cut-off date and form part of the original scope of work. In view of this, the additional capital expenditure of Rs.177.53 lakh claimed in 2014-15 claimed on accrual basis, for Plant Building Civil Package Unit-7 is not allowed.

k) Main Plant Building Work

74. The Petitioner has claimed total actual additional capital expenditure of Rs. 80.99 lakh towards Main Plant building work under Regulation 14(3)(vi) read with Regulation 54 of the 2014 Tariff Regulations, as under:

(Rs. in lakh)

Sl. No	Head of Work / Equipment	Additional Capital Expenditure claimed					Total
		2014-15	2015-16	2016-17	2017-18	2018-19	
a	Construction of Balance Mill Reject Unit-7.	0.57	0.00	0.00	0.00	0.00	0.57
b	Water Treatment Proofing-SG & Main Plant Building (Waste Management System)	10.38	0.00	0.00	0.00	0.00	10.38
c	Lift Capsule Type (1 Number) Adm Building	0.00	2.40	0.00	0.00	0.00	2.40
d	Entire Balance Civil Works of Main Plant & SG Area	33.70	0.00	0.00	0.00	0.00	33.70
e	Construction of Lift Room	0.09	0.00	0.00	0.00	0.00	0.09



Sl.	Head of Work /	Additional Capital Expenditure claimed					
	ESP Unit-5, Unit-6, Unit-7 Stage-II						
f	Construction of Brick Wall for Cable Gallery	0.16	0.00	0.00	0.00	0.00	0.16
g	Misc. Structural Steel Work in Main Plant Area	27.45	1.22	0.00	0.00	0.00	28.67
h	Air Condition of Auditorium in the Admin Building	3.36	0.00	0.00	0.00	0.00	3.36
i	Air Conditioner Supply Package Unit-7	1.43	0.00	0.00	0.00	0.00	1.43
j	Paving (RCC) Works at Water Treatment Plant	0.22	0.00	0.00	0.00	0.00	0.22
	Total	77.37	3.62	0.00	0.00	0.00	80.99

75. In justification of its claim, the Petitioner has submitted that these are balance payments in respect of the completed works which are within the original scope of the project and hence the delay may be condoned, and capitalisation of the said expenditure may be allowed.

76. The Respondents GRIDCO, BRPL and BYPL have submitted that Regulation 14(3)(vi) of the 2014 Tariff Regulations, provide for any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payment. They have also submitted that the liability for these works have not been admitted by the Commission. The Respondent GRIDCO has submitted that capitalization towards Air-conditioner comes under the purview of Proviso 1 of Regulation 14(3) of the 2014 Tariff Regulations and not Regulation 14(3)(v) of the 2014 Tariff Regulations, as per which it not allowable. It has also stated that balance payments towards air-conditioner had been made during the period 2010-14 as per order dated 22.1.2016 in Petition No.272/GT/2014. The Respondent, MPPMCL has submitted that the Petitioner has claimed additional capital expenditure of Rs.77.37 lakh for main plant building work under Regulations 14(3)(v) and 54 of the 2014 Tariff Regulations, which is not applicable. The claim for air conditioning is also not admissible and that the “power to relax” and “power to remove difficulty” are to be



exercised judiciously.

77. In response, the Petitioner has submitted that since the work was completed before the cut-off date, i.e., 20.03.2013 and balance payments were made during 2014-19, the delay for making the balance payments may be condoned by invoking Regulation 54 of the 2014 Tariff Regulations.

78. We have considered the matter. It is observed that the Petitioner has neither furnished any documentary evidence to substantiate its claim that the said works have been completed and capitalised prior to the cut-off date nor the amount claimed are in respect of the balance payments for works capitalised before the cut-off date and form part of the original scope of project. As stated in paragraph 41 above, the Petitioner had sufficient time period of 3 years from COD till the cut-off date to execute these works. Having failed to do so, we find no reason to allow the claims for additional capitalisation of these works in exercise of the powers under Regulation 54 of the 2014 Tariff Regulations. Accordingly, the additional capital expenditure of Rs.80.99 lakh claimed for main plant building work is not allowed.

1) Tools and Tackles (T&P)

79. The Petitioner has claimed actual additional capital expenditure of Rs.13.47 lakh in 2014-15 for Tools and Tackles in terms of Regulation 54 of the 2014 Tariff Regulations. In justification of the same, the Petitioner has submitted that these are essential tool required for safe and efficient operation of plant. The Respondents GRIDCO and TPDDL have submitted that the expenditure on Tools & Tackles fall within the scope of the first proviso to Regulation 14(3) of the 2014 Tariff Regulations and not Regulation 14(3)(v) of the 2014 Tariff Regulations, as per which it is hence, not allowable. In response, the Petitioner has submitted that the Tools and Tackles (“T&P”) are required for safe and efficient operation of the plant. The expenditure



claimed in this Petition is only confined to balance payment which is permissible under Regulation 14 (3)(v) of the Tariff Regulations, 2014. Since the work was completed before the cut-off date, i.e., 20.03.2013 and the balance payment was done during 2014-19, the delay for making the balance payments may be condoned by invoking Regulation 54 of the 2014 Tariff Regulations. Since tools and tackles are not allowable in terms of Regulation 14(3) of the 2014 Tariff Regulations, the claim of the Petitioner under this head is not allowed.

Reconciliation of the actual additional capital expenditure

80. The additional capital expenditure (on cash basis) claimed by the Petitioner for the 2014-19 tariff period is as under:

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Gross Block	593453.47	599982.46	*408278.76	*421678.70	*424799.06
Closing Gross Block	599982.46	597770.50	*421678.70	*424799.06	*430147.81
Total Additions as per books	6528.99	(-) 2211.96	13399.94	3120.36	5348.75
Ind-AS Adjustment	0.00	0.00	(-) 4469.16	(-) 1846.51	(-) 1160.76
Net Additions after Ind-AS adjustments	6528.99	(-) 2211.96	8930.78	1273.84	4187.99
Less: Exclusions (items not allowable / not claimed)	3495.71	(-) 2079.16	4503.79	91.59	3650.27
Additional Capital Expenditure	3033.28	(-)132.80	4426.99	1182.25	537.72
Less: Undischarged liabilities of Additional Capital Expenditure	595.14	18.55	629.45	31.85	0.00
Add: Discharges during the year / period	2091.30	236.68	92.75	613.88	129.96
Add: Decapitalization of lighting works (Not considered while claiming additional capitalization)	0.00	0.00	0.00	0.00	2.55
Net Additional Capital Expenditure claimed	4529.45	85.33	3890.29	1764.29	670.24

*As per IND-AS

Exclusions

81. The summary of exclusions from books of accounts under different heads for the purpose of tariff are shown below:



(Rs. in lakh)

Sl. No.	Head of Work/ Equipment	Additional Capital Expenditure claimed under Exclusion				
		2014-15	2015-16	2016-17	2017-18	2018-19
B1	Disallowed / not claimed items	633.18	175.15	57.09	54.17	0.00
B2	Capitalization of MBOA	157.38	254.22	631.28	190.27	16.02
B3	Loan ERV	1659.59	3172.62	(-)32.15	(-)45.01	0.00
B4	Capitalization of Spares	1712.59	1847.01	4035.62	2799.15	4366.14
	Adjustment of Capital spares	(-)6.34	0.00	0.00	0.00	0.00
B5	Inter Unit Transfer	(-)13.50	(-)36.93	(-)9.82	(-)26.03	(-)159.46
B6	Decapitalization - Part of Tariff	(-)7.10	(-)27.48	(-)54.02	(-)17.23	(-)24.51
B7	Decapitalization - Not Part of Tariff	0.00	0.00	(-)77.56	(-)336.77	(-)60.35
B8	Reversal of Liabilities	(-)606.66	(-)7478.12	(-)46.65	(-)2526.96	(-)4443.42
B9	Contractor ERV	(-)33.44	14.37	0.00	0.00	0.00
	Total Exclusions	3495.71	(-)2079.16	4503.79	91.59	3694.41

a) Disallowed / not claimed items

82. The Petitioner has sought for the exclusion of capitalization of following items for 2014-19 tariff period.

(Rs. in lakh)

Sl. No.	Head of Work/ Equipment	Additional Capital Expenditure claimed under exclusion				
		2014-15	2015-16	2016-17	2017-18	2018-19
B1	Disallowed / not claimed items					
1	EOT crane 25T/5T-workshop	127.22	0.00	0.00	0.00	0.00
2	Township related work	505.96	175.15	57.09	54.17	0.00
A	Construction of 24 numbers D Type, 32 numbers C Type, 156 numbers B Type quarters	4.50	0.00	0.00	0.00	0.00
B	Construction of Union Office - Civil Works	0.25	0.00	0.00	0.00	0.00
C	Construction of barrack for CISF personnel.	23.89	1.80	0.00	5.42	0.00
D	Construction of balance 16 numbers "B" Type quarters - civil	16.15	0.00	0.00	0.00	0.00
E	Construction of balance 14 numbers "D" Type quarters	1.30	0.00	0.00	0.00	0.00
F	Modular partitions for Stage-II service building	0.86	0.00	0.00	0.00	0.00
G	Construction of multipurpose / community Centre	355.57	10.10	0.00	0.00	0.00
H	Acoustic treat multipurpose / community Centre	42.16	26.54	0.00	0.00	0.00
I	Internal electric multipurpose / community Centre	16.49	12.17	0.00	0.00	0.00



Sl. No.	Head of Work/ Equipment	Additional Capital Expenditure claimed under exclusion				
		2014-15	2015-16	2016-17	2017-18	2018-19
J	Air conditioning multipurpose / community Centre	40.15	0.00	0.00	0.00	0.00
K	DAV school-construction of toilets blocks & two dressing room	4.63	0.00	0.00	0.00	0.00
L	Const of ADTNL facilities for ST. Joseph's school	0.00	2.52	0.00	0.00	0.00
M	Sports complex in Stage-II civil	0.00	24.22	0.00	0.00	0.00
N	Construction of 70 numbers Garages for car parking I	0.00	3.61	0.00	0.00	0.00
O	Construction of balance 20 numbers 'B' Type quarters	0.00	12.60	0.00	0.00	0.00
P	Construction of sports complex -electrical	0.00	0.80	0.00	0.00	0.00
Q	Air conditioning multipurpose / community Centre	0.00	8.37	0.00	0.00	0.00
R	Sound system work of multipurpose community hall	0.00	7.68	0.00	0.00	0.00
S	Renovation and Development of Parks Township	0.00	7.37	0.00	0.00	0.00
T	Alternate Painting system	0.00	57.39	0.00	0.00	0.00
U	Construction of balance 16 numbers "B" Type quarters	0.00	0.00	54.58	0.00	0.00
V	Construction of 02 numbers Overhead water tanks stage-ii area of pts	0.00	0.00	0.60	0.00	0.00
W	Laying of water supply pipeline network	0.00	0.00	1.91	0.00	0.00
X	Construction of 02 numbers Overhead water tanks	0.00	0.00	0.00	25.51	0.00
Y	Construction of balance 10 numbers "D" Type quarters	0.00	0.00	0.00	15.65	0.00
Z	ET hostel in TTS	0.00	0.00	0.00	7.59	0.00
	Total (1 + 2)	633.18	175.15	57.09	54.17	0.00

83. In justification of the above claims, the Petitioner has submitted that these works are claimed under exclusion as the Commission has disallowed the same in its order dated 21.1.2017 in Petition No. 283/GT/2014. Considering the Petitioner's submission and the Regulations thereof, these exclusions are in order and the same are allowed.

b) Capitalization of Miscellaneous Bought out Assets (MBOA) Items

84. The Petitioner has sought the exclusion of capitalization of following MBOA items.



(Rs. in lakh)

Sl. No.	Head of Work/ Equipment	2014-15	2015-16	2016-17	2017-18	2018-19
1	Furnitures and Fixtures	16.89	62.92	207.96	34.01	0.48
2	IT Equipment's	27.90	83.91	331.97	127.34	14.50
3	Electrical Installations	3.35	0.00	0.00	0.00	0.00
4	Hospital Equipment	35.15	0.00	0.00	8.86	0.00
5	Office Equipment	24.47	14.53	57.03	20.06	0.00
6	Others-hydrogen cylinder	16.21	0.37	0.00	0.00	0.00
7	Thermo camera	2.37	0.00	0.00	0.00	0.00
8	Lab / workshop	31.03	0.00	0.00	0.00	0.00
9	Testing equipment	0.00	68.71	0.00	0.00	0.00
10	Plant equipment	0.00	23.79	0.00	0.00	0.00
11	T&P equipment	0.00	0.00	34.32	0.00	0.00
12	Laying of Telephone Cable In T/S & Plant	0.00	0.00	0.00	0.00	1.03
	Total	157.38	254.22	631.28	190.27	16.02

85. The Petitioner has submitted that MBOA items capitalized after the cut-off date are not allowed for the purpose of tariff in terms of the 2014 Tariff Regulations and hence, kept under exclusion. Accordingly, the exclusion of the said amounts is in order and therefore allowed.

c) Loan ERV

86. The Petitioner has sought exclusion of Loan ERV for following items:

(Rs. in lakh)

Sl. No.	Head of Work / Equipment	2014-15	2015-16	2016-17	2017-18	2018-19
1	Supply of Steam Generator Pkg-Unit-V	374.30	715.54	(-)21.14	(-)10.15	0.00
2	Supply of Steam Turbine Generator Pkg-Unit-V	254.14	485.84	(-)14.36	(-)6.89	0.00
3	Turbine Generator # Unit -6	163.61	312.77	5.96	(-)4.44	0.00
4	Steam Generator with ESP Pkg Stage-II, (Unit-7)	358.93	686.17	(-)20.28	(-)16.41	0.00
5	Steam Turbine Generator Package Stage-II (Unit -7)	246.04	470.36	(-)13.90	0.00	0.00
6	Steam Generator # Unit -6	262.57	501.95	8.24	(-)7.12	0.00
7	Installation, Testing & Comm. Of SG. Pkg	0.00	0.00	13.89	0.00	0.00
8	Installation, Testing & Commissioning of TG. Pkg-Unit -V	0.00	0.00	9.43	0.00	0.00
	Total	1659.59	3172.62	(-) 32.15	(-) 45.01	0.00

87. The Petitioner submitted that since loan ERV is to be billed directly to the beneficiaries in terms of the 2014 Tariff Regulations. The same has been considered



as exclusion for the purpose of tariff. The exclusion of the said amounts under this head is in order and is allowed.

d) Capitalization of Spares

88. The Petitioner has sought exclusion of capitalization of spares for the following items:

<i>(Rs. in lakh)</i>						
Sl. No.	Head of Work / Equipment	2014-15	2015-16	2016-17	2017-18	2018-19
B4	Capitalization of Spares	1712.59	1847.01	4035.62	2799.15	4366.14
	Adjustment of capital spares	(-) 6.34	0.00	0.00	0.00	0.00

89. The Petitioner has submitted that since capitalization of capital spares, after the cut-off date, is not allowed as per the 2014 Tariff Regulations, the same is kept under exclusion. It is also submitted that as capitalization of spares, over and above the initial spares, procured after the cut-off date of the generating station, are not allowed for the purpose of tariff, as they form part of O&M expenses, the Petitioner has excluded the said amount. In this regard, it is observed that in 2018-19, the claim for capitalization of spares under exclusion was Rs.4366.14 lakh (IND AS Adjustment is shown as nil) in Form 9D and as per 'Annexure A- 2018-19' the capitalisation of spares, on accrual basis, is shown as Rs 4366.14 lakh, however, as per IGAPP, the same is Rs.4321.98 lakh (IND AS Adjustment is shown as nil). Therefore, the exclusion of Rs. 4321.98 lakh has been considered in 2018-19.

e) Inter Unit Transfer

90. The Petitioner has claimed exclusion of inter-unit transfer for the following items:

<i>(Rs. in lakh)</i>						
Sl. No.	Head of Work / Equipment	2014-15	2015-16	2016-17	2017-18	2018-19
1	Laptop due to employee Transfer	(-)12.55	0.00	0.00	0.00	0.00
2	IT equipment's – Laptop/PC etc.	0.00	0.00	(-)8.93	(-) 25.49	(-)157.88
3	Office equipment etc.	0.00	0.00	0.00	0.38	(-)1.08
4	Hospital equipment	0.00	0.00	0.00	0.00	0.00
5	Furnitures etc.	(-)0.94	0.00	(-)0.88	(-)0.91	(-)0.50
6	Inter-unit Transfer	0.00	(-)36.93	0.00	0.00	0.00
	Total	(-)13.50	(-)36.93	(-)9.82	(-)26.03	(-)159.46



91. In justification, the Petitioner submitted that the Commission is not considering temporary Inter Unit Transfer for tariff, hence kept under exclusion. Considering the Petitioner's submission and the provisions of the 2014 Tariff Regulations, the exclusion of the said amount is in order and allowed.

f) Decapitalization - Part of Tariff

92. The Petitioner has claimed the exclusion of de-capitalized items, as under, which form part of the capital cost.

(Rs. in lakh)

Sl. No.	Head of Work / Equipment	2014-15	2015-16	2016-17	2017-18	2018-19
1	De-capitalization of MBOA (Furniture and Fixture, IT Equipment etc.)	(-)7.10	(-)27.48	(-)54.02	0.00	(-)24.51
2	Buy back of PC & Laptop	0.00	0.00	0.00	(-)17.23	0.00
	Total	(-)7.10	(-)27.48	(-)54.02	(-)17.23	(-)24.51

93. Since, these aforementioned assets form part of the capital cost, the exclusion for de-capitalization of these items for the amounts are not allowed.

g) De-capitalization - Not Part of Tariff

94. The Petitioner has excluded the de-capitalized spares of the following items for the purpose of tariff:

(Rs. in lakh)

Sl. No.	Head of Work / Equipment	2014-15	2015-16	2016-17	2017-18	2018-19
1	De-capitalization of spares	0.00	0.00	(-)77.56	(-)296.43	(-)29.91
2	De-capitalization of MBOA	0.00	0.00	0.00	(-)37.18	(-)30.44
3	Buy back of PC & Laptop	0.00	0.00	0.00	(-)3.16	0.00
	Total	0.00	0.00	(-)77.56	(-)336.77	(-)60.35

95. In justification for the same, the Petitioner has submitted that since capitalization of spares beyond the cut-off date is not admissible in terms of the 2014 Tariff Regulations, and the same have been claimed under exclusions. Since capitalization of spares, brought after the cut-off date, is not allowed to form part of the capital cost for the purpose of tariff, the exclusion of de-capitalization of such spares is in order



and is allowed.

h) Reversal of Liabilities

96. The Petitioner has excluded reversal of liabilities of the following items for the purpose of tariff:

(Rs. in lakh)

Sl. No.	Head of Work / Equipment	2014-15	2015-16	2016-17	2017-18	2018-19
1	CW System Pkg. Stage-II (Unit-7)	(-)387.99	0.00	0.00	0.00	0.00
2	Coal Handling Plant Pkg. Stage II (Unit-7)	(-)31.48	0.00	0.00	0.00	0.00
3	Water Pre-Treatment Liquid Effluent System Unit-7	(-) 62.88	0.00	0.00	0.00	0.00
4	Make Up Water System Pkg. Stage-II Unit-7	(-)1.46	0.00	0.00	0.00	0.00
5	Ex-Indian Electrical Equipment Sup Unit- 7	(-)1.19	0.00	0.00	0.00	0.00
6	Control Cables Pkg. Stage-II (Unit-7))	(-)0.97	0.00	0.00	0.00	0.00
7	Ash Handling System Pkg. Stage-II Unit-7	(-)0.47	0.00	0.00	0.00	0.00
8	Station Control &Instrumentation Pkg. Unit-7	(-)8.09	0.00	0.00	0.00	0.00
9	Supply of Ventilation System Pkg. Unit- 7	(-)41.40	0.00	0.00	0.00	0.00
10	DM Plant CW Treatment & Condensate Polis Unit-7	(-)2.50	0.00	0.00	0.00	(-)177.70
11	Structural Steel Work	(-)33.10	0.00	0.00	0.00	0.00
12	Construction of 24 numbers D Type, 32 numbers C Type,156 numbers B Type Qtrs.	(-)25.39	0.00	0.00	0.00	0.00
13	Extension of Existing Shops & Other Work	(-)0.08	0.00	0.00	0.00	0.00
14	Supply of Storm Water Pumping Pkg.Stage- II	(-)0.85	0.00	0.00	0.00	0.00
15	Installation of Air Conditioning System in Jeevan	(-)7.03	0.00	0.00	0.00	0.00
16	Cable lighting and earthing work of CWS, permanent	(-)1.79	0.00	0.00	0.00	0.00
17	Turbine Generator Civil & Structural works	0.00	(-) 5142.03	0.00	0.00	0.00



Sl. No.	Head of Work / Equipment	2014-15	2015-16	2016-17	2017-18	2018-19
18	Plant Building civil Pkg. Unit-7	0.00	(-) 2046.76	0.00	0.00	0.00
19	Structural steel work	0.00	(-) 48.45	0.00	0.00	0.00
20	Entire Balance Civil Works of Main Plant & SG area	0.00	(-) 26.89	0.00	0.00	0.00
21	Construction of balance 20 numbers of 'B' Type Qtrs. - Civil	0.00	(-)4.54	0.00	0.00	0.00
22	Residential Buildings Qtrs.	0.00	(-)2.54	0.00	0.00	0.00
23	Construction of Drill Tower for Fire Station	0.00	(-)2.45	0.00	0.00	0.00
24	Auditorium-Cum-Class Room & library for EDC	0.00	(-)10.08	0.00	0.00	0.00
25	Acoustic Treatment of Auditorium for EDC Building	0.00	(-)5.41	0.00	0.00	0.00
26	Off Site Civil Works	0.00	(-)12.22	0.00	0.00	0.00
27	Supply of Storm Water Pumping Pkg. Stage- II/7871	0.00	(-)75.00	0.00	0.00	0.00
28	Supply of Ash Handling System/8180	0.00	(-)64.79	0.00	0.00	0.00
29	CW System	0.00	(-)33.77	0.00	0.00	0.00
30	Ash Water Re-Circulation System	0.00	(-)2.27	0.00	0.00	0.00
31	Make Up Water System	0.00	(-)0.92	0.00	0.00	0.00
32	Structural Steel Work/9133	0.00	0.00	(-)1.74	0.00	0.00
33	Structural Steel Work/9134	0.00	0.00	(-)5.32	0.00	0.00
34	Supply of Lt Power Cable Pkg. Stage-II/ 8181	0.00	0.00	(-)20.03	0.00	0.00
35	Construction of Balance 16 numbers "B" Type Qtrs. -Civil	0.00	0.00	(-)18.68	0.00	0.00
36	External Electrification of Stage-II (PTS)	0.00	0.00	(-)0.88	0.00	0.00
37	Liability Reversal	0.00	0.00	0.00	(-) 2526.96	0.00
38	S.G.Area Civil Work - Stage II- Phase-1/7648	0.00	0.00	0.00	0.00	(-) 163.43
39	Water Treatment Plant-DM -Unit -6	0.00	0.00	0.00	0.00	(-)102.30
	Total	(-) 606.66	(-) 7478.12	(-) 46.65	(-) 2526.96	(-) 443.42

97. In justification for the same, the Petitioner has submitted that as per practice,



liabilities are excluded for the purpose of tariff and hence, reversal of liabilities have been considered as exclusions. Since the liabilities are not allowed to be a part of the capital cost for the purpose of tariff, the exclusion of reversal of liabilities is in order and is allowed.

i) Contractor ERV-Steam generator and ESP-II

98. The Petitioner has sought exclusion of contractor ERV for Steam Generator and ESP-II and Air Conditioning system package Unit-7 as under:

<i>(Rs. in lakh)</i>				
2014-15	2015-16	2016-17	2017-18	2018-19
(-) 33.44	14.37	0.00	0.00	0.00

99. It is observed that the assets / works, for which contractor ERV has been claimed under exclusion for 2014-15 is in the nature of original scope of project and the Petitioner has not furnished any justification for such exclusion. In view of this, the exclusion claimed in 2014-15 is not allowed. As regards exclusion claimed in 2015 - 16, it is observed that the same has been booked as undischarged liability in Form-18 and therefore, the same has been considered as undischarged liability.

j) Ind-AS Adjustment (Overhauling)

100. As regards the expenditure on Ind-AS adjustment (Overhauling), the reconciliation statement, as submitted by the Petitioner, indicates an expenditure of Rs.4307.44 lakh in 2016-17, Rs.1761.94 lakh in 2017-18 and Rs.2866.40 lakh in 2018-19 with corresponding negative entries of the same amount as IND-AS adjustment. As such, after adjustment, the net claim, against overhauling, reduces to zero, as per IGAPP. Considering the fact that the expenditure is an accounting adjustment leading to zero expenditure, the same is in order and does not impact the claim made by the Petitioner.

101. Accordingly, the details of exclusions allowed for the 2014-19 tariff period is



summarised below:

(Rs. in lakh)

Sl. No.	Head of Work / Equipment	2014-15	2015-16	2016-17	2017-18	2018-19
B1	Commission Disallowed/ not claimed items	633.18	175.15	57.09	54.17	0.00
B2	Capitalization of MBOA	157.38	254.22	631.28	190.27	16.02
B3	Loan ERV	1659.59	3172.62	(-) 32.15	(-) 45.01	0.00
B4	Capitalization of Spares	1712.59	1847.01	4035.62	2799.15	4366.14
	Adj of Capital spares	(-) 6.34	0.00	0.00	0.00	0.00
B5	Inter Unit Transfer	(-)13.50	(-) 36.93	(-)9.82	(-)26.03	(-) 159.46
B6	Decapitalization - Part of Tariff	0.00	0.00	0.00	0.00	0.00
B7	Decapitalization - Not Part of Tariff	0.00	0.00	(-)77.56	(-)336.77	(-)60.35
B8	Reversal of Liabilities	(-) 606.66	(-) 7478.12	(-) 46.65	(-) 2526.96	(-) 443.42
B9	Contractor ERV	0.00	0.00	0.00	0.00	0.00
	Total Exclusions	3536.25	(-) 2066.05	4557.81	108.82	3718.92

102. Based on the above discussions, the summary of exclusions allowed / not allowed for the 2014-19 tariff period for the purpose of tariff is as under:

(Rs. in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Exclusions Claimed (A)	3495.71	(-) 2079.16	4503.79	91.59	3694.41
Exclusions Allowed (B)	3536.25	(-) 2051.68*	4557.81	108.82	3718.92
Exclusion not allowed (A-B)	(-) 40.54	(-) 27.48	(-) 54.02	(-) 17.23	(-) 24.51

*Exclusion allowed on accrual basis is (-) Rs 2066.05 lakh. However, exclusion allowed on cash basis is mentioned as Rs.2051.68 lakh after considering undischarged liabilities of Rs. 14.37 lakh of contractor ERV.

De-capitalisation of Spares (part of capital cost)

103. The Petitioner has claimed de-capitalization of spares which form part of the capital cost in terms of Regulation 14(4) of the 2014 Tariff Regulations as under:

(Rs. in lakh)

2014-15	2015-16	2016-17	2017-18	2018-19
(-)290.47	(-)352.53	(-)321.16	(-)376.20	(-)58.94

104. The Respondent, MPPMCL has submitted that the Petitioner's claim for decapitalization may be rejected, as the generating station is new and the decapitalization of such a huge amount is uncalled for, at this early stage, as this will



put enormous financial burden on the Respondents by asset addition. In response, the Petitioner has submitted that spares have been decapitalized, as they form part of the capital cost and have become unserviceable in terms of Regulation 14(4) of the 2014 Tariff Regulations.

105. We have considered the matter. It has been observed that in Form 9A for 2018-19, the Petitioner has claimed de-capitalisation of (-) Rs.58.94 lakh. However, in Form 9Bi, for 2018-19, the Petitioner has submitted the de-capitalisation of capital spares, claimed as additional capital expenditure, as (-) Rs.103.11 lakh. Hence, the de-capitalisation of capital spares of (-) Rs.103.11 lakh in 2018-19 has been allowed. Accordingly, the allowed de-capitalization of spares is shown as follows:

<i>(Rs. in lakh)</i>				
2014-15	2015-16	2016-17	2017-18	2018-19
(-)290.47	(-)352.53	(-)321.16	(-)376.20	(-)103.11

Discharge of Liabilities

106. The Petitioner has claimed discharge of liabilities in terms of Regulation 14(3)(vi) of the 2014 Tariff Regulations, as follows:

<i>(Rs. in lakh)</i>				
2014-15	2015-16	2016-17	2017-18	2018-19
2091.30	236.68	92.75	613.88	129.96

107. The Commission vide its order dated 21.1.2017 in Petition No. 283/GT/2014 had considered the closing undischarged liability of Rs.22571.96 lakh on 31.3.2014. It is observed that the Petitioner has claimed the opening undischarged liability of Rs.24577.51 lakh as on 1.4.2014, which also includes undischarged liability of Rs.2005.55 lakh disallowed by the Commission towards the disallowed items. Therefore, to arrive at the opening undischarged liability of Rs.22571.96 lakh as on 1.4.2014, the undischarged liability of Rs.2005.55 lakh has been deducted from the



opening liability claimed as on 1.4.2014 of Rs.24577.51 lakh and the same undischarged liability of Rs.2005.55 lakh, has also been deducted from the discharges claimed for the initial years. Accordingly, the undischarged liability of Rs.22571.96 lakh has been considered as the opening undischarged liability as on 1.4.2014 for the purpose of tariff.

108. The discharge of liabilities, allowed as part of the additional capital expenditure, corresponding to the allowed assets, are as under:

(Rs. in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Un-discharged liabilities as on 1.4.2014 which includes un - discharged liabilities of Rs.1195.36 lakh pertaining to period prior to 1.4.2009 - A	22571.96	21219.97	13654.16	13514.76	10504.64
Discharges during the period out of liabilities as on 1.4.2009 (corresponding to allowed assets) - B	189.44	0.00	27.85	0.00	0.00
Reversals during the period out of liabilities as on 1.4.2009 (corresponding to allowed assets) - C	63.73	360.58	13.56	319.62	137.00
Addition during the period 2014-19 (corresponding to allowed assets), including ERV Up-dation -D	552.38	14.37	33.29	31.85	0.00
Discharges during the period 2014-19 (corresponding to allowed assets) -E	0.00	90.23	64.90	483.16	129.96
Reversal of liabilities out of liabilities added during 2014-19 (corresponding to allowed assets) - F	1098.81	7114.99	33.09	2207.34	306.43
Discharges of liability for the period -G =(B+E)	189.44	90.23	92.75	483.16	129.96
Reversal of liability for the period -H =(C+F)	1162.54	7475.58	46.65	2526.96	443.42
Closing undischarged liabilities -I =(A+D-G-H)	21219.97	13654.16	13514.76	10504.64	9931.26

109. As per the above, the balance un-discharged liabilities corresponding to admitted capital cost as on 31.3.2019, works out to be Rs.9931.26 lakh, which includes un-discharged liabilities of Rs.83.57 lakh (i.e., Rs.11195.36 lakh - Rs.189.44 lakh - Rs.27.85 lakh - Rs.63.73 lakh - Rs.360.58 lakh - Rs.13.56 lakh - Rs.319.62 lakh -



Rs.137.00 lakh) pertaining to the period prior to 1.4.2009.

110. Based on the above, the additional capital expenditure allowed for the 2014-19 tariff period is summarised as under:

(Rs. in lakh)

Sl. No.	Head of Work / Equipment	Additional capital expenditure allowed					
		2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	Ash Dyke works	936.87	109.11	2224.04	82.04	99.25	3451.31
2	WAGONS	(-)124.55	0.00	(-)1404.03	0.00	(-)76.91	(-)1605.49
3	Safety and security related work	4.68	0.00	0.00	0.00	0.00	4.68
4	Decapitalization of lighting works	0.00	0.00	0.00	(-)15.01	0.00	(-)15.01
A	Additional Capitalization (1+2+3+4)	817.00	109.11	820.01	67.03	22.34	1835.49
B	Decapitalization of Spares (part of capital cost)	(-) 290.47	(-) 352.53	(-)321.16	(-)376.20	(-)103.11	(-)1443.47
C	Discharge of Liabilities	189.44	90.23	92.75	483.16	129.96	985.54
D	Exclusions not allowed	(-) 40.54	(-) 27.48	(-) 54.02	(-)17.23	(-) 24.51	(-) 163.78
Total Additional Capital Expenditure (A+B+C+D)		675.43	(-) 180.67	537.59	156.76	24.68	1213.79

Capital cost allowed for the 2014-19 tariff period

111. Accordingly, the capital cost allowed for the purpose of tariff is as follows:

(Rs. in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Opening Capital Cost	544756.09	545431.52	545250.85	545788.44	545945.20
Add: Additional Capital Expenditure allowed	675.43	-180.67	537.59	156.76	24.68
Closing Capital Cost	545431.52	545250.85	545788.44	545945.20	545969.88
Average Capital Cost	545093.80	545341.18	545519.64	545866.82	545957.54

Debt-Equity Ratio

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

“19. Debt-Equity Ratio:

(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 utilisation 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 modernisation expenditure for life extension shall be serviced in the manner specified in clause (1) of this regulation.”

113. The gross loan and equity of Rs.381329.26 lakh and Rs.163426.83 lakh respectively as on 31.3.2014 as allowed in order dated 22.1.2016 in Petition No. 206/GT/2013 [Revision of tariff of Kahalgaon Super Thermal Power Station, Stage-II (1500 MW) for the period from 1.4.2009 to 31.3.2014 after the truing up exercise, based on actual capital expenditure incurred for the period 2009-12 and projected capital expenditure for 2013-14] and Petition No. 272/GT/2014 [Revision of tariff of Kahalgaon Super Thermal Power Station, Stage-II (1500 MW) for the period from 1.4.2009 to 31.3.2014 after the truing up exercise, based on actual capital expenditure incurred for the period 2009-14] has been considered as on 1.4.2014. The Petitioner



has claimed debt-equity ratio of 70:30 for additional capital expenditure during 2014-19 tariff period. Accordingly, in terms of Regulation 19(3) of the 2014 Tariff Regulations, the debt-equity ratio for additional capital expenditure has been considered of 70:30. The details of debt-equity ratio in respect of the generating station as on 1.4.2014 and as on 31.3.2019 are as follows:

	Capital cost as on 1.4.2014 (Rs. in lakh)	(%)	Actual Additional capital expenditure during 2014-19 (Rs. in lakh)	(%)	Capital cost as on 31.3.2019 (Rs. in lakh)	(%)
Debt	381329.26	70.00%	849.66	70.00%	382178.92	70.00%
Equity	163426.83	30.00%	364.14	30.00%	163790.97	30.00%
Total	544756.09	100.00%	1213.79	100.00%	545969.88	100.00%

Return on Equity (RoE)

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

“24. Return on Equity:

(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.”

115. 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 cess:

(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 = $\text{Rs } 240 \text{ Crore} / \text{Rs } 1000 \text{ Crore} = 24\%$

(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.”

116. The Petitioner has claimed Return on Equity (ROE) after grossing up the base rate of ROE of 15.50% with the effective tax rates (based on MAT rates) for each year, as per Regulation 25 of the 2014 Tariff Regulations. The ROE has been trued up on the basis of MAT rate applicable in the respective years and is allowed for the



generating station as under:

(Rs. in lakh)

		2014-15	2015-16	2016-17	2017-18	2018-19
Normative Equity-Opening	A	163426.83	163629.46	163575.26	163736.53	163783.56
Addition of Equity due to additional capital expenditure	B	202.63	(-) 54.20	161.28	47.03	7.41
Normative Equity-Closing	C=(A+B)	163629.46	163575.26	163736.53	163783.56	163790.97
Average Normative Equity	D= Average (A, C)	163528.14	163602.36	163655.90	163760.05	163787.27
Return on Equity (Base Rate)	E	15.500%	15.500%	15.500%	15.500%	15.500%
Effective Tax Rate for the year	F	20.961%	21.342%	21.342%	21.342%	21.549%
Rate of Return on Equity (Pre-Tax)	G= [E/(1-F)]	19.610%	19.705%	19.705%	19.705%	19.758%
Return on Equity (Pre-Tax) annualized	H=(D*G)	32067.87	32237.84	32248.39	32268.92	32361.09

Interest on Loan

117. 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-capitalization 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.”

118. Interest on loan has been computed as under:

- a. Gross normative loan amounting to Rs.381329.26 lakh as considered in order dated 21.1.2017 in Petition No. 283/GT/2014 has been retained as on 1.4.2014.
- b. Cumulative repayment amounting to Rs.129647.85 lakh as considered in order dated 21.1.2017 in Petition No. 283/GT/2014, has been retained as on 1.4.2014.
- c. Accordingly, the net normative opening loan as on 1.4.2014 is Rs.251681.41 lakh.
- d. The repayment for the years of the 2014-19 tariff period has been considered equal to the depreciation allowed for that year. Further, proportionate adjustment has been made to the repayments corresponding to discharges and reversals of the liabilities considered during the respective years on account of cumulative repayment adjusted as on 1.4.2009. Also, repayments have been adjusted for de-capitalization of assets considered for the purpose of tariff; and
- e. In line with the provisions of the regulations stated above, the weighted average rate of interest has been calculated by applying the actual loan portfolio existing as on 1.4.2014, along with subsequent additions during the 2014-19 tariff period, if any, for the generating station. In case of loans carrying floating rate of interest, the details of rate of interest, as provided by the Petitioner, has been considered for the purpose of tariff.
- f. The Petitioner in the present petition has claimed rate of interest for ADB Tranche A as 0.9893% for 2014-15, 1.1871% for 2015-16, 1.7456% for 2016-17 and 1.9953% for 2017-18. However, the rate of interest worked-out based on the details submitted by the Petitioner in the Tariff Forms have been considered while calculating the interest on loan. The worked-out rate



of interest for ADB Tranche A are 0.9757% for 2014-15, 1.1676% for 2015-16, 1.7216% for 2016-17 and 1.9680% for 2017-18.

119. Interest on loan has been worked out as follows:

		(Rs. in lakh)				
		2014-15	2015-16	2016-17	2017-18	2018-19
Gross opening loan	A	381329.26	381802.06	381675.59	382051.90	382161.64
Cumulative repayment of loan up to previous year	B	129647.85	157404.05	185229.68	213086.40	240997.65
Net Loan Opening	C = (A-B)	251681.41	224398.01	196445.91	168965.51	141163.99
Addition due to additional capital expenditure	D	472.80	(-)126.47	376.31	109.73	17.28
Repayment of loan during the year	E	27859.74	27933.18	28023.59	28068.26	28078.32
Less: Repayment adjustment on account of de-capitalization	F	108.94	115.26	167.75	163.84	83.30
Add: Repayment adjustment on a/c of discharges / reversals corresponding to undischarged liabilities deducted as on 01.04.2009	F1	5.41	7.70	0.88	6.83	2.93
Net Repayment of loan during the year	G = (E-F+F1)	27756.20	27825.62	27856.72	27911.25	27997.94
Net Loan Closing	H = (C+D-G)	224398.01	196445.91	168965.51	141163.99	113183.32
Average Loan	I = Average (C,H)	238039.71	210421.96	182705.71	155064.75	127173.66
Weighted Average Rate of Interest of loan	J	8.5869%	8.4593%	8.5141%	8.2455%	8.2210%
Interest on Loan	K=(I*J)	20440.24	17800.25	15555.83	12785.90	10454.94

Depreciation

120. 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.”

121. Cumulative depreciation amounting to Rs.130228.78 lakh as on 1.4.2014, as considered in order dated 21.1.2017 in Petition No. 283/GT/2014 has been retained 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. Since as on 1.4.2014, the used life of the generating station (i.e. 4.98 years) is less than 12 years from the effective station COD of 7.4.2009, depreciation has been



computed by applying weighted average rate of depreciation for respective years.

Necessary calculations in support of depreciation are as shown below

(Rs. in lakh)

		2014-15	2015-16	2016-17	2017-18	2018-19
Average Capital Cost	A	545093.80	545341.18	545519.64	545866.82	545957.54
Value of freehold land	B	131.70	131.70	131.70	131.70	131.70
Aggregated Depreciable Value	$C=[(A-B)*90\%]$	490465.89	490688.53	490849.15	491161.61	491243.26
Remaining Aggregate Depreciable value at the beginning of the year	D= [(C)-(Cumulative Depreciation (shown at K) at the end of previous year)]	360237.11	332703.55	305038.54	277494.28	249664.68
Number of completed years at the beginning of the year	E	4.98	5.98	6.98	7.98	8.98
Balance useful life at the beginning of the year	$F=(25-E)$	20.02	19.02	18.02	17.02	16.02
Weighted Average Rate of depreciation	G	5.1110%	5.1221%	5.1370%	5.1420%	5.1429%
Depreciation (annualized)	$H=(A*G)$	27859.74	27933.18	28023.59	28068.26	28078.32
Add: Cumulative Depreciation adjustment of discharges / reversals corresponding to un-discharged liabilities deducted as on 01.04.2009	I	5.41	7.70	0.88	6.83	2.93
Less: Cumulative depreciation adjustment on account of de-capitalization	J	108.94	115.26	167.75	163.84	83.30



		2014-15	2015-16	2016-17	2017-18	2018-19
Cumulative depreciation (at the end of the period)	$K = [(Cumulative Depreciation at the end of previous year) + (H) + (I) - (J)]$	157984.98	185810.61	213667.33	241578.58	269576.52

Operation & Maintenance Expenses

122. Regulation 29(1)(c) of the 2014 Tariff Regulations specifies the norms for O& M expenses for the thermal generating stations. Based on the norms, the normative Operation & Maintenance expenses claimed by the Petitioner are as follows:

<i>(Rs. in lakh)</i>				
2014-15	2015-16	2016-17	2017-18	2018-19
23200.00	24664.50	26216.00	27869.00	29623.50

123. The Petitioner submitted that it has filed an appeal before the APTEL through Appeal No. 101 of 2017 and Appeal No. 110 of 2017 (NTPC Vs CERC and Others) challenging the two orders passed by the CERC, order dated 21.1.2017 in Petition No. 283/GT/2014 and another order dated 6.2.2017 in Petition No. 372/GT/2014, wherein, the Commission allowed normative O&M expenses with a multiplication factor of 0.9, by applying the proviso to Regulation 29(1)(a) of the 2014 Tariff Regulations. The APTEL vide its judgement dated 11.1.2022 in the said appeals set aside the findings of the Commission on the subject issue. The relevant portion of the judgment dated 11.1.2022 is extracted below:

“8.1(a) The Normative O&M charges for 2014-19 control period are determined on the basis of O&M charges incurred during the 2009-2014 control period.

Xxx

(b) Further, the O&M charges for the past years are collected as consolidated charges for the complete project /generating station irrespective of new /additional units during that period or existing units.

8.2. From the above, it is crystal clear that the Normative O&M charges are determined based on the actual consolidated O&M charges for the past five years for a specific project having similar unit sizes.

8.3 Also, the Normative O&M charges are determined for the complete Generating Station including all the units which achieve COD prior to 1.4.2014. The multiplication factor is to be applied for new units which achieve COD after 1.4.2014 and during the control period 2014-19.” xxxx

8.7 We agree with the submissions made by the Appellant that considering the above COD, only the revised O&M norms for units existing as on 01.04.2014, as laid down in



Regulation 29 (1) (a) of the 2014 Tariff Regulations are to be applied in case of the Appellant. As such any other interpretation of the aforesaid regulations is contrary to the plain text and meaning.

Xxx

8.13 We decline to accept the said contention as the provisions of the Tariff Regulations, 2014 have already been deliberated in the foregoing paras and there is no doubt that the Normative O&M charges are determined by consolidating the actual O&M charges for the past five years (the last control period) thus considering the actual sharing benefits by the additional units for that period and rationalising the expenditure

Xxx

8.15 We do not find any relevance to the above submission as the benefit of sharing of resources by the additional units have already been factored in the actual O&M charges considered for the past years

Xxx

8.17 There is no denial that the benefit of sharing of resources by the additional units should be passed on to the consumers, however, once already factored into the actual O&M charges which is the basis for determination of Normative O&M charges for the next control period, such a benefit becomes the integral part of O&M charges.

Xxx

8.25 However, in the Impugned Order, CERC has essentially amended Proviso to Regulation 29 (1) (a) of the Tariff Regulations, 2014 without providing an opportunity to the Appellant to make submissions on this issue of Proviso to Regulation 29 (1)(a) of the Tariff Regulations, 2014. It is apposite to mention that in the entire proceedings no party had even whispered that the Proviso to Regulation 29 (1)(a) ought to be made applicable to units achieving COD Prior to 01.04.2014. Hence, there was no occasion for the Appellant to even respond to such a course being adopted by Central Commission. Even Central Commission at no stage indicated that it is seeking to apply to Proviso to Regulation 29 (1)(a) to Units achieving COD before 01.04.2014. Such a course adopted by Central Commission violates the principle of Natural Justice and for this ground alone the Impugned Order is liable to be set aside.

xxx

8.28 xxx

8.30 We agree that in the present case the said power cannot be invoked to substantially amend proviso to Regulation 29 (1) read with Proviso to Regulation 1 (2) of the Tariff Regulations, 2014. The Power to Remove Difficulty must be exercised in exceptional circumstance where the Regulation could not be implemented.

ORDER

In light of the above, we are of the considered view that the issues raised in the Batch of Appeals have merit and hence Appeals are allowed. The impugned order dated 21.01.2017 in Petition No. 283/GT/2014 and order dated 06.02.2017 in Petition No. 372/GT/2014 ("Petition 372"), are hereby set aside to the extent of our findings. The matter is remitted back to the Central Commission for passing a reasoned order pursuant to our observations are scrupulously complied with expeditiously and in a time-bound manner."

124. Based on above decision of APTEL, we consider the normative O&M expenses as per Regulation 29(1)(c) of the 2014 Tariff Regulations, as under:

<i>(Rs. in lakh)</i>				
2014-15	2015-16	2016-17	2017-18	2018-19
24000.00	25515.00	27120.00	28830.00	30645.00

Water charges



125. The Petitioner has claimed the water charges and capital spares consumed during the 2014-19 tariff period under 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.”

126. The Petitioner submitted that presently water charges are not billed by the concerned authorities for the consumptive water. However, as and when the same is billed by the Authority and paid by the Petitioner, it will approach the Commission for claim of the same. The Respondent, MPPMCL has submitted that the Petitioner has not claimed the water charges for the generating station stating that water charges are not billed by concerned authority. This is opposed on the ground that it will result in huge accumulation of arrears of water charges compounded with levy of arbitrarily high rate of interest causing unexpected financial burden on the beneficiaries. It is further submitted that the Petitioner should be directed to assess the exact water requirement considering the 3.5 m³/MWh in terms of the notification dated 7.12.2015 issued by MoEF&CC. In response, the Petitioner reiterated that at present, water charges have not been billed by the concerned authority for consumptive water for the generating station. As and when such a bill is raised by the competent authority and paid by the Petitioner, the same shall be submitted for approval of the Commission.

127. In view of the submissions of the Petitioner, no water charges have been considered in this order. However, the Petitioner is granted liberty to approach the



Commission as and when water charges are billed by the concerned authority and payable by the Petitioner, and the same will be considered in accordance with law.

Capital spares

128. As regards Capital Spares, the Petitioner has submitted that in order to meet the customers demand and maintain high machine availability at all times by the generating station, units / equipment is taken under overhaul / maintenance and inspected regularly for wear and tear. During such works, spares parts of equipment which became damaged / unserviceable are replaced / consumed so that the machine continue to perform at expected efficiency on sustained basis. The Petitioner requested the Commission to allow the capital spares consumed by the generating station during the 2014-19 tariff period under Regulation 29(2) of 2014 Tariff Regulations, year-wise details of which are shown in the Table below:

(Rs. in lakh)

2014-15	2015-16	2016-17	2017-18	2018-19
290.47	352.53	398.71	672.63	133.02

129. The Respondent, GRIDCO has contended that the Petitioner has not submitted details of consumption of stores and spares as well as the item-wise expenditure incurred from 20% of the O&M expenses claimed under Regulation 29(1) of the Tariff Regulations, 2014 towards repair and maintenance, consumables, maintenance of spares etc, considered in computation of interest on working capital. The Respondent, TPDDL has submitted that the Petitioner has not justified the expense for capital spares by stating what part / machine requires a spare and also why the cost stated by the Petitioner is reasonable. This is mandated under the Regulation 29(2) of the 2014 Tariff Regulations. In response, the Petitioner submitted that the details of capital spares have been provided in Form-17 of the Petition and further, additional capitalization of spares and exclusion of amount pertaining to the decapitalization of



capital spares after cut-off date is explained in Form-9Bi and Form-9D. Further, 20% of O&M expenses as maintenance spares for computation of interest on working capital is normative basis as per the 2014 Tariff Regulation.

130. We have examined the list of the capital spares consumed by the Petitioner. It is evident from the audited statement that capital spares claimed comprise of two categories i.e. (i) spares which form part of the capital cost and (ii) spares which do not form part of the capital cost of the project. After considering the information made available in the Petition, the segregated capital spares as part of tariff and those not part of tariff are as follows:

	Capital Spares (part of capital cost) (A)	Capital Spares (not part of capital cost) (B)	Total Capital Spares consumed [(A) + (B)]
2014-15	290.47	0.00	290.47
2015-16	352.53	0.00	352.53
2016-17	321.16	77.56	398.71
2017-18	376.20	296.43	672.63
2018-19	103.11	29.91	133.02

131. In respect of capital spares which form part of the capital cost of the project, the Petitioner has been recovering tariff since their procurement and, therefore, the same cannot be allowed as part of additional O&M expenses. Accordingly, only those capital spares, which do not form part of the capital cost of the project are being considered in the present petition. It is pertinent to mention that the term 'capital spares' has not been defined in the 2014 Tariff Regulations. The term capital spares, in our view, is a piece of equipment, or a spare part, of significant cost that is maintained in inventory for use in the event that a similar piece of critical equipment fails or must be rebuilt. Keeping in view the principle of materiality and to ensure standardised practices in respect of earmarking and treatment of capital spares, the value of capital spares exceeding Rs.1 (one) lakh, on prudence check of the details furnished by the Petitioner in Form-17 of the petition, has been considered for the purpose of tariff.



Based on this, the details of the allowed capital spares considered for 2014-19 tariff period is summarized as under:

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
Capital spares not part of capital cost claimed	0.00	0.00	77.56	296.43	29.91
Value of spares Rs.1(one) lakh and below are disallowed on individual basis	0.00	0.00	20.73	19.78	4.01
Net total value of capital spares considered	0.00	0.00	56.83	276.65	25.91

132. Further, we are of the view that spares do have salvage value. Accordingly, the salvage value of 10% has been deducted from the cost of capital spares allowed, during the 2014-19 tariff period, as above which is in line with the practice of considering salvage value presumed to be recovered by the Petitioner on sale of other capital assets on becoming unserviceable. Therefore, on prudence check of the information furnished by the Petitioner in Form 17 and on applying the said ceiling limit along with deduction of salvage value @10%, the net cost of capital spares are allowed under Regulation 29(2) of 2014 Tariff Regulations as under:

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
Net total value of capital spares considered	0.00	0.00	56.83	276.65	25.91
Less: Salvage value @ 10%	0.00	0.00	5.68	27.66	2.59
Net cost of Capital spares allowed	0.00	0.00	51.15	248.98	23.32

133. Based on the above, the total annualized O&M expenses allowed for the 2014-19 tariff period in respect of the generating station, is summarized as under:

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
Installed Capacity (MW)	1500.00	1500.00	1500.00	1500.00	1500.00
O&M Expenses under Regulation 29(1) in Rs. lakh / MW	16.00	17.01	18.08	19.22	20.43
Total O&M Expenses	24000.00	25515.00	27120.00	28830.00	30645.00
Additional O&M Expenses under Regulation 29(2)					
Water Charges	0.00	0.00	0.00	0.00	0.00



	2014-15	2015-16	2016-17	2017-18	2018-19
Capital spares consumed	0.00	0.00	51.15	248.98	23.32
Total O&M Expenses allowed	24000.00	25515.00	27171.15	29078.98	30668.32

Impact of wage revision

134. The Petitioner has claimed an amount of Rs.7394.89 lakh (Rs.52.99 lakh during 2015-16, Rs.1969.40 lakh during 2016-17, Rs.2482.56 lakh during 2017-18 and Rs.2889.94 lakh during 2018-19) for Stage-II of Kahalgaon STPS as impact of wage revision of employees of CISF and Kendriya Vidyalaya Staff from 1.1.2016 and employees of the Petitioner posted at the generating station with effect from 1.1.2017. However, it is made clear that the above claim of the Petitioner includes impact due to payment of additional PRP / ex-gratia to its employee's consequent to wage revision.

135. The Respondent, GRIDCO has submitted that Petitioner has not provided any data / justification on the steps taken to limit the O&M expenses within the norms specified. It has further submitted that the Petitioner has claimed incremental pay revision amount over and above the normative O&M expenses instead of balance amount. In this regard, the Petitioner may be directed to furnish the break-up of the profit as per the P&L account. The Respondent has submitted that the Commission may examine the increase in O&M costs as well as the margins of profit, to determine whether to recover the balance O&M costs due to pay revision, from the beneficiaries or adjust the same in the Petitioner's profit to balance the interests of consumers and generators. The Respondent, MPPMCL has submitted that the impact of wage revision shall only be given after considering the 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 years, including employee expenses, then the balance amount may be considered for reimbursement. It has



further submitted that the Petitioner may be directed to furnish details of the year-wise, head-wise actual O&M expenses, The Respondent, MSEDCL has submitted that the Commission may assess the actual O&M expenses based on audited accounts of all the thermal stations of Petitioner and may verify that there is any difference between the audited O&M expenses and the normative O&M expenses of the stations and accordingly, allow or disallow the impact of pay revision as claimed by the Petitioner. It has also submitted that the 2014 Tariff Regulations do not permit any such additional claim and such expenses, which have already been factored while determining normative O&M expenses. The Respondent, UPPCL has submitted that the Petitioner has not placed on record any fact / numbers to substantiate its claim that O&M expense norms provided in the Regulations are inadequate / insufficient after factoring in pay revision. It has further submitted that the Petitioner has claimed incremental impact of pay revision, which is Rs.7394.89 lakh and not the 'balance amount' and hence may be rejected ab initio. The Respondent has further submitted the following:

- i. The total expenditure incurred on employee cost for 2014-19 tariff period is Rs.1106.53 crore.
- ii. Based on O&M norms, a recovery of Rs.1036.53 Crore would have been made on account of employee cost.
- iii. There is a shortfall of Rs.70 crore on account of employee cost.
- iv. An additional claim of Rs.177.35 crore has been made towards incremental expenditure on salaries on account of implementation of 7th Pay Commission.
- v. There is an excess claim of Rs.107.35 crore made by the Petitioner which needs to be disallowed.
- vi. The total O&M cost (excluding expenditure allowed separately) for 2014-19 tariff period is Rs.3002.47 crore.
- vii. The normative expenditure claim for the 2014-19 tariff period is Rs.2499.38 crore.
- viii. That there is a shortfall of Rs.503.09 crores during the 2014-19 period i.e., actuals are more than normative expenditure. This shortfall is partly on account of implementation of 7th Pay Commission (Rs.70 crore) and residual Rs.433.09 Crore on account of other factors.



- ix. Thus, claim of only Rs.70 crore need to be allowed for both stages in view of Commission's observation in Statement of Reasons of 2014 Tariff Regulations.
- x. That shortfall of Rs.70 crore can be prorated over Kahalgaon-I and Kahalgaon-II based on claim made. Thus, claim of only Rs.29.19 crores for Kahalgaon-II towards increase on account of Implementation of 7th Pay Commission is maintainable.
- xi. Thus, the claim of the Petitioner of Rs.29.19 crore towards incremental expenditure on account of Pay Revision is maintainable and balance claim needs to be rejected ab initio.

136. The Respondents, BRPL and BYPL have submitted that there is no provision under the 2014 Tariff Regulations that provides for recovery of employee pay revision arrears from the beneficiaries over and above the specified O&M expenses. Accordingly, the entire claim of Rs.7394.89 lakh on account of pay revision should be rejected. The Respondent, TPDDL has submitted that as per Clause 3 of DPE's Memorandum dated 3.8.2017, the Petitioner has not submitted any information that the additional impact in the year of implementing the revised pay package on account of implementation of recommendation of the 7th Pay Commission was not more than 20% of the average Profit Before Tax of the last three financial years. Further, in terms of Clause 17 of the Memorandum, the cost on account of pay revision is to be borne entirely by the Central Public Sector Enterprises. The Respondent has also submitted that Regulation 54 of the 2014 Tariff Regulations cannot be invoked to override the regulations.

137. In response, the Petitioner has submitted that the total impact of wage revision for the generating station is Rs.7394.89 lakh. The Petitioner submitted a comparative table indicating the actual O&M expenditure incurred at this generating station versus the normative O&M expenses allowed during the 2014-19 tariff period for the whole (i.e., all the stages of Kahalgaon) generating station as under:

(Rs. in lakh)



	Actual O&M expenditure (excluding water charges & Capital Spares) (A)	Normative O&M allowed (excluding water charges & Capital Spares) (B)	Under Recovery of O&M expenses at Kahalgaon Station [(A) – (B)]
2014-15	51031	43276	7755
2015-16	60221	46000	14221
2016-17	60618	48896	11722
2017-18	63398	51977	11421
2018-19	65773	55252	10521
Total	301042	245401	55640

138. The Petitioner submitted that from the above table, it is clear that there is under-recovery of O&M expenses and the additional cost incurred due to pay revision may be permitted by the Commission. The Petitioner submitted that it has provided details of the wages and salaries paid to the employees of CISF and KV in respect of this generating station.

139. The Petitioner has submitted that the Respondent UPPCL on its own has assumed the normative employee cost, instead of normative O&M expenses and accordingly done the calculation for pay revision impact which is not as per the 2014 Tariff Regulations. It has also submitted that the Commission has decided the O&M expense norms, which consist of mainly repair & maintenance cost, employee cost and overheads etc and the Commission has not separately provided norms for these components. The Petitioner has further submitted that the impact of 7th Pay Commission vide OM dated 3.8.2017 and 3rd Pay Revision Committee for CPSU's were not in existence and/ or was not incorporated while the 2014 Tariff Regulations, were being specified by the Commission. Accordingly, this impact ought to be made pass through in terms of Regulation 54 and Regulation 55 of 2014 Tariff Regulations.

140. As regards the recovery of impact of wage revision by generator, the Statement of Objects and Reasons (SOR) to the 2014 Tariff Regulations provides as under:

"29.26 Some of the generating stations have suggested that the impact of pay revision should be allowed on the basis of actual share of pay revision instead of normative 40% and one generating company suggested that the same should be considered as 60%. In



*the draft Regulations, the Commission had provided for a normative percentage of employee cost to total O&M expenses for different type of generating stations with an intention to provide a ceiling limit so that it does not lead to any exorbitant increase in the O&M expenses resulting in spike in tariff. The Commission would however, like to review the same considering the macro-economics involved as these norms are also applicable for private generating stations. In order to ensure that such increase in employee expenses on account of pay revision in case of central generating stations and private generating stations are considered appropriately, **the Commission is of the view that it shall be examined on case to case basis, balancing the interest of generating stations and consumers.***

*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.***

141. It is observed that the above methodology as indicated in SOR suggests comparison of normative O&M expenses with actual O&M expenses on year-to-year basis. However, in this respect the following facts need consideration:

- a) The norms are framed based on the averaging of the actual O&M expenses of past five years to capture the year-on-year variations in sub-heads of O&M expenses.
- b) Certain cyclic expenditure may occur with a gap of one year or two years and as such adopting a longer duration i.e. five years for framing of norms also captures such expenditure which is not incurred on year to year basis.
- c) When generators find that their actual expenditure has gone beyond the normative O&M expenses in a particular year, they put departmental restrictions and try to bring the expenditure for the next year below the norms.

142. In consideration of above facts, the Commission finds it appropriate to compare the normative O&M expenses with actual O&M expenses for a longer duration so as to capture the variation in sub-heads due to above mentioned facts. Accordingly, it is decided that for ascertaining that O&M norms provided under Regulations are inadequate / insufficient to cover all justifiable O&M expenses including employee expenses, the comparison of normative O&M expenses and actual O&M expenses



shall be made for four years i.e. 2015-19, on combined basis, which is commensurate with the wage revision claim being spread over these four years.

143. As such, in view of the consistent practice of the Commission of excluding PRP / ex-gratia from actual O&M expenditure of past data for finalization of O&M norms for various tariff settings, the additional PRP / ex-gratia paid as a result of wage revision impact has been excluded from the wage revision impact claimed by the Petitioner. Accordingly, the claim of the Petitioner in respect of the wage revision impact reduces to Rs. 6432.42 lakh with the following year wise break up.

	<i>(Rs. in lakh)</i>				
	2015-16	2016-17	2017-18	2018-19	Total
Wage revision impact claimed excluding PRP / ex-gratia	52.99	1969.40	2281.37	2128.65	6432.42

144. The Petitioner has submitted the additional details related to impact of wage revision in respect of Kahalgaon STPS as whole. The Petitioner has submitted that the capacity of Kahalgaon STPS is 2340 MW. In addition, the Petitioner has submitted following information:

- a) *Comparative table indicating the actual O&M expenditure incurred at Kahalgaon STPS versus the normative O&M allowed by the Commission during the 2014-19 tariff period for the whole (i.e. all Stages of Kahalgaon STPS) generating station;*
- b) *Actual impact of pay revision after comparing salaries wages before and after pay revision for this generating station i.e. Kahalgaon STPS;*
- c) *Detailed breakup of the actual O&M expenses for generating station as well Corporate center and its allocation to various generating stations.*

145. The Petitioner has submitted the detailed breakup of the actual O&M expenses incurred during 2014-19 tariff period for combined, Stage-I and Stage-II of the Kahalgaon STPS. It is noticed that the total O&M expenses incurred is more than the normative O&M expenses recovered during each year of the 2014-19 tariff period. The impact of wage revision / pay revision could not be factored by the Commission while framing the O&M expense norms under the 2014-19 Tariff Regulations since the pay / wage revision came into effect from 1.1.2016 (CISF & KV employees) and 1.1.2017



(employees of the Petitioner) respectively. As such, in terms of SOR to the 2014 Tariff Regulations, the following approach has been adopted for arriving at the allowable impact of pay revision:

- (a) First step is to compare normative O&M expenses with actual O&M expenses for the period 2015-16 to 2018-19 commensurate to the period for which wage revision impact has been claimed. For like to like comparison, the components of O&M expenses like productivity linked incentive, water charges, filing fee, ex-gratia, loss of provisions, prior period expenses, community development store expenses, ash utilization expenses, RLDC fee & charges and others (without breakup / details) which were not considered while framing the O&M norms for the 2014-19 tariff period, have been excluded from the yearly actual O&M expenses.
- (b) Having brought the normative and normalized actual O&M at same level:
- i. Comparison of the normative O&M expenses with the normalized actual O&M expenses incurred for the period from 2015-16 to 2018-19, commensurate to the period for which wage revision impact has been claimed. Having done so, if the normative O&M expenses for the period 2015-19 are higher than the actual O&M expenses (normalized) for the said period, then the impact of wage revision (excluding PRP and ex-gratia) as claimed for the said period is not admissible / allowed as the impact of pay revision gets accommodated within the normative O&M expenses.
 - ii. However, if the normative O&M expenses for the period 2015-19 are lesser than the actual O&M expenses (normalized) for the same period, the wage revision impact (excluding PRP and ex-gratia) to the extent of under recovery or wage revision impact (excluding PRP and ex-gratia), whichever is lower, is required to be allowed as wage revision impact for the period 2015-19.

146. The details as furnished by the Petitioner regarding the actual O&M expenses for both Kahalgaon Stage-I & Stage-II together and that of Stage-II for the 2014-19 tariff period are as follows:

(Rs. in lakh)

Year	Actual O&M expenditure (excluding water charges & Capital Spares) for Kahalgaon Stage-I and Stage-II	Actual O&M expenses for Kahalgaon STPS (excluding water charges & Capital Spares) for Stage-II
2014-15	51031	32712.26
2015-16	60221	38603.35
2016-17	60618	38857.51
2017-18	63398	40639.98
2018-19	65773	42162.35
Total	301042	192975.44



147. As a first step, the expenditure against sub-heads of O&M expenses as discussed in paragraph above, has been excluded from the actual O&M expenses to arrive at the actual O&M expenses (normalized) for the Kahalgaon STPS Stage I and Stage II. Accordingly, the comparison of normative O&M expenses versus actual O&M expenses (normalized) along with wage revision impact claimed by the Petitioner for the generating station i.e., Kahalgaon STPS Stage-II for 2015-19 tariff period:

(Rs. in lakh)

Description	2015-16	2016-17	2017-18	2018-19	Total for 2015-19
Actual O&M expenditure for Kahalgaon STPS (Combined for stage-I and stage-II) (a)	60221.22	60617.71	63398.37	65773.26	250010.56
Actual O&M expenditure (normalized) for Kahalgaon STPS (Combined for stage-I and stage-II) (b)	50406.06	56451.88	58643.72	60540.28	226042.48
Actual O&M expenditure (normalized) for Kahalgaon STPS Stage-II prorated based on capacity (c)	32311.92	36187.10	37592.13	38807.87	144899.02
Normative O&M Expenses as per regulation 29 (1) for Kahalgaon STPS Stage-II (d)	25515.00	27120.00	28830.00	30645.00	112110.00
Under-recovery (c)-(d)	6796.92	9067.10	8762.13	8162.87	32789.02
Wage revision impact excluding PRP / exgratia	52.99	1969.40	2281.37	2128.65	6432.42

148. It is observed that for the wage revision impact during the period 2015-19, the normative O&M expenses is less than the actual O&M expenses (normalized) and the under recovery is to the tune of Rs.32789.02 lakh. As such, in terms of methodology described above, the wage revision impact (excluding PRP / incentive) of Rs.6432.42 lakh for the generating station is allowable.

149. Accordingly, we, in exercise of the Power to relax under Regulation 54 of the 2014 Tariff Regulations, relax Regulation 29(1) of the 2014 Tariff Regulations and allow the reimbursement of the wage revision impact for this generating station, as additional O&M charges for the period 2015-19 for an amount of Rs.6432.42 lakhs.



The arrear payments on account of the wage revision impact is payable by the beneficiaries in twelve equal monthly installments from the date of issue of this order. Keeping in view the consumer interest, we, as a special case, direct that no interest shall be charged by the Petitioner on the arrear payments on the wage revision impact allowed in this order. This arrangement, in our view, will balance the interest of both, the Petitioner and the Respondents. Also, considering the fact that the impact of wage revision is being allowed in exercise of the power to relax, these expenses are not made part of the O&M expenses and consequent annual fixed charges being determined in this order under the 2014 Tariff Regulations.

Impact of Goods and Service Tax (GST)

150. The Petitioner has claimed the impact of GST as 'change in law' under Regulation 3(9) read with Regulation 14(3) of 2014 Tariff Regulations. The Petitioner has stated that the impact of increase in rate of indirect tax from 15% to 18% has been calculated on all taxable services and being claimed for the period from 1.7.2017 to 31.3.2019. The Petitioner has claimed Rs. 743.76 lakh towards impact of GST for the period 1.7.2017 to 31.3.2019.

151. The Respondents GRIDCO, UPPCL and TPDDL have submitted that the Petitioner has not provided any supporting documents for GST claim and details as to how this amount of Rs.743.76 lakh is determined. Respondent MPPMCL has submitted that the Petitioner may be directed to submit the item-wise details of the amount of GST paid vis-à-vis the amount which might have been paid considering the old tax regime to evaluate the impact of GST on the Petitioner. It has stated that a general statement that the impact of increase in rate of indirect taxes from 15% to 18% cannot be considered as proof of additional burden. The Respondents, BRPL and BYPL have questioned the applicability of GST being a change in law event in the



present case since the Petitioner is claiming grant of GST without examining whether the amount provided in the norms, which includes O&M expenses is adequate or not. They have stated that the Petitioner has to prove the inadequacy of the norms, without that any change in these O&M expense norms would amount to granting unreasonable tariff to the Petitioner, which is against Section 61 of the Electricity Act, 2003. Thus, GST on all services which are norm basis may not be allowed. These Respondents have also submitted that the Commission may consider the savings that may have accrued to the Petitioner owing to the normative component of the fixed charges, while considering the impact of GST on O&M expenses. In response, the Petitioner has submitted the detail computation for the amount of Rs.743.76 lakh, which is as follows:

(Rs. in lakh)

Nature		2017-18 (Q2-Q4)	2018-19
		Post GST Claimable	GST Claimable
Material	A	7216.16	9685.09
Services- Taxable	B	18858.58	26778.05
Services- Exempt	C	19055.46	25503.91
Total General administration Expenses	D=(A+B+C)	45130.19	61967.05
Impact of 3% additional tax on taxable services due to GST	$E = [(B \cdot 0.03) / 1.18]$	479.46	680.80
Equated capacity of KhSTPS Stage-I and Stage-II (2340 MW)	F	2340.00	2340.00
Equated capacity of KhSTPS-Stage II (MW)	G	1500.00	1500.00
Amount claimed	$[(E \cdot G) / F]$	307.34	436.41

152. The Respondent, MSEDCL submitted that the claim of GST expenses towards O&M expenses will lead to additional burden on the consumers. Further, the GST towards O&M expenses is applicable only if a service is outsourced. It has also submitted that if the services are outsourced because of efficiency issues or lack of expertise within the Company, it will obviously be lower than the cost of doing that job internally. The Respondent has further submitted that O&M expense norms are ceiling



norms and generating companies are required to manage within these limits. Since, the O&M expenses are claimed by the Petitioner under Regulation 29(1) of the 2014 Tariff Regulations, the Commission may disallow the additional expenditure towards GST expenses.

153. In response, the Petitioner has submitted that GST being a change in law event is no more res-integra and squarely falls within the purview of Regulation 3 (9) read with Regulation 14 (3) of the Tariff Regulations, 2014. It has also submitted that O&M expenses comprises of employee wages, general administration and other expenses, which inter alia include repair and maintenance and other overheads of the station. The Petitioner has submitted that it has bifurcated the generation administration and other expenses into material consumed, taxable services and exempted services and the amount claimed is only on account of differential in rate of tax for Taxable services i.e., under erstwhile Service Tax @15% and GST @18%.

154. We have considered the submissions of parties. While framing the 2014 Tariff Regulations, the variation in taxes and duties have been captured in the normative O&M expenses, thus any change in taxes is not admissible separately. Further, the 2014 Tariff Regulations has not specifically mentioned any consideration for allowing taxes separately. The escalation rates considered in the normative O&M expenses is only after consideration of the variations during last five years, which also takes care of variation in taxes also. It may be noted that in case of reduction of taxes or duties, the Petitioner is not required to reimburse any taxes in tariff. Therefore, for any increase in taxes and duties, the Petitioner is not entitled to claim any additional expenses. As such, additional O&M expenses on account of GST are not admissible separately.



Operational Norms

155. The operational norms in respect of the generating station claimed by the Petitioner in terms of the Regulation 36 of the 2014 Tariff Regulations as follows:

	2014-15	2015-16	2016-17	2017-18	2018-19
Normative Annual Plant Availability Factor (NAPAF)	83%	83%	83%	85%	85%
Gross Station Heat Rate (kCal/kWh)	2425.00	2425.00	2425.00	2425.00	2425.00
Auxiliary Power Consumption %	5.75%	5.75%	5.75%	5.75%	5.75%
Specific Oil Consumption (ml/kWh)	0.50	0.50	0.50	0.50	0.50

156. The operational norms claimed by the Petitioner for Normative Annual Plant Availability Factor, Auxiliary Power Consumption and Specific Oil Consumption are in line with Regulation 36 (A)(a), Regulation 36 (E) and Regulation 36 (D) of the 2014 Tariff Regulations. As regards normative SHR for the generating station, Regulation 36 (C) of 2014 Tariff Regulations provides as under:

$$SHR = 1.045 \times \text{Design Heat Rate}$$

In case of unavailability of Design Heat Rate, the ratio of guaranteed Turbine Cycle HR to Boiler Efficiency shall be considered.

Provided the SHR is limited to heat rate norms approved during the FY 2009-10 to FY 2013-14.

157. Accordingly, the Commission considered the SHR of 2425 kCal /kWh as approved for 2009-14 tariff period and in exercise of Power to Relax under Regulation 54 and Power to Remove Difficulty under Regulations 55 of Tariff Regulations, 2014 allowed boiler efficiency of the units of the generating station below 0.85 for the period 2014–19.

158. Based on the above, the following operational norms are allowed:

	2014-15	2015-16	2016-17	2017-18	2018-19
Normative Annual Plant Availability Factor (NAPAF)	83%	83%	83%	85%	85%
Gross Station Heat Rate (kCal/kWh)	2425	2425	2425	2425	2425
Auxiliary Power Consumption %	5.75%	5.75%	5.75%	5.75%	5.75%
Specific Oil Consumption (ml / kWh)	0.50	0.50	0.50	0.50	0.50



Interest on Working Capital

159. 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.

(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.”

a) Fuel Cost for Working Capital

160. Regulation 28(2) of the 2014 Tariff Regulations provides that the computation of cost of fuel as a part of working capital is to be based on the landed price and gross calorific value of the fuel as per actuals, for the three months preceding the first month for which the tariff is to be determined.

161. Regulation 30 (6) of the 2014 Tariff Regulations provides as under:



“30. Computation and Payment of Capacity Charge and Energy Charge for Thermal Generating Stations:

(6) Energy charge rate (ECR) in Rupees per kWh on ex-power plant basis shall be determined to three decimal places in accordance with the following formula:

(a) For coal based and lignite fired stations

$$ECR = \{(GHR - SFC \times CVSF) \times LPPF / CVPF + SFC \times LPSFi + LC \times LPL\} \times 100 / (100 - AUX)$$

(b) xxxxx

Where,

AUX = Normative auxiliary energy consumption in percentage.

*CVPF=(a) Weighted Average Gross calorific value of coal **as received**, in kCal per kg for coal based stations*

*(b) Weighted Average Gross calorific value of primary fuel **as received**, in kCal per kg, per litre or per standard cubic meter, as applicable for lignite, gas and liquid fuel based stations.*

(c) In case of blending of fuel from different sources, the weighted average Gross calorific value of primary fuel shall be arrived in proportion to blending ratio.

CVSF = Calorific value of secondary fuel, in kCal per ml.

ECR = Energy charge rate, in Rupees per kWh sent out.

GHR = Gross station heat rate, in kCal per kWh.

LC = Normative limestone consumption in kg per kWh.

LPL = Weighted average landed price of limestone in Rupees per kg.

LPPF = Weighted average landed price of primary fuel, in Rupees per kg, per litre or per standard cubic metre, as applicable, during the month. (In case of blending of fuel from different sources, the weighted average landed price of primary fuel shall be arrived in proportion to blending ratio)

SFC = Normative Specific fuel oil consumption, in ml per kWh.

LPSFi = Weighted Average Landed Price of Secondary Fuel in Rs./ml during the month

162. Therefore, in terms of the above regulation, for determination of the Energy Charges in working capital, the GCV on 'as received' basis is to be considered.

Regulation 30 (7) of the 2014 Tariff Regulations provides as under:

“(7) The generating company shall provide to the beneficiaries of the generating station the details of parameters of GCV and price of fuel i.e. domestic coal, imported coal, e-auction coal, lignite, natural gas, RLNG, liquid fuel etc., as per the forms prescribed at Annexure-I to these regulations:

*Provided that the details of blending ratio of the imported coal with domestic coal, proportion of e-auction coal and the weighted average GCV of the fuels **as received** shall also be provided separately, along with the bills of the respective month:*

Provided further that copies of the bills and details of parameters of GCV and price of fuel i.e. domestic coal, imported coal, e-auction coal, lignite, natural gas, RLNG, liquid fuel etc., details of blending ratio of the imported coal with domestic coal, proportion of



e-auction coal shall also be displayed on the website of the generating company. The details should be available on its website on monthly basis for a period of three months.”

163. The issue of ‘as received’ GCV for computation of energy charges was challenged by the Petitioner and other generating companies through various writ petitions filed before the Hon’ble High Court of Delhi (W.P. No.1641/2014-NTPC Vs CERC) challenged Regulations 30(6) of the 2014-19 Tariff Regulations with regard to measurement of GCV of coal on ‘as received’ basis for purpose of Energy Charges and the Hon’ble Court had directed the Commission to decide the place from where the sample of coal should be taken for measurement of GCV of coal on ‘as received’ basis on the request of Petitioners. In terms of the directions of the Hon'ble High Court, the Commission vide order dated 25.1.2016 in Petition No. 283/GT/2014 (approval of tariff of Kahalgaon STPS for the 2014-19 tariff period), decided as under:

“58. In view of the above discussion, the issues referred by the Hon’ble High Court of Delhi are decided as under:

“(a) There is no basis in the Indian Standards and other documents relied upon by NTPC etc. to support their claim that GCV of coal on as received basis should be measured by taking samples after the crusher set up inside the generating station, in terms of Regulation 30(6) of the 2014 Tariff regulations.

(b)The samples for the purpose of measurement of coal on as received basis should be collected from the loaded wagons at the generating stations either manually or through the Hydraulic Auger in accordance with provisions of IS 436(Part1/Section1)-1964 before the coal is unloaded. While collecting the samples, the safety of personnel and equipment as discussed in this order should be ensured. After collection of samples, the sample preparation and testing shall be carried out in the laboratory in accordance with the procedure prescribed in IS 436(Part1/Section1)-1964 which has been elaborated in the CPRI Report to PSERC.”

164. The review petition filed by the Petitioner against the aforesaid order dated 25.1.2016 was rejected by the Commission vide order dated 30.6.2016 in Petition No.11/RP/2016. The Petitioner filed Petition No. 244/MP/2016 before this Commission praying for removal of difficulties and the issues faced by it in implementing the Commission’s orders dated 25.1.2016 and 30.6.2016 with regard sampling of coal



from loaded wagon top for measurement of GCV and the Commission by its order dated 19.9.2018 had disposed of the preliminary objections of the Respondents therein and held that the petition is maintainable. Against this order, some of the Respondents have filed appeal before the APTEL in Appeal Nos. 291/2018 (GRIDCO Vs NTPC & ors) and the same is pending.

165. The Petitioner, in this petition, has furnished the average GCV of coal as 3140.57 Kcal/kg on “as received” basis for the period from October, 2016 to March, 2019. Also, as per the Commission’s order dated 25.1.2016 in Petition No. 283/GT/2014, the Petitioner, in Form-13 F, has considered the average GCV of coal on “as received basis” i.e. from Wagon top, for the period from October, 2016 to March 2019, for the purpose of computation of working capital for the 2014-19 tariff period. The Petitioner has further submitted that CEA vide letter dated 17.10.2017 has opined that a margin of 85-100 kcal/kg for pit-head station and a margin of 105-120 kcal/kg for non-pit head station is required to be considered as loss of GCV of coal on “as received” and on “as fired basis respectively. Accordingly, the Petitioner has considered a margin of 100 kcal/kg on average GCV of coal for the period from October, 2016 to March, 2019 and submitted following inputs for computation of working capital of the generating station:

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
Cost of Coal towards stock (15 days)	10080.33	10080.34	10080.34	10323.23	10323.23
Cost of Coal towards generation (30 days)	20160.65	20160.67	20160.67	20646.47	20646.47
Cost of Secondary fuel oil 2 months	498.29	499.66	498.29	510.30	510.30

166. The Respondent, GRIDCO has submitted that the controllable loss of 70-80 kCal/kg due to improper sampling, which was recommended by the CEA in its letter dated 20.03.2018, cannot be passed onto it. It has also been stated that in terms of Regulation 34(a) of the 2019 Tariff Regulations, GCV compensation allowed towards



storage is 10 days for pithead generating stations and therefore, the storage and handling loss for 10 days for Pit Head Station can be 8 kCal/kg (max). Respondent MPPMCL has submitted that the margin of 100 Kcal/kg claimed by the Petitioner on the average GCV for the period October 2016 to March 2019 for calculation of working capital may be disallowed as it is beyond the scope of the 2014 Tariff Regulations.

167. The Respondent, MSEDCL has submitted that the Petitioner without prejudice to the claim of the Petitioner in Petition No. 244/MP/2016 pending before the Commission, in line with above CEA recommendations, the Petitioner has considered 100 kcal/kg margin on the average GCV of the period from October 2016 to March 2019 for computing energy charge which has increased the cost of coal for 45 days. Further, Respondent submitted that receivables are also form a part of working capital and this comprises of annual of fixed charges and energy charges equal to two months charges. The Consideration of 100 kcal/kg margin on the average GCV of the period from October 2016 to March 2019 for computing energy charge, has also increases receivables, thus, substantially increasing the working capital, interest on working capital and eventually the annual fixed charges. It has further submitted that as per Regulation 28(2) of 2014 Tariff Regulations the cost of fuel in cases covered under sub-clauses (a) and (b) of Regulation 28(1) of 2014 Tariff Regulations for consideration of the working capital, shall be based on the gross calorific value of the fuel, as per actual for the three months preceding the first month for which tariff is to be determined. Further, even in under the 2019 Tariff Regulations, the gross calorific value of the fuel, as per actual weighted average for the third quarter of preceding financial year in case of each financial year for which tariff is to be determined for computing working capital. In view of provisions of both the Regulations, the Respondent MSEDCL requested the Commission to disallow the consideration of any



such loss in GCV for computing working capital.

168. The Respondents, BRPL and BYPL have submitted that GCV for true-up of Interest on Working capital should be considered in terms of Regulation 30(6) of the 2014 Tariff Regulations, instead of the formula prescribed in order dated 21.01.2017. They have stated that the margin of 120 kCal/kg on the average GCV of coal for the period from October 2016 to March 2019 provided by the Petitioner is incorrect. The Respondent, TPDDL has submitted that contrary to Regulation 23 and Regulation 28(2) of the 2014 Tariff Regulations, the Petitioner has considered LPPF for the preceding three months from January 2014 to March 2014. Further, as per Regulation 30(6) of the 2014 Tariff Regulations, the energy charge rate is to be calculated on “as received” GCV and there is no margin of 100 kCal/kg allowed on GCV.

169. In response, the Petitioner vide rejoinder has submitted that the CEA vide its letter dated 17.10.2017 has opined that a margin of 85–100 kCal / Kg for a pit head station, and 105-120 kCal / Kg for non-pit head station, may be considered as a loss of GCV of coal between ‘as received’ and ‘as fired’. Further, the Petitioner submitted that it has made a similar claim in its Petition No. 244/MP/2016, which is pending adjudication before the Commission. It has also submitted the for the computation of interest on working capital, “the gross calorific value of the fuel, as per actual for the three months preceding the first month for which tariff is be determined” is to be considered as per Regulation 28(2) of the 2014 Regulations and the Petitioner has claimed IWC based on the same i.e. coal details (GCV and cost) as per actuals for the month of January 2014 to March 2014. The Petitioner has further submitted that since the 2014 Tariff Regulations came into force w.e.f. 1.4.2014, which inter-alia mandated GCV on ‘as received’ to be used for computation of ECR. Accordingly, for the said period i.e., January 2014 to March 2014, which fell in the i.e., the previous tariff period



i.e., 2009-14, the actual GCV measured was on 'as fired basis'. The Petitioner has accordingly requested the Commission to allow the Interest on Working Capital in terms of Regulation 28(2) of the 2014 Tariff Regulations. Based on this, the Interest on Working Capital, claimed by the Petitioner is as under:

<i>(Rs. in lakh)</i>				
2015-16	2016-17	2017-18	2018-19	Total
13278.06	13346.27	13505.65	13862.76	13927.72

170. The Petitioner has also submitted that though the computation of energy charges moved from 'as fired' basis to 'as received' basis, with effect from 1.4.2014, in terms of Regulation 30(6) of the 2014 Tariff Regulations, however, for calculation of Interest on Working Capital under Regulation 28(2) of the 2014 Tariff Regulations, the GCV shall be as per 'actuals' for the three months preceding the first month for which tariff is to be determined. It has further submitted that for the 2014-19 tariff period, Regulation 28(2) of the 2014 Tariff Regulations unequivocally provide that the actual cost and GCV of the preceding three months shall be considered and for these preceding three months (January 2014 to March 2014), by virtue of it falling under the 2009 Tariff Regulations, shall be computed on the basis of 'as fired' GCV. Referring to the judgment of the Hon'ble Supreme Court in PTC India v CERC (2010) 4 SCC 603 and the judgment of APTEL in NEEPCO Vs TERC (2006) APTEL 148, the Petitioner has submitted that the Commission is bound by the provisions of the tariff regulations and that purposive interpretation ought to be given to the 2014 Tariff Regulations and interest on working capital ought to be computed in terms of Regulation 28 (2) of the 2014 Tariff Regulations, 2014 on actual GCV i.e. 'as fired' GCV. The Petitioner, without prejudice to the above submissions, has furnished the details of GCV on 'as received' basis for the months of January 2014 to March 2014, in compliance with the directions of the Commission, as under:



Sl. No.	Month	Quantity of coal received (MT)	Weighted Average GCV of coal received (EM basis) (kcal/kg) (A)	Total Moisture (TM) (in %) (B)	Equilibrated Moisture (EM) (in %) (C)	Weighted Average GCV of coal received (TM basis) (kcal/kg) (D= [A*(1-B%) / (1-C%)])
1	January 2014	1455824	3057.17	14.50	8.15	2846
2	February 2014	1524697	2990.45	14.45	7.97	2780
3	March 2014	1886765	2948.23	13.86	7.72	2752
	Average					2793

171. The submissions of parties have been considered. The proposal of the Petitioner to consider the retrospective application of 30 months (October, 2016 to March 2019) average of 'as received' GCV data in place of 'as received' GCV of the preceding three months (January, 2014 to March, 2014), was not acceded, keeping in view that the average GCV for 30 months may not be commensurate to the landed cost of coal for the preceding three months to be considered for calculating Interest on Working Capital in terms of Regulation 28(2) of the 2014 Tariff Regulations and that due to efflux of time (gap of 30 month), the quality of coal extracted from linked mines would have undergone considerable changes.

172. It is observed that the Petitioner, though, has furnished the details of 'as received' GCV for the preceding three months of January 2014 to March 2014, it has submitted that the GCV of fuel is to be considered 'on actuals' for the three months (January, 2014 to March, 2014), preceding the first month for which tariff is to be determined and as such GCV is required to be considered on an 'as fired' basis. The Petitioner has further stated that though the Commission, in so far as the computation of energy charges moved from 'as fired' basis to 'as received' basis, under Regulation 30(6) of the 2014 Tariff Regulations, it has for the purpose of calculation of IWC under



Regulation 28(2) of the 2014 Tariff Regulations, provided for GCV as per 'actuals' for the three months preceding the first month for which tariff is to be determined. In other words, the Petitioner has contended that since the preceding three months fell within the 2009-14 tariff period, Regulation 18 (2) read with Regulation 21 (6) of the 2009 Tariff Regulations was applicable, which unequivocally mandates that generating company shall measure the GCV on 'as fired' basis. This submission of the Petitioner that GCV is required to be considered on 'as fired' basis is not acceptable. It is observed that due to significant variation in energy charges and for greater transparency on the part of generators in claiming the energy charges, Regulation 21(6) of the 2009 Tariff Regulations was amended on 31.12.2012, by addition of the following provisos:

"The following provisos shall be added under Clause (6) of Regulation 21 of the Principal Regulations as under, namely:

Provided that generating company shall provide to the beneficiaries of the generating station the details of parameters of GCV and price of fuel i.e. domestic coal, imported coal, e-auction coal, lignite, natural gas, RLNG, liquid fuel etc., as per the form 15 of the Part-I of Appendix I to these regulations:

*Provided further that the details of blending ratio of the imported coal with domestic coal, proportion of e-auction coal and the weighted average GCV of the fuels **as received** shall also be provided separately, along with the bills of the respective month:*

Provided further that copies of the bills and details of parameters of GCV and price of fuel i.e. domestic coal, imported coal, e-auction coal, lignite, natural gas, RLNG, liquid fuel etc., details of blending ratio of the imported coal with domestic coal, proportion of e-auction coal shall also be displayed on the website of the generating company. The details should be available on its website on monthly basis for a period of three months."

173. Thus, in terms of the above, the details regarding the weighted average GCV of the fuels as received, was also required to be made available by the Petitioner on its website, on monthly basis, for a period of three months. However, the main consideration of the Commission, while moving from 'as fired' GCV to 'as received' GCV for the purpose of energy charges under Regulation 30(6) of the 2014 Tariff Regulations, for the 2014-19 tariff period, was not to pass on the (uncontrolled) GCV losses which might occur within the generating station, after receipt of coal, due to improper handling and storage of coal. As regards the allowable (normative) storage



loss within the generating station, CEA had observed that there is negligible difference between the 'as received' GCV and 'as fired' GCV. As such, for the purpose of calculating energy charges, the Commission moved from 'as fired' GCV to 'as received GCV' under Regulation 30(6) of 2014 Tariff Regulations, without allowing any margin between the two GCV. Thus, the 'as received' GCV was made applicable for the purpose of calculating working capital requirements, based on the actual GCV of coal for the preceding the months of the first month for which tariff is to be determined, in terms of Regulation 28 (2) of 2014 Tariff Regulations. In case, the submission of the Petitioner that 'as fired' is to be considered 'at actuals for the preceding three months for purpose of Interest on Working Capital is considered, then the same would mean allowing all storage losses, which would have occurred during the preceding three months (January,2014 to March,2014) for the 2014-19 tariff period. This according to us, defeats the very purpose of moving from 'as fired' to 'as received' under the 2014 Tariff Regulations. In this background and keeping in view that in terms of Regulation 21(6) of the 2009 Tariff Regulations, as amended, the Petitioner is required to share details of the weighted average GCV of the fuel as received, we consider the fuel component and energy charges for two months, based on 'as received' GCV of the preceding three months, for the purpose of computation of Interest on Working Capital, in terms of Regulation 28(2) of the 2014 Tariff Regulations.

174. As regards the margin of 100 kcal/kg considered on the average GCV of coal for the period from October 2016 to March 2019 for the purpose computation of Interest on Working Capital of the generating station, the same is not considered since the provisions of the 2014 Tariff Regulations, do not provide for the same.

175. The Petitioner has considered transit handling losses in coal and calculated GCV of 2793 kcal/kg which represents the simple average of GCVs of the preceding three



months. The Respondent GRIDCO has submitted that 'other charges' claimed in Form-15, i.e., stone picking, loco driver's salary, sampling charges etc., do not fall within the purview of the 2014 Tariff Regulations and may be rejected. The Respondent has also submitted that though the generating station is a pit-head station and the applicable transit loss for pit-head station is maximum of 0.2% of the quantity of coal dispatched as per Regulation 30(8) of the 2014 Tariff Regulations, the Petitioner has claimed much more. Therefore, the transit loss may be limited to 0.2%. In response, the Petitioner submitted that it has claimed "Other Charges" in Form-15 of the petition in terms of Regulation 22, Regulation 23 and Regulation 30 of the 2014 Tariff Regulations, since these charges do not result in anything additional other than the "landed cost of fuel". These charges are shown only for the sake of greater clarity and transparency. The Petitioner has further submitted that additional coal is being sourced from other ECL mine to meet the demand, as the coal supplied by MGR is lesser than required to maintain generation as per demand. It has therefore submitted that transit loss is being considered as 0.2 % for coal transported through MGR and 0.8% for the coal transported by railways from other ECL mine.

176. The matter has been considered. Keeping in view that the generating station is a pit head station, imported certain amount of coal, procured domestic coal through Railways as well as MGR but not furnished any segregation of coal transportation through MGR and Railways, in line with the Regulation 30(8) of 2014 Tariff Regulations, transit handling losses were restricted to 0.2%. Accordingly, the weighted average GCV for three months is determined as 2790.62 kcal/kg and the weighted average cost of coal as Rs.2689.50/MT and the same are considered in the computation of working capital along with other operational norms allowed above.

177. Based on the above discussion, the cost of fuel components in working capital is



worked out and allowed as under:

<i>(Rs. in lakh)</i>					
Description	2014-15	2015-16	2016-17	2017-18	2018-19
Cost of Coal towards stock (15 days) – Pit head plant	10453.08	10453.08	10453.08	10704.96	10704.96
Cost of Coal towards Generation (30 days)	20906.16	20906.16	20906.16	21409.92	21409.92
Cost of Secondary fuel oil 2 months	498.29	499.66	498.29	510.30	510.30

b) Energy Charge Rate (ECR) for Working Capital

178. Regulation 30(6)(a) of the 2014 Tariff Regulations provides for computation and payment of Energy Charge for thermal generating stations. The Petitioner has claimed ECR (ex-bus) of Rs.2.415 /kWh for the generating station, based on the landed cost of coal during the preceding three months, GCV of coal (on ‘as received’ basis for average of 30 months along with the storage loss of 100 kCal/kWh) & GCV and price of Oil procured and burnt for the preceding three months of 2014-19 for the generating station. Since these claims of the Petitioner have not be allowed in the paragraphs as stated above, the allowable ECR, based on the operational norms as specified under the 2014 Tariff Regulations and on weighted average of ‘as received’ GCV of 2790.62 kcal/kg is worked out as under:

	Unit	2014-19
Capacity	MW	1500
Gross Station Heat Rate	kCal/kWh	2425
Auxiliary Energy Consumption	%	5.75
Weighted average GCV of oil	kCal/lit	10151.71
Weighted Average GCV of Coal for January to March 2014	kCal/kg	2790.62
Weighted average price of oil	Rs/KL	54826.82
Weighted average price of Coal	Rs/MT	2689.50
Rate of Energy Charge ex-bus	Rs/kWh	2.504

179. Energy Charges for 2 months for the purpose of working capital has been calculated based on the following:

- (a) ECR of Rs.2.504/kWh as calculated above (rounded off to three places as per Regulation 30(6) of the 2014 Regulations);



- (b) Ex-bus energy (two months), corresponding to the installed capacity of 1500 MW, normative availability of 83% for first three years and 85% for last two years, and Auxiliary Energy Consumption of 5.75%.

180. The Energy Charges for two months for the purpose of working capital has been worked out as under:

<i>(Rs. in lakh)</i>				
2014-15	2015-16	2016-17	2017-18	2018-19
42898.01	43015.61	42898.01	43931.77	43931.77

c) Maintenance Spares for Working Capital

181. Regulation 28(1)(a)(iv) of the 2014 Tariff Regulations provide for maintenance spares @ 20% of the O&M expenses specified under Regulation 29 of the 2014 Tariff Regulations. Accordingly, the cost of maintenance spares @20% of the O&M expenses, including water charges and capital spares consumed for the purpose of working capital are allowed as under:

<i>(Rs. in lakh)</i>				
2014-15	2015-16	2016-17	2017-18	2018-19
4800.00	5103.00	5434.23	5815.80	6133.66

d) O & M Expenses for Working Capital

182. In terms of Regulation 28(1)(a)(vi) of the 2014 Tariff Regulations, the one-month O&M expenses for the purpose of working capital are allowed as under:

<i>(Rs. in lakh)</i>				
2014-15	2015-16	2016-17	2017-18	2018-19
2000.00	2126.25	2264.26	2423.25	2555.69

e) Receivables for Working Capital

183. Receivables equivalent to (2) two months of capacity charge and energy charge for the purpose of working capital has been worked out duly taking into account water charges and mode of operation of the generating station on secondary fuel, as under:

<i>(Rs. in lakh)</i>					
	2014-15	2015-16	2016-17	2017-18	2018-19
Variable Charges - for two months	42898.01	43015.61	42898.01	43931.77	43931.77
Fixed Charges – for two months	19672.27	19534.58	19459.55	19377.58	19278.93
Total	62570.35	62550.19	62357.63	63309.35	63210.70



f) Rate of Interest for Working Capital

184. 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).

185. Accordingly, Interest on Working Capital has been computed as under:

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
Working capital cost of coal for 15 days for stock (A)	10453.08	10453.08	10453.08	10704.96	10704.96
Working capital cost of coal for 30 days for generation (B)	20906.16	20906.16	20906.16	21409.92	21409.92
Working capital cost of oil for 2 months (C)	498.29	499.66	498.29	510.30	510.30
O & M expenses for 1 month (D)	2000.00	2126.25	2264.26	2423.25	2555.69
Maintenance Spares for Working capital (E)	4800.00	5103.00	5434.23	5815.80	6133.66
Receivables for Working capital (F)	62570.35	62550.19	62357.63	63309.35	63210.70
Total Working Capital (G)=(A+B+C+D+E+F)	101227.88	101638.33	101913.66	104173.58	104525.24
Rate of Interest (H)	13.50%	13.50%	13.50%	13.50%	13.50%
Total Interest on Working capital (I)=(G*H)	13665.76	13721.17	13758.34	14063.43	14110.91

Annual Fixed Charges allowed

186. The annual fixed charges allowed for the generating station for the 2014-19 tariff period are summarised as follows:

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
Depreciation (A)	27859.74	27933.18	28023.59	28068.26	28078.32
Interest on Loan (B)	20440.24	17800.25	15555.83	12785.90	10454.94
Return on Equity (C)	32067.87	32237.84	32248.39	32268.92	32361.09
Interest on Working Capital (D)	13665.76	13721.17	13758.34	14063.43	14110.91
O&M Expenses (E)	24000.00	25515.00	27171.15	29078.98	30668.32
Annual Fixed Charges (F)=(A+B+C+D+E)	118033.61	117207.45	116757.30	116265.49	115673.57
Annual Fixed Charges allowed by order dated 21.1.2017 in Petition No. 283/GT/2014	114537.05	114445.08	115050.75	115560.84	114946.49



187. The difference between the annual fixed charges already recovered by the Petitioner vide order dated 21.1.2017 in Petition No. 283/GT/2014 and the annual fixed charges determined by this order as above shall be adjusted in terms of Regulation 8 (13) of the 2014 Tariff Regulations.

Summary

188. The total expenses allowed during the 2014-19 tariff period (on truing-up) for the generating station are summarized as follows:

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
Annual Fixed charges	118033.61	117207.45	116757.30	116265.49	115673.57
Wage revision impact	0.00	52.99	1969.40	2281.37	2128.65

189. Annexure-I attached shall form part of this order.

190. Petition No. 362/GT/2020 is disposed of in terms of the above.

Sd/-
(Pravas Kumar Singh)
Member

Sd/-
(I. S. Jha)
Member

Sd/-
(P. K. Pujari)
Chairperson



Annexure-I

Depreciation for the 2014-19 Tariff Period

(Rs. In lakh)

Sl No	Description	Rate of Dep (%)	GB as on 31.03.2014	Depreci ation	GB as on 31.03.2015	Depreciati on	GB as on 31.03.2016	Depreciati on	GB as on 31.03.2017	Depreciati on	GB as on 31.03.2018	Depreciation	GB as on 31.03.2019	Depreciation
3	Plant and machinery	5.28	504551.45	26,540	5,09,784	26,917	5,14,517	27,167	5,19,150	27,411	5,21,682	27,545	5,17,379	27,327
4	Freehold Land	0.00	131.70	-	132	-	152	-	152	-	152	-	152	-
5	Roads, bridges, culverts & helipads	3.34	5668.03	189	5,704	191	5,739	192	5,719	191	5,717	191	5,717	191
6	Main Plant Buildings	3.34	41401.30	1,383	41,981	1,402	34,775	1,161	34,586	1,155	34,673	1,158	34,673	1,153
7	Off Site Buildings	3.34	0.00	-	-	-	-	-	-	-	-	-	-	-
8	Other Buildings	3.34	11025.48	368	11,464	383	11,523	385	11,794	394	11,845	396	11,845	396
10	Water supply, drainage & sewerage	5.28	5235.46	276	5,300	280	5,212	275	5,243	277	5,269	278	5,269	278
18	MGR Track & Signalling System	5.28	20667.81	1,091	20,668	1,091	20,668	1,091	20,418	1,078	20,418	1,078	20,418	1,078
35	Laboratory and workshop equipment	6.33	157.23	10	190.48	12.06	253.46	16.04	278.87	17.65	287.23	18.18	287.23	18.18
39	Construction equipment	5.28	544.27	29	544.27	28.74	544.27	28.74	544.27	28.74	544.27	28.74	544.27	28.74
40	Construction power Supply System	5.28	0.00	-	-	-	-	-	-	-	-	-	-	-
41	Electrical Installations	5.28	511.41	27	512.96	27.08	512.96	27.08	512.96	27.08	825.52	43.59	774.88	40.91
42	Vehicles including speedboats-Plant	9.5	14.60	1	14.60	1.39	14.60	1.39	23.59	2.24	23.59	2.24	23.59	2.24
43	Furniture - Township	6.33	0.00	-	-	-	-	-	-	-	-	-	-	-
44	Furniture and fixtures- Plant	6.33	1364.96	86	1,442.26	91.30	1,531.65	96.95	1,748.53	110.68	1,786.97	113.12	1,777.25	112.50
45	Satellite Communication System	15	0.00	-	-	-	-	-	6.11	0.92	6.11	0.92	6.11	0.92
49	EDP, WP machines & SATCOM equipment	15.00	954.69	143	956.93	143.54	1,010.63	151.59	1,218.03	182.70	1,362.26	202.84	1,291.52	193.73
51	Other Office Equipments	6.33	950.07	60	968.80	61.33	995.06	62.99	1,050.65	66.51	1,086.86	68.75	1,080.74	68.41
54	Hospital Equipment	6.33	54.21	3	89.36	5.66	89.36	5.66	92.65	5.86	101.40	6.42	101.40	6.42
55	Communication equipment	6.33	79.86	5	83.20	5.27	83.20	5.27	83.20	5.27	83.55	5.29	83.55	5.29
56	Software	15	140.94	21	146.95	22.04	148.48	22.27	164.56	24.68	167.35	25.10	167.35	25.10
57	Capital Spares	5.28	-	-	-	-	-	-	3,915.85	206.76	4,049.55	213.82	6,384.39	337.10
58	Capital Overhauling	5.28	-	-	-	-	-	-	-	-	4,307.44	227.43	-	-
	Total		593453.47	30334.83	599982.46	30661.67	597770.50	30689.02	606701.28	31185.23	614376.89	31602.14	607975.13	31262.81
	Weighted Average Depreciation Rate (%)			5.1110%		5.1221%		5.1370%		5.1420%		5.1429%		

