

**CENTRAL ELECTRICITY REGULATORY COMMISSION  
NEW DELHI**

**Petition No. 452/MP/2019**

**Coram:**

**Shri P.K. Pujari, Chairperson  
Shri I.S. Jha, Member  
Shri Arun Goyal, Member  
Shri Pravas Kumar Singh, Member**

**Date of Order: 24<sup>th</sup> March, 2022**

**In the matter of**

Petition seeking approval for revision of Lignite Transfer Price of NLCIL Mines for the period 1.4.2014 to 31.3.2019 on account of truing up on additional capitalization for 2014-19, O&M expenses, Overburden Removal and consequent depreciation and Return on Equity as per Ministry of Coal guidelines dated 2.1.2015 on fixation of Transfer Price of Lignite.

**And**

**In the matter of**

NLC India Limited,  
First floor, No.8, Mayor Sathyamurthy Road,  
FSD, Egmore Complex of Food Corporation of India,  
Chetpet, Chennai-600031

**.... Petitioner**

Vs

1. Tamil Nadu Generation and Distribution Corporation Limited,  
NPKRR Maaligai, 144, Anna Salai,  
Chennai – 600 002
2. Transmission Corporation of Andhra Pradesh,  
Vidyut Soudha, Khairatabad,  
Hyderabad-500 082
3. Southern Power Distribution Company of Andhra Pradesh Limited,  
D.No:19-13-65/A, Srinivasapuram, Tiruchanoor Road, Tirupathi,  
Andhra Pradesh - 517501
4. Eastern Power Distribution Company of Andhra Pradesh Limited,  
P&T Colony, Seetammadhara, Vishakapatnam,  
Andhra Pradesh – 503013



5. Transmission Corporation of Telangana,  
Vidyut Soudha, Khairatabad,  
Hyderabad-500 082
6. Northern Power Distribution Company of Telangana Limited,  
H.No. 1-1-504, Opposite NIT petrol pump, Chaityanayapuri colony,  
Hanmkonda, Warangal (Telangana) - 506 004
7. Southern Power Distribution Company of Telangana Limited,  
2nd Floor, H.No.6-1-50, Mint Compound,  
Hyderabad – 500 063
8. Power Company of Karnataka Limited,  
KPTCL Complex, Kaveri Bhavan,  
Bangalore – 560 009
9. Bangalore Electricity Supply Company Limited,  
Krishna Rajendra Circle,  
Bangalore - 560 001
10. Mangalore Electricity Supply Company Limited,  
Corporate Office, MESCOM Bhavana, Bejai, Kavour Cross Road,  
Mangalore 575 004
11. Chamundeshwari Electricity Supply Company Limited  
Corporate office No.CA 29, Vijayanagar, 2nd Stage, Hinakal,  
Mysore -570017
12. Gulbarga Electricity Supply Company Limited,  
Station main road,  
Gulbarga -585 102, Karnataka
13. Hubli Electricity Supply Company Limited,  
P.B.Road, Navanagar,  
Hubli - 580 025
14. Kerala State Electricity Board Limited  
Vaidyuthi Bhavanam, Pattom,  
Thiruvananthapuram – 695 004
15. Puducherry Electricity Department,  
137, NSC Bose Salai,  
Puducherry - 605 001

.... Respondents

**Parties Present:**

Shri M.G. Ramachandran, Senior Advocate, NLCIL  
Ms. Anushree Bardhan, Advocate, NLCIL  
Ms. Srishti Khindaria, Advocate, NLCIL  
Shri Ravi Nair, Advocate, NLCIL  
Shri Nambirajan, NLCIL  
Shri A.K. Sahni, NLCIL  
Shri Srinivasan, NLCIL



Shri S. Vallinayagam, Advocate, TANGEDCO  
Dr. R. Kathiravan, TANGEDCO  
Ms. R. Ramalakshmi, TANGEDCO  
Ms. R. Alamelu, TANGEDCO  
Ms. B. Rajeshwari, TANGEDCO

### **ORDER**

The Petitioner, NLC India Limited (in short 'NLCIL') has filed this petition for revision of Lignite Transfer Price of NLC Mines for the period 2014-19, on account of truing-up of additional capital expenditure, O&M Expenses, Removal of Over burden, consequent Depreciation and Return on Equity as per the Ministry of Coal, Government of India guidelines dated 2.1.2015, regarding the fixation of Lignite Transfer Price.

### **Background**

2. The Petitioner is a generating company owned and controlled by the Central Government. The tariff of the Petitioner's generating stations, namely TPS-I, TPS-II (Stage-I and Stage-II), TPS-I (Expansion) and TPS-II (Expansion) is regulated by the Commission in terms of clause (a) of sub-section (1) of Section 79 of the Electricity Act, 2003. Lignite extracted from the mines maintained and operated by the Petitioner is used for generation of electricity for supply to the Respondents. The Petitioner, for the period 2014-19, is required to determine the lignite transfer price at the beginning of the tariff period, based on the Ministry of Coal guidelines for fixation of Lignite Transfer Price. Accordingly, the lignite transfer price for the period 2014-19, computed by the Petitioner based on the guidelines dated 2.1.2015 of Ministry of Coal, was approved by the Commission vide its order dated 8.3.2017 in Petition No. 256/GT/2014 while determining the tariff of the thermal generating stations of the Petitioner.

3. As per the guidelines dated 2.1.2015 of Ministry of Coal, the parameters of additional capitalization, O&M expenses, Removal of overburden, consequent Depreciation and Return on Equity are to be trued up at the beginning of the next tariff



period i.e 2019-24 tariff period. Accordingly, NLCIL has worked out the revised lignite transfer price based on actuals on account of trued-up of additional capital expenditure, O&M Expenses, overburden removal etc., and the same has been submitted for approval of the Commission. The base transfer price of lignite approved by the Commission vide order dated 8.3.2017 in Petition No. 256/GT/2014, which has been adopted by the Petitioner for the period 2014-19 in this petition, are as under:

Period	Base Lignite Price approved by Commission vide order dated 8.3.2017		Base Lignite Price adopted by Petitioner NLCIL	
	Standalone	Pooled	Standalone	Pooled
2014-15	1679	1711	1679	1711
2015-16	1959	1949	1959	1949
2016-17				
April, 2016 to December, 2016	2181	2197	1949	1949
January, 2017 to March, 2017			2050	2050
2017-18				
April, 2017 to October, 2017	2431	2412	2050	2050
November, 2017 to March, 2018			2150	2150
2018-19				
April, 2018	2715	2718	2050	2050
May, 2018 to February, 2019			1850	1850
March, 2019			1950	1950

#### **Submissions of the Petitioner**

4. The submissions of the Petitioner NLCIL, with respect to the adoption of base transfer price of lignite for the period 2014-19 are summarized as follows:

- (a) The adoption of revised base transfer price was intimated to all beneficiaries with a note that the transfer price adopted for billing is subject to truing-up at the beginning of the next tariff period;
- (b) The Petitioner has adopted the same base lignite transfer price for 2014-15 and 2015-16 as approved by Commission;
- (c) For the year 2016-17, the Petitioner has adopted base lignite transfer price of Rs.1949/ tonne for both standalone and pooled mines, for the period with effect from 1.4.2016 to 31.12.2016, which is less than the Commission approved cost of Rs.2181/ton for standalone mines and Rs.2197/tonne for pooled mines. It has



adopted the reduced base lignite transfer price, as various cost control measures were taken during the year. Further, the Petitioner has adopted Rs.2050/tonne for both standalone and pooled mines for the period with effect from 1.1.2017 to 31.3.2017, as against the Commission approved cost of Rs.2181/ton for standalone mines and Rs.2197/ton for pooled mines. There was an increase in the expenditure in some areas and wage revision of executives and non-executives have become effective from 1.1.2017.

(d) For the period 2017-18, the Petitioner has continued to bill the beneficiaries with the base lignite transfer price of Rs.2050/tonne for the period from 1.4.2017 to 31.10.2017 and Rs.2150/tonne with effect from 1.11.2017 to 31.3.2018, against the Commission approved cost of Rs.2431/tonne for standalone mines and Rs.2412/tonne for pooled mines.

(e) For the period 2018-19, due to sustained efforts & practices adopted by Petitioner towards various cost control activities in the operation of Mines, the base transfer price of lignite for standalone and pooled mines were further brought down. Accordingly, the Petitioner has adopted base lignite transfer for both standalone and pooled mines of Rs.2050/tonne for the month of April (from 1.4.2018 to 30.4.2018), Rs.1850/ton with effect from 1.5.2018 to 28.2.2019 and Rs.1950/tonne for the month of March (with effect from 1.3.2019 to 31.3.2019), against the Commission approved cost of Rs.2431/tonne for standalone mines and Rs.2412/tonne for pooled mines.

5. The Petitioner has submitted that the following statutory payments are to be considered in the computation of landed price of primary fuel:

Year	From	To	Statutory duties
2014-15	01-04-2014	12-01-2015	6 % Royalty; Clean Cess Energy; Excise Duty
	13-01-2015	31-03-2015	6 % Royalty; 2% NMET; Clean Cess Energy; Excise duty
2015-16	01-04-2015	31-03-2016	6 % Royalty; 2% NMET; Clean Cess Energy; Excise duty
2016-17	01-04-2016	31-05-2016	6 % Royalty; 2% NMET; 14.50% Service Tax on Total Royalty; Excise Duty; Clean Cess Energy
	01-06-2016	31-03-2017	6 % Royalty; 2% NMET; 15% Service Tax on Total Royalty; Excise duty; Clean Cess energy
2017-18	01-04-2017	18-05-2017	6 % Royalty; 2% NMET; 15% Service Tax on Total Royalty; ED; clean cess energy



	19-05-2017	30-6-2017	6 % Royalty; 30% DMF; 2% NMET; 15% Service Tax on Total Royalty; ED; Clean Cess energy
	01-07-2017	31-03-2018	6 % Royalty; 30% DMF; 2% NMET; 18% GST on Total Royalty
2018-19	01-04-2018	31-03-2019	6 % Royalty; 30% DMF; 2% NMET; 18% GST on Total Royalty

### **Hearing dated 26.5.2020**

6. The Petition was admitted on 26.5.2020 and the Commission issued notice to the Respondents. The Commission vide ROP also directed the Petitioner, NLCIL to file certain additional information. The Petitioner, NLCIL has filed the additional information vide affidavits dated 22.6.2020 and 17.7.2020 respectively. The Respondents TANGEDCO, KSEBL and PCKL have filed their replies and the Petitioner, NLCIL has filed its rejoinder to the said replies.

### **Reply of the Respondent TANGEDCO**

7. The Respondent TANGEDCO in its reply filed on 4.5.2020 has mainly submitted the following:

- (a) As per the Ministry of Coal guidelines dated 2.1.2015, the actual O&M cost allowed for the year 2013-14 in order dated 20.3.2017 in Petition No.149/MP/2015 shall be considered as the base and escalated @11.5% for the year 2014-15;
- (b) NLCIL has calculated the O&M escalation of 11.5% for the remaining years i.e for 2015-16, 2016-17, 2017-18 and 2018-19, without restricting the escalation to 11.5% for the year 2014-15 from the O&M determined by the Commission for 2013-14 in order dated 20.3.2017 in Petition No. 149/MP/2015. The O&M expenses claimed for the base year 2014-15 in respect of Mine-IA, Mine-II and Mine-II(Expansion) is high and the escalation is to the level of 45% compared to the normative escalation of 11.5% allowed in the Ministry of Coal guidelines dated 2.1.2015;
- (c) The O&M expenses claimed by NLCIL for the 2014-19 tariff has been approved by the Commission in order dated 8.3.2017 in Petition No. 256/GT/2014 without any restrictions to Mine-IA, Mine-II and Mine-II(Expansion);



- (d) The escalations in overburden removal expenses claimed by NLCIL are to the level of 208% in 2015-16, 38.28% in 2016-17 and 32% in 2018-19.
- (e) NLCIL in their letter dated 1.6.2016 to M/s.TAQA has informed that the selling price of lignite to TAQA for the period 2016-17 is Rs.1949 per tonne. In turn, M/s.TAQA in their letter dated 16.6.2016 to TANGEDCO has informed that NLCIL has considered the base lignite price as Rs.1949 per tonne for 2016-17. NLC in their communication dated 13.6.2017 to TANGEDCO has informed that the base lignite price considered for 2016-17 is Rs.1949 per tonne. NLC has considered the price of Rs.1949 per tonne for 2016-17 for the purpose of billing to Kerala State Electricity Board (KSEBL) vide email dated 2.4.2020. The base lignite price considered by NLCIL for 2016-17 is Rs.1949 per tonne, whereas, for the purpose of billing TANGEDCO, NLCIL has followed the price of Rs.1596 per tonne. NLC has not given any communication in this regard to TANGEDCO for following a different price than the price communicated by them. This clearly shows the manipulation of lignite price by NLC for the purpose of being accommodated in the Merit Order Despatch;
- (f) After the issuance of order dated 8.3.2017 in Petition No. 256/GT/2014 by Commission, NLCIL has adopted a different price than the base lignite Price approved by Commission;
- (g) From 1.4.2016 onwards, NLCIL has unilaterally adopted a different lignite price than the price determined by Commission and NLC has submitted that it was based on the various cost control measures undertaken during the year. Similarly, for the period 2018-19, NLCIL has adopted a different price than the price determined by Commission;
- (h) The Respondent TANGEDCO, vide letters dated 15.6.2018 and 20.7.2018 has informed NLCIL that the revision in Lignite price is taken into account, provided NLCIL furnish an undertaking to the effect that, in future, any upward revision in energy charge rate (ECR) will not be claimed retrospectively, since the dispatches are made for revised price based on MOD rankings.
- (i) The main intention behind following a different price than the price determined by Commission during the periods 2017-18 and 2018-19, is only to get accommodation in the merit order dispatch and to claim the difference at the



time of truing up. This approach of NLCIL is an act of market monopoly and is a violation under the Competition Act, 2002.

- (j) NLC vide letters dated 13.6.2017 and 17.1.2018 has informed that the price reduction is due to various cost control measures and continuous monitoring of cost of mining operations. In the present petition, the base lignite price claimed by NLCIL for the periods 2017-18 and 2018-19 has been revised upwards, which contradicts their own statements vide letters dated 13.6.2017 and 17.1.2018;
- (k) By quoting a lesser lignite price on its own than the price determined by Commission, NLCIL has enjoyed the benefits of Merit Order Despatch during the periods 2017-18 and 2018-19 by pushing the other generators down and therefore, cannot claim the excess price in the truing up petition.
- (l) The O&M expenses claimed by NLCIL for the years 2014-15, 2015-16 and 2016-17, in respect of Mine-IA, Mine-II and Mine-II(Expansion) are beyond the normative escalation rate of 11.5%. After restricting the O&M expenses in respect of Mine-IA, Mine-II and Mine-II(Expansion) to the normative rate of 11.5% for 2014-15, as shown above, the O&M expenses for the remaining years need to be calculated accordingly;
- (m) As regards overburden removal expenses, the escalation rate is more than 100% on a year to year basis, without any ceiling. The Petitioner has not furnished any justification for the abnormal escalations and therefore, the entire claim towards overburden removal expenses may be disallowed. The Respondent has submitted that in respect of Mine-IA, the Petitioner has shown "nil" expenditure towards overburden removal expenses during 2015-16, 2016-17 and 2017-18. As per auditor's certificate furnished by the Petitioner, the capacity utilization factor in respect of Mine-IA for 2015-16 is 26 LT, for 2016-17 it is 26 LT and for 2017-18 it is 27 LT and the Capacity Utilization Factor (CUF) indicated is beyond the 85% level. From the submission of the Petitioner it is not clear as to why it has not incurred any expenditure towards overburden removal expenses during the above periods when the CUF is more than 85% level.





## **Reply of the Respondent KSEBL**

8. The Respondent KSEBL vide affidavit dated 21.5.2020 has mainly submitted as under:

- (a) The Commission vide its order dated 8.3.2017 in Petition No. 256/GT/2014, while observing huge variations in overburden removal expenses, approved the lignite price as claimed by NLCIL, which included abnormal overburden expenses, stating that the same is subject to truing-up based on the justification for variation in the year to year lignite transfer price for the period 2014-19.
- (b) There is huge variation between the overburden removal expenses claimed originally and approved by Commission and those claimed in the present petition. The Petitioner has not furnished any supporting documents to substantiate the actual overburden removal expenses.
- (c) Around 10% of the total lignite produced in Mines is sold out by NLCIL. Therefore, the overburden expenses claimed by NLCIL for including the same in lignite transfer price also have to be reduced pro-rata, corresponding to the sales.
- (d) There is a huge increase in overburden removal expenses for the years 2016-17, 2017-18 and 2018-19. The Petitioner has however not furnished any justification for such a huge increase.
- (e) NLCIL has calculated O&M escalation of 11.5% for the remaining years i.e. 2015-16, 2016-17, 2017-18 and 2018-19 without restricting the escalation to 11.5% for the year 2014-15 from the O&M determined by Commission for 2013-14 in Petition No. 149/MP/2015.
- (f) NLCIL has adopted a different price than the base Lignite Price approved, after the issue of order dated 8.3.2017. For the period commencing from 1.1.2017 onwards, NLCIL has unilaterally adopted a different lignite price of Rs.2050/tonne, as against the approved base rate of Rs.2197/tonne. The lowering of lignite transfer price was made stating that the decision for reduction



in price is based on the various cost control measures undertaken during the year.

- (g) The price fixed by the Commission in truing-up order may be treated as ceiling values. Since the Petitioner has charged a lower value than the price determined by the Commission by adopting cost control measures and efficient performance to align with the market prices, the same may not be allowed to be realigned to the regulated price, in case the regulated price is higher. At the same time, in case the regulated price is lower than the price realized by NLCIL from its beneficiaries, the benefit of lower regulated price needs to be passed on to the beneficiaries. Thus, the trued-up lignite transfer price shall be treated as the ceiling price, to ensure that no over recovery is made by the regulated entity, and at the same time market driven decisions taken by NLCIL in lignite pricing is not revised retrospectively in such a manner to distort the market dynamics and merit order principles followed by the beneficiaries. Further, it is evident that the Petitioner has significant margins in the regulated price, as can be seen from the different pricing followed among its beneficiaries.
- (h) While the Petitioner was charging Rs.1949/tonne from KSEBL for 2016-17, it is understood from the averments of TANGEDCO that NLCIL has charged only Rs.1596/tonne, which could be to align with the power procurement portfolio of TANGEDCO and get better scheduling of power.
- (i) Once NLCIL has taken cost control measures or any other measures to bring its price down to align with market price, they cannot, subsequently claim a higher price from the beneficiaries for this period. However, if the trued-up values are lower than the price already recovered from the beneficiaries, then the lower values fixed by the Commission, has to be adopted for billing the beneficiaries, as the values fixed by Commission are ceiling values and any over recovery has to be eliminated.

### **Reply of the Respondent PCKL**

9. The Respondent PCKL vide reply affidavit dated 4.8.2020 has mainly submitted as under:



- (a) The computation done by statutory auditors is not in line with order issued by Ministry of Coal. It is found that the actual production of lignite for the year 2017-18 and 2018-19 has been considered to arrive at the pooled lignite base price;
- (b) NLCIL has considered only cases where, the actual production of lignite is lesser than normative for the years 2017-18 and 2018-19. Hence, the Commission is requested to consider CUF at 85% for mines, as stipulated in Ministry of Coal guidelines dated 2.1.2015;
- (c) The O&M expenses approved by the Commission in order dated 20.3.2017 in Petition No.149/MP/2015 in respect of mines includes the overburden removal expenses also. Hence, the actual O&M expenses incurred in 2013-14, excluding the expenditure incurred on overburden removal, through outsourcing is not available. The overburden removal charges have been allowed separately under the said guidelines for 2014-19. Therefore, O&M expenses may be reduced to an extent of overburden removal charges.
- (d) O&M claims in respect of Mine-1A for the period 2014-19 are abnormal as compared to the escalation rate of 11.5% year on year allowed vide Ministry of Coal guidelines. However, NLCIL in its submission dated 22.6.2020 has not provided any justification for higher O&M expenses, thus, deviating the norms prescribed by Ministry of Coal;
- (e) Since NLCIL has considered a higher percentage of escalation for the period 2014-19, it is not entitled for excess claim and O&M expenses in respect of Mine-1A and the same may be restricted to 11.5% as per Ministry of Coal guidelines;
- (f) There is no guideline for the percentage on overburden removal expenses. It is found that the overburden removal expenses have increased 200% over the previous years. NLCIL has furnished reasons for the variation between the cost allowed by Commission and the actual cost incurred. However, there is no justification for the increase in overburden removal charges on a year to year basis. As per Ministry of Coal guidelines dated 2.1.2015, 100% O&M cost shall be recovered at 85% capacity utilization. In case the mines have achieved lower capacity utilization, the O&M expenses shall be proportionately reduced, based



on actual capacity utilization and the lignite transfer price shall be worked out accordingly;

- (g) The interest on debt year on year, in the statement certified by Auditors, is the same for Mine-II and Mine-IA. The interest amount on debt has to be reduced, year on year, after repayment of loan amount each year;
- (h) There is huge variation in the depreciation and amortization amount claimed by NLCIL year on year. NLCIL has furnished the asset additions, along with station-wise reconciliation of additional capitalization along with the sources and application of funds for the period 2014-19. There is mismatch in asset additions and deletion of the Mines wise details furnished with the reconciliation of additional capitalization;
- (i) There is a huge variation in the Return on Equity claimed by the Petitioner;
- (j) There is a difference in the lignite price quoted by NLCIL, the lignite price approved by Commission and the lignite price charged by NLCIL in the monthly bills raised on beneficiaries. The lesser price claimed in the monthly bills by the Petitioner is to accommodate its generating stations in the Merit Order Dispatch. The truing-up charges claimed may be rejected and the lesser price offered by the Petitioner may be treated as final price.

### **Rejoinders by the Petitioner**

10. The Petitioner vide affidavit dated 24.6.2020 has filed its rejoinder to reply of Respondents TANGEDCO and KSEBL and vide affidavit dated 24.8.2020 has filed its rejoinder to reply of Respondent PCKL and has mainly submitted as under.

#### ***Rejoinder to reply of TANGEDCO and KSEBL***

- (a) With regard to O&M expenses allowed in order dated 8.3.2017 in Petition No. 256/GT/2014, the same is the subject matter in Appeal No. 379 of 2017 filed by TANGEDCO which is pending consideration before the Appellate Tribunal for Electricity in short 'APTEL'). Thus, the Respondent ought not to have raised the issues pertaining to the same in its reply.



- (b) As regards the contention that base O&M expenses for 2014-15 should have been deduced from order dated 20.3.2017 in Petition No. 149/MP/2015, NLCIL has computed the base O&M for 2014-15 as per guidelines dated 2.1.2015 of the Ministry of Coal, which is based on the actual O&M expenses of 2013-14 and escalated by 11.5%. The expenses allowed in order dated 20.3.2017 relating to truing up of the 2009-14 tariff period (inclusive of 2013-14) is not the actual O&M expenses incurred by NLCIL in 2013-14, as the entire O&M expenses for the said period was not considered. This doesn't mean that for the purpose of consideration of base year, the actual O&M expenses should not be the basis. NLCIL has therefore rightly computed O&M expenses for 2014-15, considering the actual O & M expenses for 2013-14 and escalating it by 11.5%.
- (c) As regards the contention that O&M expenses has not been restricted to the escalation rate of 11.5%, NLCIL has filed the Appeal No.185/2017 against order dated 20.3.2017 in Petition No. 149/MP/2015 before APTEL on the issue of O&M escalation ceiling limit of 11.5% allowed by Commission and the same is pending.
- (d) As regards the contention that there is variation in the lignite transfer price adopted by NLCIL as against those approved in the Commission's order dated 8.3.2017 in Petition No. 256/GT/2014 and has enjoyed the advantage under Merit Order Despatch, it is not correct that the trued up lignite transfer price is higher than the price communicated by NLCIL through its letter dated 4.5.2017 (2016-17) and that NLCIL was manipulating the lignite transfer price for being accommodated in the Merit Order Despatch. NLCIL has adopted lesser lignite transfer price than that approved by the Commission, due to the sustained efforts and practices adopted by NLCIL towards various cost control activities in the operation of Mines. Also, the base price of both standalone & pooled lignite has been re-estimated.
- (e) The outsourcing of over burden removal undertaken by NLCIL has resulted in advantage to the beneficiaries, since it was a cost-effective measure to reduce the lignite extraction cost. The Ministry of Coal guidelines dated 2.1.2015 has taken cognizance of this aspect and has allowed this element at actuals in the determination of lignite transfer price.



- (f) The base lignite transfer price adopted by NLCIL during the years is one and the same for all the beneficiaries, including M/s TAQA, with whom NLCIL has a Fuel Supply Agreement (FSA) dated 29.4.1998 for 250 MW Lignite based plant in Neyveli. M/s TAQA was billed from December, 2015 onwards in accordance with FSA and the Ministry of Coal guidelines dated 2.1.2015. There was no opportunity for NLCIL to inform TANGEDCO that the Lignite Transfer Price for 2016-17 will be Rs.1949/tonne, as the approval of the lignite transfer price for the period 2014-19 was pending before this Commission.
- (g) As regards the submission that KSEBL was charged Rs.1949/tonne in 2016-17, whereas TANGEDCO was charged Rs.1596/tonne, it is stated that the lignite transfer price indicated in the attached table of KSEB mail dated 2.4.2020 is the price adopted for all beneficiaries including TANGEDCO for 2016-17. All the beneficiaries including TANGEDCO were charged at Rs.1596/tonne for 2016-17 on adhoc basis, due to pendency of the approval of lignite transfer price for the period 2014-19. This price of Rs.1596/tonne is the lignite transfer price of 2013-14 and was charged on ad-hoc basis till February, 2017 in terms of the 2014 Tariff Regulations. Once the order dated 8.3.2017 in Petition No. 256/GT/2014 was passed, all the beneficiaries were given arrear bills for the period up to March 2017, whereby, the lignite transfer price up to December, 2016 was considered as Rs.1949/tonne and from January 2017 to March 2017, the same was considered as Rs.2050/tonne, on account of the wage revision as explained above. There is no differential lignite transfer price adopted by NLCIL for its beneficiaries for 2016-17. The contention of Respondents that NLCIL was manipulating the lignite transfer price is wrong and denied.

***Rejoinder to reply of PCKL***

- (h) The actual production of lignite is lesser than normative for the years 2017-18 and 2018-19. Hence, the Commission may consider the CUF of 85% for Mines, as specified in the Ministry of Coal guideline dated 2.1.2015;
- (i) All the mines of NLCIL were developed with the purpose to meet requirement of lignite of the linked thermal power stations, in a pooled manner. Even in the pooled concept, the total quantity of lignite production at normative level, is more



or less nearer to the requirement of lignite of all the thermal power stations in Neyveli.

- (ii) The guidelines for lignite transfer price for the 2014-19 tariff period was issued at the beginning of the tariff period. However, NLCIL witnessed substantial surrender of power during 2016-17 in its thermal stations. The situation was unprecedented and due to this, huge lignite stock was available in the end of 2016-17, which would have otherwise been normally used for power generation. The beneficiaries were also not in a position to anticipate the quantum of power surrender in advance.
- (iii) The production cost of lignite is more or less fixed in nature. The restriction on lignite production to meet the challenges arising due to surrender of power was never envisaged nor factored in the guidelines. Hence, the same was required to be factored at the time of truing up of lignite transfer price for period 2014-19. As the mine cost is more or less fixed, the CUF for 2017-18 and 2018-19 was kept at actuals, instead of on normative basis.

#### **Hearing dated 6.8.2021**

11. The matter was further heard on 6.8.2021 and the Commission, after permitting the Petitioner to file its 'Note on arguments', directed the Petitioner to file the following additional information:

- (a) *Breakup of total lignite produced from each mine (overburden removal and stripping ratio etc.), the cost thereof, the lignite sold outside the market (including to TAQA Neyveli Power 250 MW IPP), corresponding value of overburden and revenue earned from it for the period 2014-19; and*
- (b) *Soft copy of all calculations and data filed by the Petitioner till date in MS Excel with proper linkages.*

The Petitioner has filed its note on arguments and the additional information on 13.8.2021, with copy to the Respondents.

#### **Hearing dated 18.8.2021**

12. The matter was heard through video conferencing on 18.8.2021 and the Commission after hearing the parties at length directed the (i) Petitioner to file its



response to the note of arguments uploaded by Respondent TANGEDCO and (ii) the Petitioner and Respondent, TANGEDCO to file the actual impact on dispatch of energy from the generating stations of the Petitioner on account of change in the merit order position and despatch, due to change in such Lignite Transfer Price. Accordingly, the Commission reserved its order in the petition.

13. In compliance to the above direction, the Respondent TANGEDCO and the Petitioner vide their affidavits dated 2.9.2021 have submitted the information as sought by the Commission. Based on the submissions and documents available on record and in consideration of the Ministry of Coal guidelines dated 2.1.2015, we proceed for truing-up the lignite transfer price of Standalone and Pooled mines of NLCIL for the period 2014-19.

### **Analysis and Decision**

14. The Commission vide its order dated 8.3.2017 in Petition No. 256/GT/2014 had approved the Standalone lignite transfer price from Mine-I and Pooled lignite transfer price from Mine-I(Expansion), Mine-IA, Mine-II and Mine-II(Expansion) for the period 2014-19 as under:

	<b>Lignite price (Standalone) (Rs./Tonne)*</b>	<b>Lignite price (Pooled) (Rs./Tonne)*</b>
2014-15	1780	1814
2015-16	2077	2066
2016-17	2312	2329
2017-18	2577	2557
2018-19	2878	2821

*\*The price is inclusive of Royalty @ 6%.*

15. The Petitioner, in this petition, has claimed the following Lignite Transfer Price of Stand-alone and Pooled Mines for the period 2014-19 as under:

<b>MINE-I (STAND ALONE) Lignite Transfer Price</b>						
	<b>UoM</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
100% Capacity	LTs	65.00	65.00	65.00	65.00	65.00
85% Capacity	LTs	55.25	55.25	55.25	50.47	45.82
O&M Cost	Rs.in lakh	71167	69674	75464	78058	83335





OB Removal (Outsourcing)	Rs.in lakh	2627	2896	5773	10095	6286
<b>Interest</b>						
KFW Loan	Rs.in lakh	18	18	17	16	15
Working Capital	Rs.in lakh	2703	2574	2774	2627	2668
Depreciation & Amortisation	Rs.in lakh	2501	2402	2545	3724	3325
Mine Closure Expenses	Rs.in lakh	812	853	895	940	987
ROE	Rs.in lakh	10903	11953	12208	13113	13525
Total before Statutory Payments	Rs.in lakh	90732	90370	99676	108572	110140
Base Price	Rs./tonne	<b>1642</b>	<b>1636</b>	<b>1804</b>	<b>2151</b>	<b>2404</b>

<b>Pooled Mines Lignite Transfer Price</b>						
<b>Year: 2014-15</b>	UOM	Mine-I (Expansion)	Mine-1A	Mine-II	Mine-II (Expansion)	<b>Total</b>
100% Capacity	LTs	40	30	105	45	220
85% Capacity	LTs	34	26	89	38	187
O&M Cost	Rs.in lakh	42281	41877	103078	44176	231412
O&B Removal	Rs.in lakh	1617	156	-	-	1773
<b>Interest</b>						
On Debt	Rs.in lakh	157	7	5	8,477	8,647
Working Capital	Rs.in lakh	1646	1757	4658	1996	10057
Depreciation & Amortisation	Rs.in lakh	4214	1406	5657	10725	22003
Cost of Mine Closure	Rs.in lakh	500	200	1029	441	2169
ROE	Rs.in lakh	4766	5328	17289	14721	42105
Total before Royalty	Rs.in lakh	55182	50731	131714	80537	318164
Base Price	Rs./tonne					<b>1701</b>

<b>Pooled Mines Lignite Transfer Price</b>						
<b>Year: 2015-16</b>	UOM	Mine-I (Expansion)	Mine-1A	Mine-II	Mine-II (Expansion)	<b>Total</b>
100% Capacity	LTs	40	30	105	45	220
85% Capacity	LTs	34	26	89	38	187
O&M Cost	Rs.in lakh	41835	45916	104865	43932	236547
O&B Removal	Rs.in lakh	1782	-	2733	1171	5687
<b>Interest</b>						
On Debt	Rs.in lakh	150	7	5	7901	8062
Working Capital	Rs.in lakh	1572	1858	3920	1669	9019
Depreciation & Amortisation	Rs.in lakh	4193	1688	6977	11300	24158
Cost of Mine Closure	Rs.in lakh	525	210	1080	463	2277
ROE	Rs.in lakh	5018	5474	21128	15517	47137
Total before Royalty	Rs.in lakh	55074	55153	140709	81953	332889
Base Price	Rs./tonne					<b>1780</b>

<b>Pooled Mines Lignite Transfer Price</b>						
<b>Year: 2016-17</b>	UOM	Mine-I (Expansion)	Mine-1A	Mine-II	Mine-II (Expansion)	<b>Total</b>



100% Capacity	LTs	40	30	105	45	220
85% Capacity	LTs	34	26	89	38	187
O&M Cost	Rs. in lakh	46507	57889	114854	49224	268474
O&B Removal	Rs. in lakh	3553	-	5605	2402	11560
<b>Interest</b>						
On Debt	Rs. in lakh	143	6	5	6934	7088
Working Capital	Rs. in lakh	1707	2095	4634	1986	10422
Depreciation & Amortisation	Rs. in lakh	4273	1053	8479	11385	25189
Cost of Mine Closure	Rs. in lakh	551	220	1134	486	2391
ROE	Rs. in lakh	4818	5674	24523	16181	51196
Total before Royalty	Rs. in lakh	61552	66938	159234	88597	376321
Base Price	Rs./tonne					<b>2012</b>

<b>Pooled Mines Lignite Transfer Price</b>						
<b>Year: 2017-18</b>	UOM	Mine-I (Expansion)	Mine-1A	Mine-II	Mine-II (Expansion)	Total
100% Capacity	LTs	40	30	105	45	220
Actual Prod.	LTs	31	27	89	38	185
O&M Cost	Rs. in lakh	48026	56088	115350	49435	268898
O&B Removal	Rs. in lakh	6212	-	5277	2262	13,751
<b>Interest</b>						
On Debt	Rs. in lakh	136	6	5	5954	6101
Working Capital	Rs. in lakh	1617	1752	4225	1811	9405
Depreciation & Amortisation	Rs. in lakh	3548	2352	12840	11958	30697
Cost of Mine Closure	Rs. in lakh	578	231	1191	510	2511
ROE %	Rs. in lakh	5104	5795	25704	16654	53257
Total before Royalty	Rs. in lakh	65222	66224	164591	88584	384621
Base Price	Rs./tonne					<b>2077</b>

<b>Pooled Mines Lignite Transfer Price</b>						
<b>Year: 2018-19</b>	UOM	Mine-I (Expansion)	Mine-1A	Mine-II	Mine-II (Expansion)	Total
100% Capacity	LTs	40	30	105	45	220
Actual Prod.	LTs	28	30	88	38	185
O&M Cost	Rs. in lakh	51224	51560	121564	52099	276447
O&B Removal	Rs. in lakh	3868	5144	3248	1392	13653
<b>Interest</b>						
On Debt	Rs. in lakh	130	6	4	5382	5522
Working Capital	Rs. in lakh	1642	1594	4072	1745	9054
Depreciation & Amortisation	Rs. in lakh	3752	1828	7707	11186	24474
Cost of Mine Closure	Rs. in lakh	607	243	1250	536	2636
ROE %	Rs. in lakh	5179	5737	25192	16,969	53077
Total before Royalty	Rs. in lakh	66403	66113	163038	89309	384863
Base Price	Rs./tonne					<b>2085</b>



16. Accordingly, in line with the Ministry of Coal guidelines, we proceed to work out the Lignite Transfer Price of NLCIL Mines for the period 2014-19, on prudence check, under the following heads.

**(A) Capacity Utilization Factor:**

17. As regards the Capacity Utilization Factor, the Ministry of Coal guidelines dated 2.1.2015 provide as under:

*“(i) In line with earlier BPSA entered into between NLC and beneficiaries / previous guidelines the normative capacity utilization for Neyveli mines was kept at 85% Considering the difficulties in mining and also the past achievement of less than 85% Capacity utilization, it shall continue to be 85% However, .....”*

18. The year-wise details of full capacity, normative capacity and the actual production of standalone and pooled mines, as furnished by the Petitioner, is tabulated (in lakh tons) (LTs) as under:

Standalone Mines	Unit	2014-15	2015-16	2016-17	2017-18	2018-19
100% Capacity	LTs	65.00	65.00	65.00	65.00	65.00
85% Capacity	LTs	55.25	55.25	55.25	55.25	55.25
Actual Production	LTs	56.05	56.34	58.20	50.47	45.82

Pooled Mines	UoM	Mine-I (Expansion)	Mine-1A	Mine-II	Mine-II (Expansion)	Total
<b>(2014-15)</b>						
100% Capacity	LTs	40	30	105	45	220
85% Capacity	LTs	34	25.5	89.25	38.25	187
Actual Production	LTs	34.5	29.15	92.55	39.66	195.86
% of Full Capacity	%	86.25	97.17	88.14	88.13	89.03
<b>(2015-16)</b>						
100% Capacity	LTs	40	30	105	45	220
85% Capacity	LTs	34	25.5	89.25	38.25	187
Actual Production	LTs	34.67	28.17	86.16	36.93	185.93
% of Full Capacity	%	86.68	93.90	82.06	82.07	84.51
<b>(2016-17)</b>						
100% Capacity	LTs	40	30	105	45	220
85% Capacity	LTs	34	25.5	89.25	38.25	187
Actual Production	LTs	35.81	27.80	98.16	42.07	203.84
% of Full Capacity	%	89.53	92.67	93.49	93.49	92.65
<b>(2017-18)</b>						
100% Capacity	LTs	40	30	105	45	220
85% Capacity	LTs	34	25.5	89.25	38.25	187
Actual Production	LTs	31.06	27.46	88.69	38.01	185.22
% of Full Capacity	%	77.65	91.53	84.46	84.46	84.19
<b>(2018-19)</b>						
100% Capacity	LTs	40	30	105	45	220
85% Capacity	LTs	34	25.5	89.25	38.25	187



Actual Production	LTs	28.20	29.97	88.49	37.93	184.59
% of Full Capacity	%	70.5	99.9	84.27	84.28	83.90

19. From the Auditor's certificate dated 14.10.2019, certifying the Lignite Transfer Price calculations (including the workings annexed thereto), it is observed that the Petitioner has calculated the Lignite Transfer Price based on actual CUF (which is lower than normative CUF as seen from above table) only for the years 2017-18 and 2018-19 considering the impact of power surrendered, whereas for other years normative CUF has been considered. However, the Petitioner has not prayed for considering the lower CUF in the present Petition.

20. The Respondent, TANGEDCO has submitted that the consideration of lower actual CUF is not as per Ministry of Coal guidelines, as there is no provision for such unilateral reduction of normative CUF by the Petitioner. Accordingly, the Respondent has submitted that the normative CUF may be considered and any increase in the Lignite Transfer Price, on this count may not be allowed.

21. Though the Petitioner has claimed lower Capacity Utilization Factor at actuals for the years 2017-18 and 2018-19 as shown in paragraph 18 above, for Standalone mines and Pooled mines, which is below the normative CUF of 85%, as specified in the Ministry of Coal guidelines dated 2.1.2015, it has not furnished any justification for the same. In view of this, we are not inclined to consider the lower CUF. We are inclined to consider the normative CUF of 85% for the purpose of truing-up of the Lignite Transfer Price, in terms of the Ministry of Power guidelines dated 2.1.2015.

**(B) Funding Pattern (Debt Equity Ratio):**

22. As regards the Funding Pattern (Debt Equity Ratio), the Ministry of Coal guidelines dated 2.1.2015 provide as under:

*“(ii) In line with the earlier guidelines, Net Fixed Assets Methodology with actual funding pattern shall be adopted for old mines i.e. Mine-I and Mine-I Expansion, Mine-IA and Mine-II.*



*Gross Block Methodology with 70:30 Debt-Equity Ratio shall be adopted declared under commercial operation on or after 1.4.2014. If the Equity investment is more than 30%, the Equity in excess of 30% will be treated as normative loan. If the equity deployed is less than 30% of the capital cost, actual equity will be considered for determination of tariff.”*

23. From the information submitted by the Petitioner, it has not been possible to trace the original investment quantum in the mines. However, from the workings furnished by the Petitioner and duly certified by auditor, we note that NFA methodology, with actual funding, has been adopted by the Petitioner for Mine-I, Mine-I (Expansion), Mine-IA and Mine-II. For Mine-II (Expansion) Gross Block methodology with 70:30 Debt Equity ratio has been applied. These are in line with the Ministry of Coal guidelines as quoted above.

**(C) Additional Capitalization:**

24. As regards the Additional Capitalization, the Ministry of Coal guidelines dated 2.1.2015 provide as under:

*“(iii) Considering the lower life of auxiliary equipment’s, additional requirement of conveyors, roads, GWC equipment’s and also rejuvenation of SMEs, Capital additions based on annual budget/ plans shall be taken for calculating this parameter and the same will be trued up at the beginning of the next tariff period.”*

25. The Petitioner has claimed additional capitalization for Standalone mines and Pooled mines for the period 2014-19 as tabulated below in its calculations for equity base for truing-up of lignite transfer price:

						<i>(Rs. in lakh)</i>
<b>Year</b>	<b>Mine-I</b>	<b>Mine-I (Expansion)</b>	<b>Mine-IA</b>	<b>Mine-II</b>	<b>Mine-II (Expansion)</b>	<b>Total</b>
2014-15	10401	6221	1126	18948	8121	44817
2015-16	2268	2114	2688	24638	10343	42051
2016-17	4603	2847	1654	19402	8317	36823
2017-18	9084	5565	2687	11813	5005	34154
2018-19	629	328	672	3254	1394	6277
<b>Total</b>	<b>26985</b>	<b>17075</b>	<b>8827</b>	<b>78055</b>	<b>33180</b>	-

26. The Petitioner has claimed the total additional capitalization for standalone mines and pooled mines, as above, for the period 2014-19, under the following heads:



Sr. No.	Particulars
1	Plant and Machinery
2	Roads & Buildings
3	Intangible Assets (Software)
4	Land
5	Furniture & Others
6	Mine Development
7	Value addition & Reduction on existing assets
8	Other Assets
9	Asset deletion

27. It is observed that the Petitioner has furnished details only with regard to its claim under heads of Sr. No.1 to Sr. No.5 above. As per the Ministry of Coal guidelines quoted above, additional capitalization is only allowed for assets created due to replacement of auxiliary equipment, conveyors, roads, specialized mining equipment, ground water clearance equipment and not for any other heads. Accordingly, in terms of the Ministry of Coal guidelines dated 2.1.2015 and on prudence check of the claim of the Petitioner, we allow the additional capitalization claimed by the Petitioner in respect of the 'New assets' under heads of Sr. No.1 to Sl. No.5 (in paragraph 26 above) only for the purpose of truing up of the lignite transfer price as tabulated below:

*(Rs. in lakh)*

Year	Mine-I	Mine-I (Expansion)	Mine-IA	Mine-II	Mine-II (Expansion)	Total
2014-15	9974	6138	1019	18597	8170	43898
2015-16	1818	1119	2121	21925	9396	36379
2016-17	3139	1932	1047	15651	6837	28606
2017-18	8563	5269	1713	11340	4860	31745
2018-19	406	250	667	3184	1365	5872
Total	<b>23900</b>	<b>14708</b>	<b>6567</b>	<b>70697</b>	<b>30628</b>	-

#### **(D) Depreciation:**

28. As regards depreciation, the Ministry of Coal guidelines dated 2.1.2015 provide as under:

*“(iv) For equipment’s/machinery other than Specialized Mining Equipment (SME), depreciation shall be charged as per the provisions of the Companies Act, 2013. The rates of depreciation notified by Ministry of Corporate Affairs vide its letter No. 45/GT/2006-CL-III dt. 29.08.2007 shall be adopted for Specialized Mining equipment’s acquired on or after that date.”*



29. The Petitioner has claimed mine-wise (both Standalone and Pooled mines) depreciation (including amortization) as under:

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
Mine-I: Standalone	2501	2402	2545	3724	3325
Mine-I(Expansion): Pooled	4214	4193	4273	3548	3752
Mine-IA: Pooled	1406	1688	1053	2352	1828
Mine-II: Pooled	5657	6977	8479	12840	7707
Mine-II(Expansion): Pooled	10725	11300	11385	11958	11186
<b>Total Depreciation (Mines)</b>	<b>22003</b>	<b>24158</b>	<b>25189</b>	<b>30697</b>	<b>24474</b>

30. We notice that the Petitioner has not furnished the actual rates of depreciation in the petition. However, the Petitioner has submitted the Auditor's certificate dated 14.10.2019, wherein, it has been submitted that in terms of the Ministry of Coal guidelines dated 2.1.2015, depreciation has been adopted as per books of accounts, excluding adjustments, in the assets, on account of FERV, during the respective years. The Petitioner has further submitted that mine development expenditure has been amortized, based on the estimated life of mines or the life of the linked thermal power plant, whichever is less. In consideration of these submissions, depreciation (including amortization) claimed in the table under paragraph 29 above, and certified by Auditor is allowed.

**(E) O&M Expenses:**

31. As regards O&M Expenses, the Ministry of Coal guidelines dated 2.1.2015 provide as under:

*“(v) Considering the impact of wage revision which cannot be quantified at this stage and adverse stripping ratios of OB beyond the normative level as considered in FR necessitating outsourcing, these factors shall not be part of normal O&M expenditure. Moreover, in the absence of truing up claim of lignite by NLC for 2009-14, the proposal of NLC to enhance escalation from 11.5% to 13% is not agreeable. Therefore, the prevailing rate of 11.5% shall continue.*

*Actual O&M Expenses (excluding expenditure incurred on OB removal at Neyveli through outsourcing) incurred in 2013-14 with 11.5% escalation shall be the base O&M for 2014-15 and thereafter escalated at 11.5% p.a. The same will be trued up at the beginning of the next tariff period.*

xxxxx.



*In the case of new mines, O&M expenditure for the first year after the COD shall be determined based on the project Cost / RCE as approved by GOI / Board of Directors of the Company.*

*As the impact of Wage revision of workers from 01.01.2012 cannot be quantified and included in the tariff at this point of time. Hence, as and when the same is finalized, NLC shall claim at actual. However, NLC shall take maximum care at the time of negotiation with workmen unions to keep the wage increase to the minimum.”*

32. The Petitioner has claimed actual O&M expenses for the period 2014-19 as tabulated below:

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
Mine-I	71202	70089	75469	78065	82946
Mine-I (Expansion)	42292	42000	46442	48040	51044
Mine-IA	41964	46763	58329	55934	50440
Mine-II	103121	105632	114533	115427	120558
Mine-II (Expansion)	44195	44261	49086	49468	51668

33. The Commission vide order dated 8.3.2017 in Petition No. 256/GT/2014 had approved the lignite transfer price of mines (Standalone mines and Pooled mines) of the Petitioner for the period 2014-19. Thereafter, by order dated 20.3.2017 in Petition No. 149/MP/2015, the lignite transfer price of NLC mines (Standalone mines and Pooled mines) for the period 2009-14, on account of trueing up additional capitalization, O&M expenses, income tax, return on equity and FERV was approved and the trued-up O&M expenses allowed was as under:

	<i>(Rs. in lakh)</i>				
	2009-10	2010-11	2011-12	2012-13	2013-14
Mine-I: Standalone	44011	48491	53350	58338	64357
Mine-I(Expansion): Pooled	26898	29640	32606	35588	39454
Mine-IA: Pooled	20415.76	22763.57	25381.38	28300.24	31554.77
Mine-II: Pooled	58619.73	65361	71433	73224	81644.76
Mine-II(Expansion): Pooled	-	28012	30614	31382	34990.93

34. The Respondent, TANGEDCO has submitted that there is huge increase in the O&M expenses claimed by the Petitioner as against those allowed for 2013-14 and the same is in excess of the escalation rate of 11.5% permissible in terms of the Ministry of Coal guidelines dated 2.1.2015.





35. The trued-up O&M expenses allowed vide order dated 20.3.2017 in Petition No. 149/MP/ 2015 for 2013-14 are as under:

<i>(Rs. in lakh)</i>				
Mine-I	Mine-I (Expansion)	Mine-IA	Mine-II	Mine-II (Expansion)
<b>Standalone</b>	<b>Pooled</b>			
64357	39454	31554.77	81644.76	34990.933

36. The Commission vide its order dated 20.3.2017 in Petition No 149/MP/2015 had granted liberty to the Petitioner to approach the Commission with all relevant details with regard to impact of wage revision for non-executives and labourers (workmen) with effect from 1.1.2012. The relevant portion is extracted below:

*“32. The wage revision for non-executives and labourers has not been quantified and therefore, in the absence of complete details with regard to impact of wage revision, the claim cannot be decided in this order. However, the petitioner is granted liberty to approach the Commission with all relevant details in accordance with law.”*

37. It is observed that pursuant to the above order, the Petitioner in Petition No 32/MP/2018 claimed the impact of wage revision for non-executives and labourers (workmen) posted in NLCIL mines linked to its power stations, namely NLCIL TPS-I, NLCIL TPS-II(Stage-I), NLCIL TPS-II(Stage-II), NLCIL TPS-I(Expansion) and NLCIL Barsingsar Thermal Power Station and prayed to allow appropriate adjustment of receivable from and payable to the beneficiaries for the period 1.1.2012 to 31.3.2014. The Commission by order dated 9.7.2018 disposed of Petition No. 32/MP/2018 holding as under:

*“26. As such, the Petitioner is directed to first calculate the month-wise and mine wise increase in Lignite Transfer Price (Rs/MT) corresponding to wage revision impact which can be linked to power generation. Then based on this increase in Lignite Transfer price (LTP), month-wise recovery corresponding to schedule energy from each generating station, based on operating parameters and source of supply shall be calculated. Summation of these month-wise/station-wise recoveries for the period in question i.e 1.1.2012 to 31.03.2014 shall be recovered from the beneficiaries in twelve equal instalments starting from the month of issue of this order”*

*27. Keeping in view the time taken by the Petitioner in finalizing the accounts, we order that no interest shall be charged on the arrears. In our view, this arrangement will protect the interest of both the Petitioner and the beneficiaries.*



28. The increase in the LTP based on the wage revision impact shall not be used for the purpose revising the IWC component of AFC for the period 2009-14 as per 2009 Tariff Regulations”

38. The matter has been examined keeping in view the escalation rate of 11.5% prescribed by the Ministry of Coal guidelines dated 2.1.2015 and the trued-up O&M expenses allowed vide order dated 20.3.2017 in Petition No.149 /MP/ 2015 for 2013-14. The percentage increase in the O&M expenses claimed by the Petitioner for Mine-I, Mine-I(Expansion), Mine-1A, Mine-II and Mine-II(Expansion) for the period 2014-19 is calculated as under:

<i>(Rs. in lakh)</i>						
	As per order dated 20.3.2017 in Petition No. 149/ MP/2015 (for 2013-14)	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Standalone Mine: Mine-I</b>						
O&M Expenses	64357	71202	70089	75469	78065	82946
(%) increase	-	10.64	(-)1.56	7.68	3.44	6.25
<b>Pooled Mine: Mine-I(Expansion)</b>						
O&M Expenses	39454	42292	42000	46,442	48040	51044
(%) increase	-	7.193	(-) 0.69	10.56	3.44	6.25
<b>Pooled Mine: Mine-IA</b>						
O&M Expenses	31554.77	41964	46763	58329	55934	50440
(%) increase	-	32.99	11.44	24.73	(-) 4.11	(-) 9.82
<b>Pooled Mine: Mine-II</b>						
O&M Expenses	81644.76	103121	105632	114533	115427	1,20,558
(%) increase	-	26.30	2.44	8.43	0.78	4.45
<b>Pooled Mine: Mine-II(Expansion)</b>						
O&M Expenses	34990.93	44195	44261	49086	49,468	51,668
(%) increase	-	26.30	0.15	10.90	0.778	4.447

39. The Ministry of Coal guidelines dated 2.1.2015 has prescribed 11.5% as the ceiling for escalation. It can be noticed from the table under paragraph 38 above that the O&M expenses claimed by the Petitioner during the period 2014-19 are within the O&M escalation rate of 11.5% on the O&M expenses for the year 2013-14, as prescribed in the Ministry of Coal guidelines dated 2.1.2015 for some years and are higher for other years. In line with the Ministry of Coal guidelines dated 2.1.2015, we



limit the increase to 11.5%. Where the increase in O&M expenses are within the escalation rate of 11.5%, the actual O&M expenses incurred shall be considered for the purpose of truing-up of Lignite Transfer Price. Where the increase in O&M expenses are higher than the escalation rate of 11.5%, the actual O&M expenses incurred limited to an escalation rate of 11.5% shall be considered for the purpose of truing-up of Lignite Transfer Price. Thus, the allowable O&M expenses have been calculated as under:

	<i>(Rs. in lakh)</i>					
	As per order dated 20.3.2017 in Petition No. 149/ MP/2015 (for 2013-14)	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Standalone Mine: Mine-I</b>						
Limiting O&M Expenses based on FY 2013-14 O&M Expenses escalated @11.5%	64357	71758	80010	89211	99471	110910
Petitioner's Claim now		71202	70089	75469	78065	82946
Allowed O&M Expenses		<b>71202</b>	<b>70089</b>	<b>75469</b>	<b>78065</b>	<b>82946</b>
<b>Pooled Mine: Mine-I(Expansion)</b>						
Limiting O&M Expenses based on FY 2013-14 O&M Expenses escalated @11.5%	39454	43991	49050	54691	60980	67993
Petitioner's Claim now		42292	42000	46442	48040	51044
Allowed O&M Expenses		<b>42292</b>	<b>42000</b>	<b>46442</b>	<b>48040</b>	<b>51044</b>
<b>Pooled Mine: Mine-IA</b>						
Limiting O&M Expenses based on FY 2013-14 O&M Expenses escalated @11.5%	31554.77	<b>35184</b>	<b>39230</b>	<b>43741</b>	<b>48771</b>	54380
Petitioner's Claim now		41964	46763	58329	55934	50440
Allowed O&M Expenses		<b>35184</b>	<b>39230</b>	<b>43741</b>	<b>48771</b>	<b>50440</b>
<b>Pooled Mine: Mine-II</b>						
Limiting O&M Expenses based on FY 2013-14 O&M Expenses escalated @11.5%	81644.76	<b>91034</b>	<b>101503</b>	<b>113176</b>	126191	140703
Petitioner's Claim now		103121	105632	114533	115427	120558
Allowed O&M Expenses		<b>91034</b>	<b>101503</b>	<b>113176</b>	<b>115427</b>	<b>120558</b>
<b>Pooled Mine: Mine-II(Expansion)</b>						
Limiting O&M Expenses based on FY 2013-14 O&M Expenses escalated @11.5%	34990.93	<b>39015</b>	<b>43502</b>	<b>48504</b>	54082	60302
Petitioner's Claim now		44195	44261	49086	49468	51668
Allowed O&M Expenses		<b>39015</b>	<b>43502</b>	<b>48504</b>	<b>49468</b>	<b>51668</b>



40. The Commission vide RoP of the hearing dated 6.8.2021 directed the Petitioner to submit the following information:

*“(a) Breakup of total lignite produced from each mine (overburden removal and stripping ratio etc.), the cost thereof, the lignite sold outside the market (including to TAQA Neyveli Power 250 MW IPP), corresponding value of overburden and revenue earned from it for the period 2014-19;”*

41. In response, the Petitioner has submitted that it has been supplying lignite to M/s TAQA and undertaking Outside sales/Third Party sales from Mine-IA only. The details of sale quantity and the revenue earned on account of such sales, as furnished by the Petitioner, are as under:

Financial Year	Lignite supplied to M/s TAQA IPP			
	Quantity in LT	Basic Cost (Rs.in crore)	Taxes and duties (Rs.in crore)	Amount (Rs.in crore)
2014-15	19.00	326.59	18.95	345.54
2015-16	16.07	318.42	64.89	383.31
2016-17	11.63	230.26	110.18	340.44
2017-18	10.35	217.98	28.14	246.12
2018-19	13.66	253.94	21.15	275.09
<b>Total (A)</b>	<b>70.71</b>	<b>1347.19</b>	<b>243.31</b>	<b>1590.50</b>

Financial Year	Lignite (Outside sales/Third Party Sale)			
	Quantity in LT	Basic Cost (Rs.in crore)	Taxes and duties (Rs.in crore)	Amount (Rs.in crore)
2014-15	6.48	110.26	38.44	148.70
2015-16	1.09	17.59	0.34	17.93
2016-17	1.63	28.35	4.35	31.40
2017-18	5.81	97.73	28.72	126.45
2018-19	17.24	282.76	21.43	304.19
Total (B)	<b>32.25</b>	<b>536.69</b>	<b>93.28</b>	<b>628.67</b>
<b>TOTAL (A+B)</b>		<b>1883.88</b>	<b>336.59</b>	<b>2219.17</b>

42. Based on the discussions above and considering the data and information furnished by the Petitioner, the total O&M expenses (inclusive of O&M expenses incurred for extraction of lignite for outside sales/ third party sales from Mine-IA) for the period 2014-19 has been worked out by applying the escalation rate of 11.5% on the trued-up O&M expenses allowed for 2013-14 as under:



(Rs. in lakh)

	2014-15	2015-16	2016-17	2017-18	2018-19
Standalone: Mine-I	71202.00	70089.00	75469.00	78065.00	82946.00
Pooled: Mine-I(Expansion)	42292.00	42000.00	46442.00	48040.00	51044.00
Pooled: Mine-IA	35183.57	39229.68	43741.09	48771.32	50439.59
Pooled: Mine-II	91033.91	101502.81	113175.63	115427.46	120558.35
Pooled: Mine-II(Expansion)	39014.89	43501.60	48504.29	49468.22	51667.87

43. The Petitioner has not made any specific claim along with justification and quantified impact, if any, on account of wage revision impact of non-executives and workmen from 1.1.2012 in the actual O&M expenses claimed for the period 2014-19. Since the actual O&M expenses which includes the impact, if any, on account of wage revision of non-executives and workmen from 1.1.2012 are within the escalation rate of 11.5% per annum, the same is considered to be subsumed in the allowable O&M expenses calculated in the table under paragraph 42 above.

44. In order to allow the O&M expenses to be included in the lignite transfer price of Pooled mines, it is necessary to deduct the O&M expenses attributable to the lignite quantum extracted for the purpose of Outside sales and Third-Party sales on *pro rata* basis from the total O&M expenses of Mine-IA (part of Pooled mines) as calculated in paragraph 42 above. Accordingly, the allowable O&M expenses, after excluding the expenses attributable to Outside sales/Third Party sales is worked out as under:

(Rs. in lakh)

	For Pooled Mine- 1A	2014-15	2015-16	2016-17	2017-18	2018-19
A	Allowable O&M expenses including expenses incurred due to third lignite quantum extracted for Outside sales/Third Party sales	35183.57	39229.68	43741.09	48771.32	50439.59
B	Actual Production in LTs (100% Capacity 30 LTs)	29.15	28.17	27.80	27.46	29.97
C	Total Third-party sales (Quantity in LTs)	25.48	17.16	13.26	16.16	30.90
D	Production excluding Third Party sales (B-C)	3.67	11.01	14.54	11.3	(-)0.93
E	<b>Allowable O&amp;M expenses excluding expenses incurred due to Outside sales/Third party sales [(D)x(A)/(B)]</b>	<b>4429.62</b>	<b>15332.57</b>	<b>22877.53</b>	<b>20069.77</b>	<b>(-) 1565.19</b>



45. Accordingly, the allowable O&M expenses (excluding O&M expenses attributable to Outside sales/Third Party sales) considered for the purpose of lignite transfer price for the period 2014-19 are as under:

*(Rs in lakh)*

	2014-15	2015-16	2016-17	2017-18	2018-19
Standalone: Mine-I	71202	70089	75469	78065	82946
<b>Pooled Mines</b>					
Mine-I(Expansion)	42292	42000	46442	48040	51044
Mine-IA	4429.62	15332.57	22877.53	20069.77	(-)1565.19
Mine-II	91033.91	101502.81	113175.63	115427.46	120558.35
Mine-II(Expansion)	39014.89	43501.60	48504.29	49468.22	51667.87

46. Further, the yearly revenue(s) earned (basic price of lignite only without taxes and duties) on account of the total Outside sales/Third Party sales of lignite (totaling Rs.1883.88 crore as shown in the table under paragraph 41 above) has been deducted from the respective year's total lignite cost of Mine-IA only (part of pooled mines), for arriving at the net cost of lignite for truing up of the lignite transfer price for Pooled Mines for the relevant year.

47. The Petitioner has submitted that the cost of power consumed for mining activities form part of the O&M expenses considered for calculating the lignite transfer price and the cost of power undergoes revision every time, whenever there is a change in the lignite transfer price and vice versa. Hence, the cost of power consumed in mining activities and lignite transfer price are simultaneously calculated, on iterative basis, to factor the changes in lignite transfer price and the cost of power consumed in mining activities. Accordingly, the net allowable O&M expenses, after iterative adjustment of revised cost of the power consumed in mining activities, on account of change in lignite transfer price, considered for lignite transfer price calculations for the period 2014-19 are as under:



(Rs in lakh)

Net allowable O&M expenses (after adjustment of the revised power cost)					
	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Standalone Mines</b>					
Mine-I	70418	69199	74951	77423	82398
<b>Pooled Mines</b>					
Mine-I (Expansion)	41677	41430	46110	47624	50646
Mine-IA	4278	14414	22364	19676	(-) 1397
Mine-II	88513	98860	111540	113141	118360
Mine-II (Expansion)	37934	42369	47804	48488	50726
<b>Total of Pooled Mines</b>	<b>172402</b>	<b>197073</b>	<b>227819</b>	<b>228930</b>	<b>218334</b>

**(F) Expenditure on Outsourcing Over-Burden (OB) Removal:**

48. As regards expenses towards Over Burden (OB) removal, the Ministry of Coal guidelines dated 2.1.2015 provides as under:

*“(vi) OB removal which is outsourced in Neyveli Mines shall be allowed as a separate item based on budget approved by Board of Directors of NLC. This expenditure shall be trued up in the beginning of the next tariff period.”*

49. The Commission in its order dated 8.3.2017 in Petition No.256/GT/2014, while allowing lignite transfer price of NLCIL mines had not considered the OB removal cost as the Petitioner had not furnished the details of stripping ratio and overburden computation in support of the variation in the overburden removal cost. The same was subject to truing up, based on the justification for variation in the year to year lignite transfer price for the period 2014-19. The relevant portion of the order is extracted below:

*“84. It is observed from the details of overburden removal (outsourcing) furnished by the petitioner that there is an increase of OB removal of 208% in 2015-16 from the previous year (2014-15) 10% in 2016-17 from 2015-16, 10% in 2017-18 from 2016-17 and 9.99% in 2018-19 from 2017-18 for Standalone mine and 727% in 2015-16 from 2014-15, 14.65% in 2016-17 from 2015-16, 0.675 in 2017-18 from 2016-17 and 23.41% in 2018-19 from 2017-18 for Pooled mines. Thus, there is substantial increase in the amounts in the year 2015-16 and as per MoC guidelines dated 2.1.2015 the said increase is on account of additional unfavourable stripping ratio. Though more OB outsourcing is required to be carried out due to adverse overburden-lignite ratio to excavate same quantity of lignite, the petitioner has not furnished details of stripping ratio and overburden computation in support of the variation in the overburden removal cost. In this background, the same has not been considered in this order. Therefore, only the pooled lignite transfer price as submitted by the petitioner for the period 2014-19 and referred in the table under para 82 above is considered for the computation and recovery of month to month Energy Charges for this generating station during the period 2014-19. This is subject to truing-up based on the justification for variation in the year to*



year lignite transfer price for the period 2014-19. The prayer of the petitioner in affidavit dated 16.10.2015 to allow the Standalone lignite transfer price from Mine-I and Pooled lignite transfer price from Mine-I expansion, Mine- I A, Mine- II and Mine-II expansion (as referred in the table under 82 above) is disposed of in terms of the above decision.”

50. The OB removal expenses claimed by the Petitioner vide affidavit dated 13.8.2021 for the 2014-19 period for the purpose of lignite transfer price are as under:

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Standalone Mine: Mine-I</b>	2627	2896	5773	10095	6286
<b>Pooled Mines</b>					
Mine-I (Expansion)	1617	1782	3553	6212	3868
Mine-IA	156	-	-	-	5144
Mine-II	-	2733	5605	5277	3248
Mine-II (Expansion)	-	1171	2402	2262	1392
<b>Total of Pooled Mines</b>	<b>1773</b>	<b>5687</b>	<b>11560</b>	<b>13751</b>	<b>13653</b>

51. The Respondent, TANGEDCO has objected to the higher OB removal expenses claimed by the Petitioner as a separate component, different from O&M expenses and has prayed that the same may be subjected to prudence check. Per contra, the Petitioner has submitted that OB removal expenses, which were optimized by outsourcing the activity, wherever applicable, has been claimed in terms of the Ministry of Coal guidelines dated 2.1.2015. It has further submitted that there is no target stripping ratio and hence, the Petitioner is not liable for any adverse stripping ratio.

52. The matter has been considered. In terms of the Ministry of Coal guidelines dated 2.1.2015, the outsourced OB removal expenses at NLCIL mines are allowable separately in addition to the O&M expenses at the end of the 2014-19 period. We, therefore, accept the contention of the Petitioner and allow the actual OB removal expenses separately as claimed by the Petitioner. The OB removal expenses claimed for Pooled Mine-IA, which includes expenses attributable to lignite extracted for Outside sales/Third Party sales, has been deducted. Accordingly, the OB removal expenses for Mine-IA, after excluding the pro-rata expenses incurred towards lignite extracted for Outside sales/Third Party sales, are calculated as under:





		(Rs. in lakh)				
<b>For Pooled Mines: Mine-IA</b>		<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
A	OB removal cost claimed, including cost due to Outside sales/Third Party sales	156.00	-	-	-	5144.00
B	Actual Production in LTs (100% Capacity 30 LTs)	29.15	28.17	27.80	27.46	29.97
C	Total TP Sales (Quantity in LTs)	25.48	17.16	13.26	16.16	30.90
D	Production excluding TP Sales (B-C)	3.67	11.01	14.54	11.3	(-)0.93
E	OB removal expenses Allowable excluding cost due to outside sales/third party sales [(D x A)/(B)]	19.64	-	-	-	(-)159.62

53. Accordingly, the mine-wise OB removal expenses (outsourcing) allowable for the period 2014-19 period (excluding expenses incurred due to outside sales/third party sales from Pooled Mine-IA) and considered for the purpose of calculating the lignite transfer price are as under:

		(Rs. in lakh)				
		<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
<b>Standalone Mines</b>						
Mine-I		2627.00	2896.00	5773.00	10095.00	6286.00
<b>Pooled Mines</b>						
Mine-I (Expansion)		1617.00	1782.00	3553.00	6212.00	3868.00
Mine-IA		19.64	-	-	-	(-)159.62
Mine-II		-	2733.00	5605.00	5277.00	3248.00
Mine-II (Expansion)		-	1171.00	2402.00	2262.00	1392.00
<b>Total of Pooled Mines</b>		<b>1636.64</b>	<b>5687.00</b>	<b>11560.00</b>	<b>13751.00</b>	<b>8348.38</b>

### **(G) Components of Working Capital and Interest on Working Capital:**

54. As regards Working Capital, the Ministry of Coal guidelines dated 2.1.2015 provides as under:

*“(vii) Keeping in view the lignite stock of 15 days allowed by CERC for thermal station and at the same time considering the requirement of lignite during monsoon period and also during exigencies like strike and in order to have uninterrupted supply of lignite to Thermal Stations, the inventory of lignite in mines shall be restricted to 20 days production at normative capacity of mines against the proposal of NLC for considering 30 days. Therefore, the working capital shall cover:*

*One-month Operation & Maintenance Expenses*

*12 months Consumption of Spares*

*20 days Lignite stock at cost as on 31st March of the preceding year”*

55. As regards Interest on Working Capital, the Ministry of Coal guidelines dated 2.1.2015 provide as under:



“(viii) The rate of interest on working capital shall be on normative basis and shall be considered at the base rate of SBI as 1st April 2014 plus 350 basis points.”

56. The components of working capital and the rate of interest @13.5% claimed by the Petitioner are as under:

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Standalone Mines</b>					
O&M Expenses (1month)	5934	5841	6289	6505	6912
Stores and Spares (a)	10423	9315	9522	8120	8416
Lignite Stock for 20 days	3665	3915	4736	5292	5344
<b>Total Working Capital (S)</b>	<b>20022</b>	<b>19070</b>	<b>20547</b>	<b>19917</b>	<b>20672</b>
<b>Pooled Mines</b>					
O&M Expenses (1 month)	14731	16861	19250	19417	18475
Stores and Spares (b)	43223	33786	38215	29535	27824
Lignite Stock for 20 days	11976	13133	16616	17856	16630
<b>Total Working Capital (P)</b>	<b>69929</b>	<b>63781</b>	<b>74081</b>	<b>66808</b>	<b>62929</b>
<b>Total WC Component (S+P)</b>	<b>89952</b>	<b>82852</b>	<b>94628</b>	<b>86725</b>	<b>83601</b>
<b>Total Interest on working capital claimed @13.5%</b>	<b>12143</b>	<b>11185</b>	<b>12775</b>	<b>11708</b>	<b>11286</b>

57. The rate of interest on working capital, which works out to 13.5%, as considered by the Petitioner, in terms of the Ministry of Coal guidelines dated 2.1.2015 is allowed.

58. It is observed that the Petitioner has claimed amounts towards consumption of Stores and Spares instead of consumption of Spares, which is only allowable in terms of the Ministry of Coal guidelines dated 2.1.2015. In view of this, the corresponding Stores and Spares Consumption amounts for the Petitioner Company (including power generation and mining segments) for the period 2014-19, has been verified from the financial statements (as published in respective annual reports) of the Petitioner NLCIL and are tabulated under:

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
Total Stores & Spares claimed for Working Capital =(a) +(b) <i>(as in the table under paragraph 56 above)</i>	53646	43101	47737	37654	36240
Stores & Spares at Petitioner Company level (for all power plants and mines) as per respective annual reports (SS)	63269	53549	61974	50576	51412
Spares consumed at Company level (for all power plants and mines) as per respective annual reports (Sp)	45455	36776	53975	42732	41260



59. The company level total spares consumption is required to be apportioned into mining segment and power generation segment and further into mines for which lignite transfer price is to be determined. Accordingly, the Company level spares consumed by Petitioner is pro-rated based on the year-wise Gross Block Ratio of Mining Vs Overall Assets (submitted in the present petition) and further apportioned into Standalone mines and Pooled mines, based on the claimed ratio of (stores & spares) of stand-alone mine or pooled mine and the total (store & spares), as shown below:

	<i>(Rs in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
Gross Block Ratio Mining Part / Overall NLC Company (R)	52.21%	36.84%	37.83%	35.29%	31.20%
Spare Consumption for 12 months for Mines portion alone (Sm) = [(Sp)x(R)]	23733	13547	20419	15080	12874
Spare Consumption for 12 months for Standalone Mines (prorated) (Sms) = [(Sm)x( a)] / (a+b)	4611	2928	4073	3252	2990
Spares Consumption for 12 months for Pooled Mines (Pro-rated) (Smp) = [(Sm)x(b)] / (a+b)	19122	10619	16346	11828	9884
Total Working Capital for Standalone Mines – Revised with Sms ( <b>Sr</b> )	14210	12683	15098	15049	15246
Total Working Capital for Pooled Mines - Revised with Smp ( <b>Pr</b> )	45829	40614	52212	49102	44989
Interest on Working Capital allowable in Lignite Transfer Price of Standalone Mines ( <b>IWSM</b> ) = [13.5% of (Sr)]	<b>1918</b>	<b>1712</b>	<b>2038</b>	<b>2032</b>	<b>2058</b>
Interest on Working Capital allowable in Lignite Transfer Price of Pooled Mines ( <b>IWPM</b> ) = [13.5% of (Pr)]	<b>6187</b>	<b>5483</b>	<b>7049</b>	<b>6629</b>	<b>6074</b>
<b>Total interest of working capital allowable [(IWSM) + (IWPM)]</b>	<b>8105</b>	<b>7195</b>	<b>9087</b>	<b>8660</b>	<b>8132</b>

*Note: Barsingsar Mines portion parameters have not been considered*

60. Thus, the interest on working capital allowable during the respective years is restricted to standalone mines and pooled mines for the purpose of truing up of the lignite transfer price.

#### **(H) Interest on Loan:**

61. As regards Interest on loan, the Ministry of Coal guidelines dated 2.1.2015 provide as under:



“(ix) For mines for which price is determined on Gross Block Method, the rate of interest shall be the weighted average rate of interest calculated on the basis of actual portfolio. 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.

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

Normative loan outstanding as on 1.4.2014 shall be worked out by deducting cumulative repayments considered for lignite pricing up to 31.03.2014 from the Gross Normative Loan.

The repayment for each year of the pricing period 2014-19 shall be deemed to be equal to the depreciation allowed for the corresponding year / period. Under Net Fixed Asset method, interest on loan shall be at actuals.”

62. Interest on Loan (mine-wise) as claimed by the Petitioner is as under:

	<i>(Rs. in lakh)</i>				
	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Standalone Mines: Mine-I</b>	18	18	17	16	15
<b>Pooled Mines</b>					
Mine-I (Expansion)	157	150	143	136	130
Mine-IA	7	7	6	6	6
Mine-II	5	5	5	5	4
Mine-II (Expansion)	8479	7871	6828	5805	5220
<b>Total of Pooled Mines</b>	<b>8648</b>	<b>8033</b>	<b>6983</b>	<b>5952</b>	<b>5359</b>

63. In line with the Ministry of Coal guidelines dated 2.1.2015, for Mine-I, Mine-I (Expansion), Mine-IA and Mine-II, being under Net Fixed Assets (NFA) methodology, the actual interest on KfW loan has been considered. For Mine-II (Expansion), interest on loan has been calculated on notional basis, ie, weighted average rate of interest, corresponding to actual loan portfolio has been applied to 70% of average investment. The yearly depreciation worked out has been considered as repayment of loan during the respective years. Accordingly, interest on loan as claimed by the Petitioner above is allowed and considered in the calculation of lignite transfer price.

#### **(I) Return on Equity:**

64. As regards Return on Equity (ROE), the Ministry of Coal guidelines dated 2.1.2015 provide as under:

“(x) Return on equity shall be 15.50% grossed up with Corporate Income Tax rate. The grossing up based on respective year Income Tax rate shall be made on year to year basis. In addition, incentive of 0.5% ROE will be allowed if the new mining project is



*commissioned within the scheduled date. In case, the linked power plant is not commissioned, this Incentive will not be allowed.”*

65. In line with the Ministry of Coal guidelines, the ROE rate of 15.50% has been grossed up with the corporate income tax rate, in order to arrive at the ROE. Accordingly, RoE calculated on revised equity based on allowed additional capitalization is allowed as under:

*(Rs. in lakh)*

	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Standalone Mine: Mine-I</b>	10853	11799	11826	12496	12816
<b>Pooled Mines</b>					
Mine-I (Expansion)	4756	4881	4454	4596	4625
Mine-IA	5316	5382	5442	5376	5200
Mine-II	17247	20723	23352	24032	23447
Mine-II (Expansion)	14723	15487	16064	16480	16787
<b>Total of Pooled Mines</b>	<b>42043</b>	<b>46472</b>	<b>49313</b>	<b>50485</b>	<b>50058</b>

**(J) Foreign Exchange Rate Variation (FERV):**

66. As regards FERV, the Ministry of Coal guidelines dated 2.1.2015 provides the following:

*“ (xi) The extra rupee liability towards interest payment and loan repayment in respect of Foreign currency loan shall be permissible in the year of payment.”*

67. The audited statement furnished by the Petitioner indicates that FERV has been worked out as the difference between the exchange rate as on 31.3.2019 and the exchange rate prevailing as on the actual date of repayment of loan along with interest thereon. This is in line with Ministry of Coal guidelines and is accordingly adopted.

**(K) Statutory payments:**

68. As regards Statutory payments, the Ministry of Coal guidelines dated 2.1.2015 provide as under:

*“(xii) Statutory payments viz., Clean Energy Cess, Royalty, Excise Duty, Electricity consumption tax or any other tax as notified by the Central/State Government shall be charged based on actual.”*

69. The Commission vide its order dated 8.3.2017 in Petition No. 256/GT/2014 had determined the lignite transfer price for the period 2014-19 inclusive of Royalty (6%) but excluding taxes, duties, cess etc. Other statutory payments were directed to be paid at



actuals, in line with Ministry of coal guidelines as quoted above. The Petitioner has, however, claimed lignite transfer price, excluding Royalty of 6%, taxes and duties etc. Accordingly, for a like to like comparison, only the base lignite transfer price has been calculated, exclusive of Royalty, taxes, duties and all other statutory payments.

70. The Respondent TANGEDCO has submitted that the Petitioner may be directed to furnish relevant documentary proof evidencing payment of royalty @ 6% by the Petitioner on the billed price. It has accordingly submitted that the Commission may apply royalty only on the lignite transfer price to be approved in the present petition. The Petitioner has clarified that it has furnished Auditors certificate indicating that royalty @6% is applicable on the base price, but has not provided any other details.

71. We have considered the matter. In our view, all statutory payments applicable on the base lignite transfer price viz., Clean Energy Cess, Royalty, Excise Duty, Electricity Consumption Tax or any other tax as notified by the Central/State Government, which have been paid by the Petitioner, shall be reimbursed by the Respondent beneficiaries, after reconciliation and submission of documentary proof of the payments made.

**(L) Mine Closure expenses:**

72. As regards Mine Closure Expenses, the Ministry of Coal guidelines dated 2.1.2015 provide as under:

*“(xiii) Mine closure expenses are to be allowed as per the annual Mine Closure Cost calculated based on the guideline issued from time to time by MoC in this regard.”*

73. The mine closure expenses, duly audited, as claimed by the Petitioner, is as under:

<i>(Rs. in lakh)</i>					
<b>Year</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Mine-I	812	853	895	940	987
Mine-I (Expansion)	500	524	551	578	607
Mine-IA	200	210	220	231	243
Mine-II	1029	1080	1134	1191	1250
Mine-II (Expansion)	441	463	486	510	536



74. Since mine closure cost, calculated in terms of the Ministry of coal guidelines are allowable, we consider the same in the calculation of lignite transfer price.

**(M) Surcharge / Interest on late payments:**

75. As regards late payments, if any, the Ministry of Coal guidelines dated 2.1.2015 provide as under:

*“(xiv) Since lignite price is claimed from EBs/ Discoms as a part of power tariff, so this is not applicable to them. However, surcharge/interest on late payment beyond due date shall be in line with power industry at the rate of 1.5% per month in all cases of lignite sale for existing and future contracts.”*

76. The Respondent TANGEDCO has submitted that the Petitioner is eligible for surcharge / interest only on belated payments made by the beneficiaries and has accordingly prayed that the Petitioner may be directed not to claim any interest payments, in respect of truing up of the lignite transfer price.

77. The matter has been considered. In terms of the Ministry of Coal guidelines dated 2.1.2015, surcharge/interest payments are applicable only in case the payments made by the Respondent beneficiaries to the Petitioner are beyond the due dates, as mentioned therein.

**Lignite Transfer Price for the period 2014-19**

78. Based on the above discussions and detailed calculations, the lignite transfer price for NLCIL mines (Standalone mines and Pooled mines) for the period 2014-19 is approved as under:

<b>Stand Alone Mines</b>						
<b>Mine-I</b>						
<b>Particulars</b>	<b>UoM</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
100% Capacity	LTs	65.00	65.00	65.00	65.00	65.00
85% Capacity	LTs	55.25	55.25	55.25	55.25	55.25
O&M Cost	Rs. in lakh	70418	69199.00	74951	77423	82398
OB Removal (Outsourcing)	Rs. in lakh	2627	2896.00	5773	10095	6286
<b>Interest</b>						
KFW Loan	Rs. in lakh	18	18.00	17	16	15
Working	Rs. in lakh	1918	1712.00	2038	2032	2058



Capital						
Depreciation & Amortisation	Rs. in lakh	2501	2402.00	2545	3724	3325.09
Mine Closure Expenses	Rs. in lakh	812	853.00	895	940	987
ROE	Rs. in lakh	10853	11799.00	11826	12496	12816.14
Total (before Statutory Payments)	Rs. in lakh	89147.13	88878.48	98044.96	106726.23	107883.65
Base Price	Rs./Tonne	<b>1614</b>	<b>1609</b>	<b>1775</b>	<b>1932</b>	<b>1953</b>

Pooled Mines						
Year: 2014-15	UOM	Mine-I (Expansion)	Mine-IA	Mine-II	Mine-II (Expansion)	Total
100% Capacity	LTs	40.00	30.00	105.00	45.00	220.00
85% Capacity	LTs	34.00	25.50	89.25	38.25	187.00
O&M Cost	Rs. in lakh	41677	4278	88513	37934	172402
O&B Removal	Rs. in lakh	1617	156	-	-	1773
<b>Interest</b>						
On Debt	Rs. in lakh	157	7	5	8,479	8648
Working Capital	Rs. in lakh					6187
Depreciation & Amortisation	Rs. in lakh	4214	1406	5657	10725	22003
Cost of Mine Closure	Rs. in lakh	500	200	1029	441	2169
ROE	Rs. in lakh	4756	5316	17247	14723	42043
Less: Third Party Sale Revenue	Rs. in lakh		43685			43685
Total (before Royalty)	Rs. in lakh	54568	(-) 31124	116972	74240	211403
Base Price	Rs./Tonne					<b>1130</b>

Pooled Mines						
Year: 2015-16	UOM	Mine-I (Expansion)	Mine-IA	Mine-II	Mine-II (Expansion)	Total
100% Capacity	LTs	40.00	30.00	105.00	45.00	220.00
85% Capacity	LTs	34.00	25.50	89.25	38.25	187
O&M Cost	Rs. in lakh	41430	14414	98860	42369	197073
O&B Removal	Rs. in lakh	1782	0	2733	1171	5686
<b>Interest</b>						
On Debt	Rs. in lakh	150	7	5	7871	8033
Working Capital	Rs. in lakh					5483
Depreciation & Amortisation	Rs. in lakh	4193	1688	6977	11300	24158
Cost of Mine Closure	Rs. in lakh	525	210	1080	463	2277
ROE	Rs. in lakh	4881	5382	20723	15487	46472
Less: Third Party Sale Revenue	Rs. in lakh		33601			33601
Total (before Royalty)	Rs. in lakh	54532	(-) 10396	134253	80321	255585
Base Price	Rs./Tonne					<b>1367</b>





Pooled Mines						
Year: 2016-17	UOM	Mine-I (Expansion)	Mine-IA	Mine-II	Mine-II (Expansion)	Total
100% Capacity	LTs	40.00	30.00	105.00	45.00	220.00
85% Capacity	LTs	34.00	25.50	89.25	38.25	187.00
O&M Cost	Rs. in lakh	46110	22364	111540	47804	227819
O&B Removal	Rs. in lakh	3553	-	5605	2402	11560
<b>Interest</b>						
On Debt	Rs. in lakh	143	6	5	6828	6983
Working Capital	Rs. in lakh	-	-	-	-	7049
Depreciation & Amortisation	Rs. in lakh	4273	1053	8479	11385	25189
Cost of Mine Closure	Rs. in lakh	551	220	1134	486	2391
ROE	Rs. in lakh	4454	5442	23352	16064	49313
Less: Third Party Sale Revenue	Rs. in lakh	-	25861	-	-	25861
Total (before Royalty)	Rs. in lakh	60792	4921	154734	86948	304440
Base Price	Rs./Tonne					<b>1628</b>

Pooled Mines						
Year: 2017-18	UOM	Mine-I (Expansion)	Mine-IA	Mine-II	Mine-II (Expansion)	Total
100% Capacity	LTs	40.00	30.00	105.00	45.00	220.00
85% Capacity	LTs	34.00	25.50	89.25	38.25	187.00
O&M Cost	Rs. in lakh	47624	19676	113141	48488	228930
O&B Removal	Rs. in lakh	6212	0	5277	2262	13751
<b>Interest</b>						
On Debt	Rs. in lakh	136	6	5	5,805	5952
Working Capital	Rs. in lakh					6629
Depreciation & Amortisation	Rs. in lakh	3548	2352	12840	11958	30697
Cost of Mine Closure	Rs. in lakh	578	231	1191	510	2511
ROE %	Rs. in lakh	4596	5376	24032	16480	50485
Less: Third Party Sale Revenue	Rs. in lakh	-	31571	-	-	31571
Total (before Royalty)	Rs. in lakh	64350	(-) 2611	160718	87317	307386
Base Price	Rs./Tonne					<b>1644</b>

Pooled Mines						
Year: 2018-19	UOM	Mine-I (Expansion)	Mine-IA	Mine-II	Mine-II (Expansion)	Total
100% Capacity	LTs	40.00	30.00	105.00	45.00	220.00
85% Capacity	LTs	34.00	25.50	89.25	38.25	187.00
O&M Cost	Rs. in lakh	50646	(-) 1397	118360	50726	218334
O&B Removal	Rs. in lakh	3868	(-) 160	3248	0	6956
<b>Interest</b>						
On Debt	Rs. in lakh	130	6	4	5220	5359
Working Capital	Rs. in lakh					6074
Depreciation & Amortisation	Rs. in lakh	3752	1828	7707	11186	24474



Pooled Mines						
Year: 2018-19	UOM	Mine-I (Expansion)	Mine-IA	Mine-II	Mine-II (Expansion)	Total
Cost of Mine Closure	Rs. in lakh	607	243	1250	536	2636
ROE %	Rs. in lakh	4625	5200	23447	16787	50058
Less: Third Party Sale Revenue		-	53670	-	-	53670
Total (before Royalty)	Rs. in lakh	65345	(-) 47002	158097	86204	260218
Base Price	Rs./Tonne	-	-	-	-	<b>1392</b>

### **Lower lignite Transfer Price for Merit Order Dispatch**

79. The learned counsel for the Respondent TANGEDCO during the hearing on 18.8.2021 submitted that the purpose of applying a lower lignite transfer price by the Petitioner (i.e lesser than those determined by the Commission vide order dated 8.3.2017 in Petition No. 256/GT/2014) for the years 2017-18 and 2018-19 for ECR billing, but claiming a higher lignite transfer price in the present petition was only to get the Petitioner itself accommodate at a higher slot in the 'merit order dispatch' and consequently become eligible for higher dispatch of energy. The learned Senior counsel for the Petitioner strongly objected to the contentions submitted by TANGEDCO.

80. The Commission after hearing the parties, vide ROP of the hearing dated 18.8.2021, directed the Petitioner and the Respondent TANGEDCO to file additional information as under:

*"5. The Commission observed that the submissions of Respondent TANGEDCO indicate that only the ranking of the Petitioner in the merit order changes and does not show that the Petitioner comes into the merit order, which it would not have otherwise, on account of change in the Lignite Transfer Price conveyed earlier (used for merit order despatch) vis-a-vis claimed in the present truing-up petition. The Commission, therefore, directed the Petitioner and Respondent, TANGEDCO to file the actual impact on dispatch of energy from the generating stations of the Petitioner on account of change in the merit order position and despatch, due to change in such Lignite Transfer Price."*

81. In compliance to the above direction, the Petitioner and the Respondent TANGEDCO have filed the additional information. The data furnished by Respondent



TANGEDCO vide its affidavit dated 2.9.2021 in respect of the generating stations of the Petitioner, namely, TPS-I(Expansion), TPS-II and TP-II(Expansion) for the period 2017-19 is tabulated below:

<b>TPS-I (Expansion)</b> Month/Year	Energy charge as per offered price of NLC (Rs./Kwhr)	Merit Order Ranking	Energy charge as per CERC order dated 8.3.2017 (Rs./Kwhr)	Merit Order Ranking	Energy charge as per the truing up Petition (Rs./Kwhr)	Merit Order Ranking
<b>2017-18</b>						
April-17	3.100	35	3.538	41	3.126	36
May-17	3.090	32	3.498	36	3.091	33
June-17	3.010	30	3.494	38	3.087	32
July-17	2.520	22	3.005	33	2.597	24
August-17	2.510	21	3.066	34	2.653	23
Sept-17	2.570	23	3.038	33	2.625	26
Oct-17	2.570	23	3.042	33	2.629	26
Nov-17	2.540	21	3.064	31	2.648	22
Dec-17	2.720	22	3.026	29	2.615	19
Jan-18	2.740	23	3.029	31	2.617	21
Feb-18	2.710	23	3.039	31	2.626	21
March-18	2.710	24	3.043	31	2.630	21
<b>2018-19</b>						
April-18	2.720	24	3.352	35	2.640	22
May-18	2.590	21	3.351	34	2.641	23
June-18	2.350	21	3.347	34	2.639	25
July-18	2.350	20	3.342	35	2.636	24
August-18	2.350	15	3.354	37	2.645	24
Sept-18	2.350	15	3.346	38	2.641	24
Oct-18	2.360	17	3.350	36	2.644	24
Nov-18	2.350	14	3.367	32	2.658	24
<b>Dec-18</b>	<b>2.360</b>	<b>11</b>	<b>3.361</b>	<b>33</b>	<b>2.652</b>	<b>24</b>
Jan-19	2.370	13	3.362	33	2.653	24
Feb-19	2.360	11	3.358	31	2.650	20
March-19	2.360	12	3.353	31	2.647	20

<b>TPS-II</b>	Energy charge as per offered price of NLC (Rs./Kwhr)	Merit Order Ranking	Energy charge as per CERC order dated 8.3.2017 (Rs./Kwhr)	Merit Order Ranking	Energy charge as per the truing up Petition (Rs./Kwhr)	Merit Order Ranking
<b>2017-18</b>						
April-17	3.273	36	3.746	42	3.309	38
May-17	3.270	33	3.804	39	3.360	35
June-17	3.270	33	3.817	39	3.370	36
July-17	2.760	29	3.291	35	2.843	31
August-17	2.750	28	3.277	36	2.830	30
Sept-17	2.740	30	3.280	36	2.834	33
Oct-17	2.740	30	3.287	36	2.840	33



Nov-17	2.740	24	3.331	33	2.878	28
Dec-17	2.940	27	3.314	34	2.863	25
Jan-18	2.980	28	3.270	36	2.826	26
Feb-18	2.960	28	3.278	33	2.833	26
March-18	2.92	27	3.318	32	2.867	26
<b>2018-19</b>						
April-18	2.930	27	3.584	36	2.823	27
May-18	2.810	26	3.607	35	2.842	28
<b>June-18</b>	<b>2.510</b>	<b>23</b>	<b>3.620</b>	<b>37</b>	<b>2.853</b>	<b>29</b>
July-18	2.530	22	3.615	36	2.851	28
August-18	2.540	22	3.630	39	2.863	29
Sept-18	2.540	22	3.626	39	2.861	27
Oct-18	2.550	21	3.628	39	2.863	26
Nov-18	2.550	22	3.676	37	2.902	25
Dec-18	2.550	19	3.633	39	2.869	25
Jan-19	2.590	20	3.617	37	2.856	25
Feb-19	2.560	17	3.620	37	2.858	22
March-19	2.550	15	3.631	35	2.866	22

<b>TPS-II (Expansion)</b>	Energy charge as per offered price of NLC (Rs./Kwhr)	Merit Order Ranking	Energy charge as per CERC order dated 8.3.2017 (Rs./Kwhr)	Merit Order Ranking	Energy charge as per the truing up Petition (Rs./Kwhr)	Merit Order Ranking
<b>2017-18</b>						
April-17	2.970	29	3.450	40	3.057	32
May-17	2.970	28	3.452	36	3.059	32
June-17	2.970	28	3.436	37	3.044	32
July-17	2.510	21	2.980	32	2.587	24
August-17	2.510	20	2.995	34	2.600	23
Sept-17	2.520	22	2.983	33	2.590	24
Oct-17	2.520	22	3.005	33	2.609	24
Nov-17	2.510	20	3.010	29	2.613	22
Dec-17	2.700	20	3.022	29	2.624	20
Jan-18	2.700	21	3.014	31	2.617	21
Feb-18	2.710	23	3.017	31	2.619	21
March-18	2.700	23	2.979	30	2.586	21
<b>2018-19</b>						
April-18	2.710	23	3.322	35	2.638	22
May-18	2.590	22	3.316	33	2.632	23
June-18	2.360	22	3.329	34	2.644	25
July-18	2.350	21	3.311	34	2.629	24
August-18	2.360	16	3.313	36	2.632	24
Sept-18	2.350	16	3.263	35	2.593	24
Oct-18	2.350	16	3.265	32	2.595	24
Nov-18	2.360	15	3.330	32	2.647	24
Dec-18	2.360	13	3.327	33	2.643	24
<b>Jan-19</b>	<b>2.370</b>	<b>12</b>	<b>3.325</b>	<b>32</b>	<b>2.642</b>	<b>22</b>
Feb-19	2.360	12	3.325	31	2.642	20
March-19	2.360	11	3.325	31	2.642	20



82. The Respondent TANGEDCO has referred to the months of June, 2018, December, 2018 and January, 2019 and has calculated the monthly aggregated cost impact as Rs.6,83,46,809/-, Rs.4,16,13,866/- and Rs.3,21,34,277/- respectively for the said three months on the Respondent. This is on the presumption that, had the Petitioner not considered lower offer/billed lignite transfer price, the same would have been scheduled by other stations (falling in between the Tamil Nadu merit order rank of NLCIL stations) and is calculated based on the difference of the billed lignite transfer price and the lignite transfer price claimed in the present petition, for the said three months. The Respondent TANGEDCO has also furnished the backing down impact on the generating stations of the Petitioner, namely, NCTPS-I, NCTPS-II and TTPS for the months of July, 2018, June, 2018 and January, 2019 months (on monthly basis), due to change in lignite transfer price.

83. The Petitioner vide its affidavit dated 2.9.2021 has submitted that the Respondent TANGEDCO's comparison of 'merit order' with the variable charges approved by the Commission in its order dated 8.3.2017 in Petition No.256/GT/2014 is misconceived and has no merits. The Petitioner has also submitted that comparison has to be made only with regard to the variable charges at which availability declaration was made by the Petitioner and the variable charges claimed in the present petition. The Petitioner has furnished the merit order details maintained by SLDC-Tamil Nadu for 2018-19 and has further submitted that:

- (a) Comparison of billed lignite transfer price and the lignite transfer price claimed for 2017-18 for TPS-I(Expansion), TPS-II and TPS-II(Expansion) show no significant variation or difference and is sometimes lesser as claimed in the present petition.
- (b) The Respondent TANGEDCO has not disclosed that it has been purchasing substantial quantum of power from other generators, including procurement from State generating companies, which are below the rank of the aforesaid three generating stations of the Petitioner, even considering the lignite transfer price, as claimed in the present petition.



- (c) NLCIL generating stations are eligible for technical minimum 65% of declared quantity. During peak hours, most of the thermal stations get full schedules from distribution companies. In such a scenario, NLCIL Thermal Power Stations are able to achieve 80% scheduling regularly. Hence, there will not be much variation in the actual scheduled energy, due a possible marginal improvement in Merit Order Ranking.
- (d) There is difference in the lignite transfer price up to a maximum of Rs.235 per ton for the periods (May 2018- Feb 2019), on account of non-executive wage revision, which is a bonafide reason and not on account of any attempt on the part of NLCIL to deliberately claim lower lignite transfer price for the purposes of billing and get higher merit order rank. Such variation in the variable charge forming part of the consideration of merit order occurs in all generating stations from time to time and therefore cannot be a basis for relook at the merit order, on a retrospective basis, in the absence of any deliberate act of the generating companies.
- (e) The Respondent TANGEDCO has not furnished any calculation simulating the likely lower scheduling of energy due to lower merit order ranking of NLCIL stations, considering peak hour requirements of the day and technical minimum of the NLCIL stations and TANGEDCO stations.

84. We have considered the submissions of the parties and documents on record. Though the Respondent TANGEDCO has furnished the backing down impact on the generating stations of the Petitioner, namely, NCTPS-I, NCTPS-II and TTPS for the months of July, 2018, June, 2018 and January, 2019 months, due to change in lignite transfer price, it has not, on the strength of it, been able to demonstrate that the Petitioner NLCIL had deliberately and willfully claimed lower lignite transfer price for the purposes of billing to get higher merit order rank. Further, from the tables under paragraph 81, it can be inferred that there is no significant variations in merit order ranks if compared on the basis of Energy charge as per offered price of NLC and Energy charge as per the present truing up petition. In addition, the claim of the Petitioner in the present truing up petition for lignite transfer price is lower than the billed lignite transfer price for the period 2014-19.

85. The lignite transfer price allowed in this order (table under paragraph 78 above) is lower than the lignite transfer price approved vide order dated 8.3.2017 in Petition No.



256/GT/2014 and the lignite transfer price claimed by the Petitioner in this petition, mainly due to the following factors:

- (a) Normative CUF has been considered in this order against Lower CUF considered by the Petitioner at actual production levels;
- (b) Additional capitalization of assets beyond the scope of Ministry of Coal guidelines dated 2.1.2015 not being allowed in this order, which had been considered by the Petitioner;
- (c) Revenue from Outside sales/Third Party sales from Mine-IA being adjusted in this order;
- (d) Increase in O&M expenses beyond the escalation rate of 11.5% as per the guidelines dated 2.1.2015 of the Ministry of Coal not being allowed in this order against the actual increase in O&M considered by the Petitioner;
- (e) Only Spares consumption for purpose of interest on working capital considered in this order against Stores and Spares consumption considered by Petitioner;
- (f) There is consequential revision in Return on Equity due to corrections as carried out as listed above.

### **Summary**

86. The base lignite transfer price, excluding all royalties, cess, taxes and duties (after truing-up), based on the Ministry of Coal guidelines dated 2.1.2015 approved for the period 2014-19 in comparison to the (i) base lignite transfer price approved vide order dated 8.3.2017 in Petition No.256/GT/2014 and (ii) base lignite transfer price claimed by the Petitioner is summarized as under:

<i>(Rs./tonne)</i>									
<b>Base Lignite Transfer Price (excluding Royalties, Cess, Taxes and Duties)</b>									
	Base Lignite Transfer Price approved vide order dated 8.3.2017 in Petition No. 256/GT/2014		Base Lignite Transfer Price billed to the beneficiaries by the Petitioner			Base Lignite Transfer Price claimed in the present petition by the Petitioner		Base Lignite Transfer Price approved in this order	
	Standalone	Pooled	Standalone	Pooled		Standalone	Pooled	Standalone	Pooled
<b>2014-15</b>	1679	1711		1679	1711	1642	1701	1614	1130
<b>2015-16</b>	1959	1949		1959	1949	1636	1780	1609	1367
<b>2016-17</b>	2181	2197	Up to DEC	1949	1949	1804	2012	1775	1628
			Rest of FY	2050	2050				
<b>2017-18</b>	2431	2412	Up to Oct	2050	2050	2151	2077	1932	1644
			Rest of FY	2150	2150				
<b>2018-19</b>	2715	2661	April	2050	2050	2404	2085	1953	1392
			Up to Feb	1850	1850				
			March	1950	1950				



87. In terms of the Commission's common order dated 13.11.2021 in Petition Nos.452/MP/2019 and Petition No. 173/MP/2020, the Petitioner, is directed to file the petition for determination of input price of lignite in respect of Neyveli Mines for the period 2019-24, within a period of two months from the date of this order.

88. Petition No. 452/MP/2019 is disposed of in terms of the above.

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

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

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

**Sd/-**  
**(P.K. Pujari)**  
**Chairperson**

